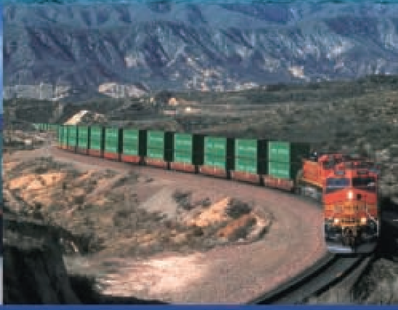
China Shipping Container Lines Company Limited
中海集裝箱運輸股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code : 2866



Annual Report **2007**

Company Profile

China Shipping Container Lines Company Limited ("CSCL" or the "Company") is a specialized corporation affiliated to China Shipping (Group) Company ("China Shipping") involved in container liner services and other relative services including vessel chartering, cargo canvassing and booking, customs clearance, storage, container construction, repair and sales and other related domains. CSCL was established in Shanghai in 1997, converted into a joint stock limited company on 3 March, 2004 and successfully listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 June, 2004. On 12 December, 2007, CSCL listed its A shares on Shanghai Stock Exchange. CSCL has emerged as a major global player during the ten years. It is currently ranked as the sixth largest container shipping company in the world in terms of operating capacity.

CSCL has a young and modern fleet, which as at 31 December, 2007 comprised of 151 vessels with a total operating capacity of 446,000TEU. CSCL has inaugurated over 70 international major trade lanes and feeders including the America, Europe, Mediterranean, Africa and Australia routes. CSCL has over 300 agency points which are located at the main trade areas in the world. With its superior capability, CSCL is a dominant player in the domestic container shipping market in China.

CSCL is stepping steadily towards the target of getting stronger and bigger, with the ultimate target to become a world-class shipping company. During the 10 years of development, CSCL has continuously followed its principle of unifying development and management to enhance efficiency and return. In addition, CSCL is committed to contributing to society and building its credibility among customers. Its advanced equipment, high technology and good management will surely lead it to a bright future, to achieve its target of being one of the leading liner shipping companies in the world.

Contents

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Li Shaode *(Chairman)*
Mr. Zhang Guofa *(Vice Chairman)*
Mr. Huang Xiaowen
Mr. Zhao Hongzhou

NON-EXECUTIVE DIRECTORS

Mr. Ma Zehua *(Vice Chairman)*
Mr. Zhang Jianhua
Mr. Lin Jianqing
Mr. Wang Daxiong
Mr. Xu Hui
Mr. Yao Zuozhi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Hanxiang
Mr. Wang Zongxi
Mr. Shen Kangchen
Mr. Jim Poon (also known an Pan Zhanyuan)
Mr. Shen Zhongying

SUPERVISORS

Mr. Chen Decheng
Mr. Tu Shiming
Mr. Yao Guojian
Mr. Wang Xiuping
Mr. Hua Min
Ms. Pan Yingli

REMUNERATION COMMITTEE

Mr. Shen Kangchen *(Chairman)*
Mr. Zhang Jianhua
Mr. Wang Zongxi

SHARE APPRECIATION RIGHTS COMMITTEE

Mr. Zhang Jianhua *(Chairman)*

COMPANY SECRETARY

Mr. Ye Yumang

AUDIT COMMITTEE

Mr. Wang Zongxi *(Chairman)*
Mr. Shen Kangchen
Mr. Wang Daxiong

QUALIFIED ACCOUNTANT

Mr. Zhao Xiaoming

AUTHORISED REPRESENTATIVES

Mr. Li Shaode
Mr. Huang Xiaowen

LEGAL ADDRESS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

27th Floor
450 Fu Shan Road
Pudong New District
Shanghai
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 69
The Center
99 Queen's Road Central
Hong Kong

INTERNATIONAL AUDITOR

PricewaterhouseCoopers

DOMESTIC AUDITOR

BDO Shanghai Zhonghua

Corporate Information

LEGAL ADVISERS TO THE COMPANY

Baker & McKenzie
(as to Hong Kong and United States Law)
Jingtian & Gongcheng, Beijing
(as to PRC law)

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China
Industrial and Commerce Bank of China
Citibank
China Merchants Bank

TELEPHONE NUMBER

86 (21) 6596 6105

FAX NUMBER

86 (21) 6596 6813

COMPANY WEBSITE

www.cscl.com.cn

H SHARE LISTING PLACE

Main Board of The Stock Exchange of Hong Kong Limited

LISTING DATE

16 June, 2004

NUMBER OF H SHARES IN ISSUE

3,751,000,000 H Shares

BOARD LOT

1,000 shares

HONG KONG STOCK EXCHANGE STOCK CODE

2866

A SHARE LISTING PLACE

Shanghai Stock Exchange

LISTING DATE

12 December, 2007

NUMBER OF A SHARES IN ISSUE

2,336,625,000 A Shares

BOARD LOT

100 shares

SHANGHAI STOCK EXCHANGE STOCK CODE

601866

* The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name and the English name "China Shipping Container Lines Company Limited".

Financial Highlights

COMPARISON OF 2006 AND 2007 KEY FINANCIAL FIGURES

CONSOLIDATED RESULTS

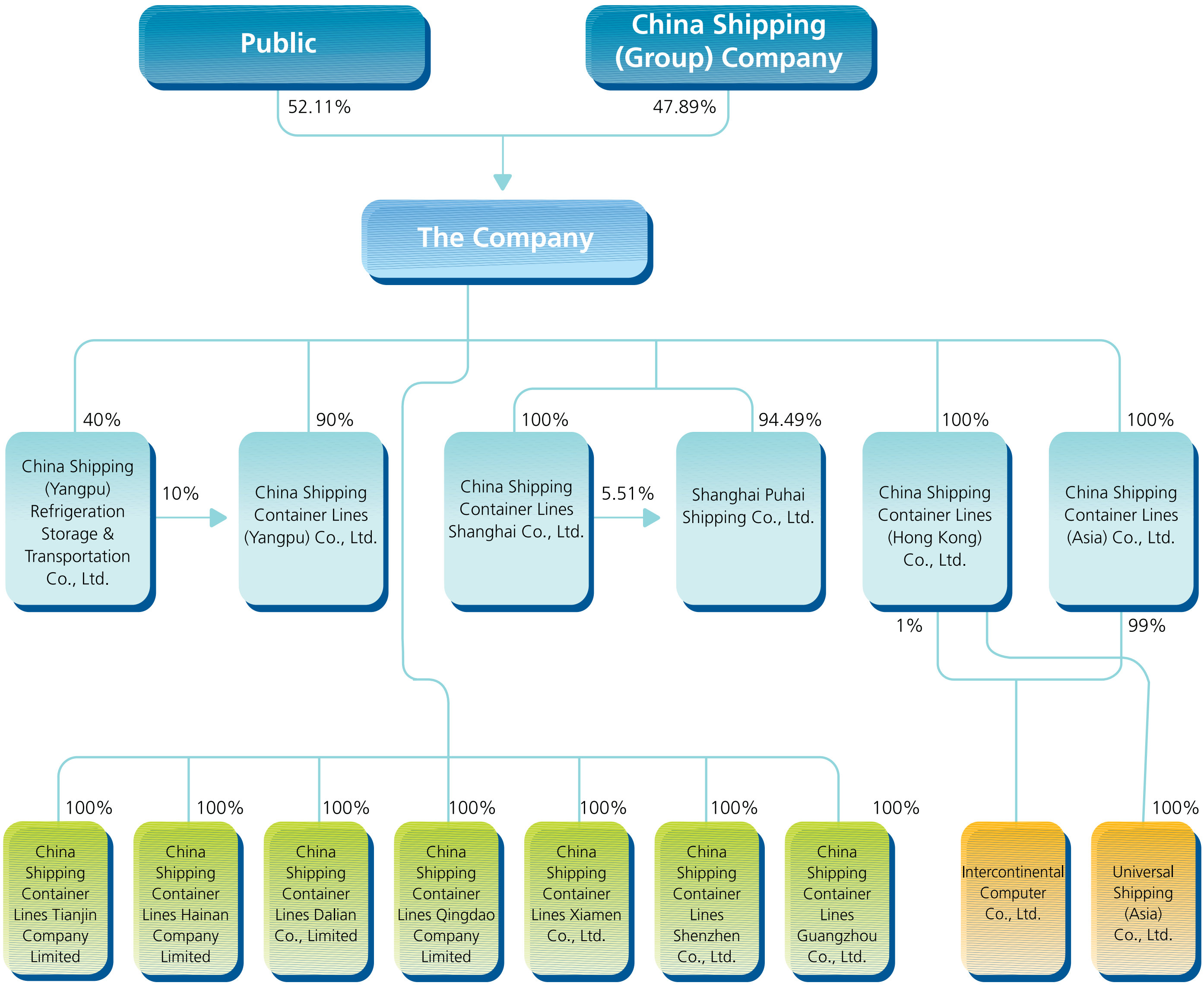
For the year ended 31 December	2007	2006	Change
	RMB'000	RMB'000	(%)
Revenue	**38,825,620**	30,502,378	27.3
Operating profit	**4,296,016**	1,670,031	157.2
Profit before income tax	**3,806,101**	1,142,561	233.1
Profit for the year attributable to equity holders of the Company	**3,215,417**	859,210	274.2
Basic earnings per share	**RMB0.34**	RMB0.09	277.8
Gross profit margin	**12.3%**	6.9%	5.4
Profit before income tax margin	**9.8%**	3.7%	6.1
Gearing ratio	**-21.3%**	46.0%	-67.3

CONSOLIDATED ASSETS AND LIABILITIES

As at 31 December	2007	2006	Change
	RMB'000	RMB'000	(%)
Total assets	**47,534,800**	30,744,056	54.6
Non-current assets	**26,112,493**	23,604,392	10.6
Current assets	**21,422,307**	7,139,664	200.0
Total liabilities	**14,591,557**	14,167,851	3.0
Current liabilities	**6,648,581**	4,593,201	44.7
Net current assets	**14,773,726**	2,546,463	480.2
Net assets	**32,943,243**	16,576,206	98.7

Shareholding Structure

The following chart shows the simplified corporate and shareholding structure of the Company and its principal subsidiaries:



Brief particulars of the subsidiaries, associated company and jointly controlled entity of the Company are contained in note 40 to the financial statements.

2007 Major Events

1. On Jan. 17, a signing ceremony with Shanghai Haitong International Automotive Logistics Co., Ltd. was held. The parties have reached a consensus on the cooperation of domestic automotive parts transport project in northern China.

2. On Jan. 19, a "strategic cooperation framework agreement" memorandum with China Sinotrans (Guangdong) Co., Ltd. was signed.

3. On Feb. 2, the Sea-Rail Intermodal Contract Signing Ceremony with Shanghai Railway Container Terminal Development Co., Ltd., i.e. the First Launch Ceremony of Two-Way Train from Luchao Port Station to West Hefei Station, was held in Luchao Port.

4. On Feb. 5, the first meeting of the board of directors of 8 domestic regional companies for year 2007 was held in Shanghai Everbright Convention/Exhibition Center International Hotel.

5. On Feb. 6, naming and delivery ceremony of 9,600 TEU container vessel "Xin Hong Kong" was held at shipyard of Samsung Heavy Industries. On the same day, the ship was put into operation in European Line.

6. On Feb. 9-10, China Shipping Global Agency Meeting for year 2007 was held in Sanya City in Hainan Province. More than 230 delegates attended the meeting from companies controlled by, representative offices of, agency companies wholly owned by or agency companies which are joint venture of China Shipping and agencies in 87 countries and regions.

7. On Feb. 13, China Shipping Working Conference was held. Mr. Li Shaode, President of China Shipping and Vice President Mr. Zhang Guofa were invited to the conference. The conference also planned the work of CSCL for year 2007.

2007 Major Events

8. On Mar. 9, the "Hefei-Shanghai Sea-Rail Intermodal Train Promotion Conference" hosted by CSCL, Shanghai Railway Container Terminal Development Co., Ltd. and He Jiu Railway Co., Ltd, was held at Foreign Merchants Club in He Fei Economic Development Zone, Anhui province.

9. From Mar. 13 to Jun. 20, the activity of "Safety for Hundred Days" was conducted. The theme was: vessel's safety, personnel's health, environment's cleanliness and development's harmony.

10. On Mar. 29, the signing ceremony of a letter of intent regarding building four to six 2500-3000TEU container vessels between CSCL and China Shipping Industry Co., Ltd. was held at China Shipping Industry Co., Ltd.'s headquarter.

11. On Apr. 4, CSCL and other 11 shipping companies won the honor awarded by Long Beach City for their efforts in improving environment protection, and the award ceremony was held at port administration house of Port Office of Long Beach City of the United States.

12. On Apr. 10, the 25th meeting of the first session of the board of directors of CSCL and the first extraordinary general meeting for year 2007 were held at No.450 Fushan Road, Pudong New District, Shanghai.

13. On Apr. 18, the Nanchang-Shanghai Yangshan International Container Sea-Rail Intermodal First Launch Ceremony hosted by CSCL, Shanghai Railway Container Terminal Development Co., Ltd. and Nanchang Railway Bureau was held in North Nanchang Station.

14. On Apr. 19, another 9600TEU container vessel "Xin Beijing" ordered by CSCL was delivered in the shipyard of Samsung Heavy Industries. Grand naming ceremony was held.

15. On Apr. 24, the 26th meeting of the first session of the board of directors of CSCL was held at No.450 Fushan Road, Pudong New District, Shanghai.

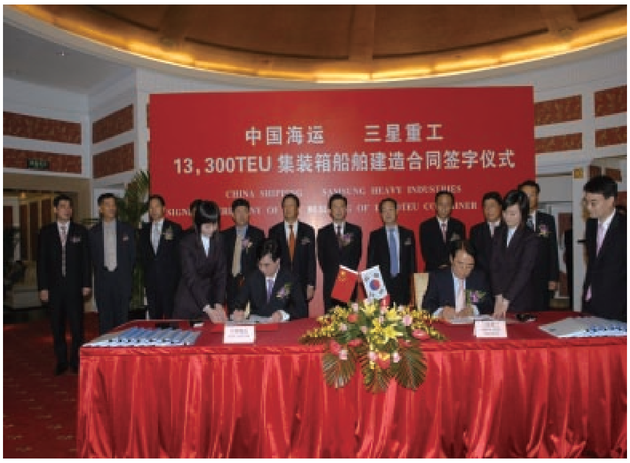
2007 Major Events

16. CSCL received the prestigious award of Shipping Line of the Year and the Customer Service Regional Awards for Far East Route & North America Route by British authoritative publication, Lloyd's Loading List. The winning of the three awards above by CSCL was announced at the awards ceremony which took place on 27 April, 2007. CSCL became the first company which has won three awards in Lloyd's Loading List's history, and the attendees were deeply impressed by this.

17. On Jun. 26, the general meeting for year 2006 and the first meeting of the second session of the board of directors and the second supervisory committee of CSCL were held at No.450 Fushan Road, Pudong New District, Shanghai.

18. From Jul. 13 to 15, CSCL held the Mid-Year Working Conference of 2007.

19. On Jul. 24, CSCL Asia, a container vessel with a capacity of 8500TEU, made its voyage to Dubai Port. CSCL Asia is a container vessel with the largest volume of loaded cargoes deployed in the Far East/Mid East trade lane so far.



20. On Aug. 8, CSCL second meeting of the second session of the board was held in the first meeting room on the 3rd floor at No.450 Fushan Road, Pudong New District.

21. In the evening of Aug. 8, signing ceremony of eight 13,300TEU super container vessels' construction contracts was held between CSCL and Samsung Heavy Industry at Shanghai Pudong International Convention Center. The eight 13,300TEU super container vessels possess the biggest loading spaces and most advanced technology and equipment in the world.

2007 Major Events

22. In the afternoon of Sept. 8, container vessel "Xin Asia" was delivered at Shanghai Hudong-Zhonghua Shipbuilding Co., Ltd. and put into operation of CSCL AAC line (Far East/West America). It is the biggest self-designed and built container vessel which hangs China's flag.

23. On Sept. 29, the CSCL second extraordinary general meeting of 2007, domestic shareholders class meeting of 2007, foreign shareholders class meeting of 2007 and the third meeting of the second session of the board of directors was held at the first meeting room on the 3rd floor, at No.450 Fushan Road, Pudong New District.

24. On Oct. 9, the ceremony for the maiden voyage of 8530TEU container vessel "Xin Asia" to Lian Yungang and the launch of international train from Lian Yungang to Moscow was held in Lian Yungang by CSCL, city government of Lian Yungang and China Railway Container Transport Co., Ltd..

25. On Oct. 11, the first liner ship "Xin Shantou", which operates in (ABX) route (Far East to Black Sea), successfully arrived at CSCT terminal of Constanza of Romania. ABX serves as a new bridge for the trade cooperation between China and Romania.

26. On Nov. 23, the naming and delivery ceremony of 8530TEU container vessel "Xin Europe" was held at the shipyard of Shanghai Hudong Zhonghua Shipbuilding Co., Ltd.

27. At 9:30 on Dec. 12, CSCL (601866) successfully listed it's A shares on the Shanghai Stock Exchange, marking a great success of CSCL's return to the A share market.

28. On Dec. 30, the incorporation ceremony of "Yingkou New Century Terminal Co., Ltd.", a joint venture between CSCL and Yingkou Port Group Company, was held in Bayuquan Area of Yingkou port.


URDGATE
NELCON
新浦东
XIN PU DONG

Chairman's Statement


China Shipping Container Lines Company Limited's Chairman Li Shaode

In 2007, apart from the subprime mortgage crisis in the U.S., the other regions of the world continued to enjoy a prosperous economy, thereby contributing to the continuous growth of the entire container transportation industry.

The Company and its subsidiaries ("the Group") by capturing business opportunities created by the thriving growth of the regional market, continuing the Group's refined management and marketing strategy launched in the second half of 2006, as well as making continuous internal structural adjustment and flexible resource allocation, has achieved remarkable growth in its results as compared with 2006.

I am pleased to announce that for the year ended 31 December, 2007, the revenue of the Group was RMB38,825,620,000, increased 27.3% as compared with last year. Profit attributable to equity holders of the Group was RMB3,215,417,000, increased 274.2% as compared with last year.

The board of directors ("the Board") recommends the payment of a final dividend of RMB0.04 per share. For reference purposes, the audited distributable profits of the Group as at 30 June, 2007 in the amount of RMB4,866,150,000 was distributed to the Shareholders of the Company, part of the distributable profits, amounting to approximately RMB3,316,500,000 was distributed as bonus issue on the basis of 5.5 bonus shares for every 10 shares. The remaining distributable profits, amounting to RMB1,549,650,000 was distributed in the form of cash dividend.

OPERATION REVIEW

Since the change of operation concept, implementation of refined management and various measures by the Group, there has been apparent positive results. In 2007, the Group continued to implement such strategies and enjoyed efficient cost control and better flexibility in resource allocation.

Firstly, the Group continued to optimize the fleet structure and to expand its fleet size. As at 31 December, 2007, the shipping capacity of the Group had reached 446,037 TEU, among which large container vessels, each with a capacity of not less than 4,000 TEU, accounted for 82.0% of its total shipping capacity. In August 2007, the Group placed an order with Samsung Heavy Industries Company Limited (韓國三星造船廠) for eight large container vessels, each with a capacity of 13,300TEU. It is expected that the vessels will be delivered to the Group between 2010 and 2012. At that time, the Group's core competitiveness will be further enhanced.

Chairman's Statement

Secondly, the Group adjusted the proportion of shipping capacity allocated to certain trade lanes in response to market demands, which not only further optimized its routes, but also improved the profit of its routes.

Thirdly, the Group timely entered into the emerging markets according to the characteristics and changes of the regional markets, and expanded its service scope as a global shipper through various forms of cooperation and launching of new routes.

Fourthly, the Group continued to enhance its strengths in domestic trade market. The Group reduced its transshipment cost, enhanced its capacity efficiency and space utilization rate by increasing domestic shipping capacity, leveraging on its competitiveness through utilizing the same team of vessels for both domestic and international markets.

Regarding cost control, positive results had been achieved through cost control measures over container management, transshipment and fuel oil. In 2007, cost of services increased only 20%, which was lower than the 27.3% increase in revenue.

In addition, the Group captured the golden opportunity in the domestic capital market and successfully listed its A shares in the People's Republic of China (the "PRC"), which provided strong support for the sustainable development of the Group. The net proceeds from the A share issue was approximately RMB15,221,864,000, it is intended that the net proceeds from the A share issue will be used for various purposes, including the construction of container vessels and acquisition of assets related to container shipping business owned by China Shipping.

FUTURE PROSPECT

In 2008, there are still numerous uncertainties such as the U.S. economy, Asian-Pacific regional trade market and fuel price trends. In addition, the continuous increase of shipping capacity in the global shipping market will continue to bring operational pressure to each liner shipping company. However, the Group remains cautiously optimistic about the container shipping market in 2008.

Chairman's Statement

The Group plans to continue its implementation of various measures and strategies, and fully utilize its resource advantage by taking advantage of the characteristics of its size and brand name.

the Group remains cautious about the container shipping market in 2007.

Firstly, the Group will continue to strengthen its trade lanes brand building, to implement the quality trade lanes service concept in all its trade lanes, and to build up reputable brand name in the market.

Secondly, the Group will continue to expand the areas of cooperation, enhance its resource integration ability, enlarge its coverage of trade lanes, and seek new profit engine.

Thirdly, the Group will continue to increase investment and reinforce its competitive edge in the domestic trade market.

Fourthly, the Group will continue to devote itself in improving the current transportation imbalance, strengthening the solicitation of backhaul cargo and enlarging the proportion of long-term customers.

Fifthly, the Group will complete integration of the relevant container transportation businesses as soon as practicable, including but not limited to the production chain such as terminals, logistics and containers building businesses, in order to fully maximise the synergy and overall competitive edge of the Group.

In addition, the Group will continue to strengthen its cost control and talent development, improve information technology systems, and promote its service concept, etc., which are always the core emphasis of the Group.

The year 2008 is a year full of challenges and opportunities. With the dedication of its staff and the support of its shareholders, the Group is fully confident of bringing another year of success for the Group. We will also use our best efforts to create value for our shareholders in order to thank them for their continuous support.

By Order of the Board of Directors

China Shipping Container Lines Company Limited
Li Shaode
Chairman

1 April, 2007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Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 December, 2007, the Group recorded a revenue of RMB38,825,620,000, representing an increase of 27.3% as compared to the previous year; profit before income tax was RMB3,806,101,000, representing an increase of 233.1% as compared to the last year; profit attributable to equity holders amounted to RMB3,215,417,000, representing an increase of 274.2% as compared to the last year; loaded cargo volume for the whole year amounted to 7,298,827 TEU, representing an increase of 29.0% as compared to the last year. For the year ended 31 December, 2007, the average freight rate per TEU of the Group amounted to RMB5,299, maintain at the same level as compared to the previous year. For the year ended 31 December, 2007, the Group intensified soliciting backhaul cargo, which resulted in increase in volume, loading rate and volume of loaded cargoes for domestic trade. In addition, as the freight rate of the backhaul cargo and the domestic trade market were relatively low, the average freight rate were on the whole decreased.

As at 31 December, 2007, the total shipping capacity of the Group reached 446,037 TEU. The shipping capacity at the end of this year increased 11.8% as compared to the last year.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by RMB8,323,242,000 or 27.3% from RMB30,502,378,000 for the year ended 31 December, 2006 to RMB38,825,620,000 for the year ended 31 December, 2007. The increase in revenue was primarily due to:

- *Increased volume of loaded cargoes*

  The volume of loaded cargoes for the year ended 31 December, 2007 amounted to 7,298,827 TEU, representing an increase of 29.0% as compared to year 2006 as a result of the increased cargo volume (including the volume of ocean backhaul cargoes) in several main trade lanes including the Europe/ Mediterranean trade lane, the Middle East trade lane and domestic trade lanes as well as the enhanced shipping capacity on major trade lanes and the improving of the overall structure of the global trade lanes through the deployment of new and large container vessels.

Management Discussion and Analysis

Analysis of loaded container volume by trade lanes

Principal Markets	**2007 (TEU)**	2006 (TEU)	Change (%)
Pacific Ocean	**1,628,059**	1,432,565	13.6%
Europe/Mediterranean	**1,457,918**	1,351,670	7.9%
Asia Pacific	**1,233,035**	1,021,894	20.7%
China Domestic	**2,749,120**	1,712,679	60.5%
Others	**230,695**	139,147	65.8%
TOTAL	**7,298,827**	5,657,955	29.0%

- *Increased freight rate*

  The Group's average freight rate per TEU for the year 2007 amounted to RMB5,299, maintain at the same level as compared to the year 2006. In particular, the average freight rate per TEU for international trade lanes recorded an increase of about 8.2% as compared to year 2006 to RMB7,554. The main reason for the increase in international trade lanes was the increase of freight rate of all trade lanes as a result of the increase of the cost of services in 2007. On the other hand, the great increase of about 38.1% of freight rates for Europe/Mediterranean trade lanes dragged up the average freight rate for the whole year. The average freight rate per TEU for domestic trade lanes increased by RMB155 as compared to the same period last year to RMB1,568 mainly due to the development of quality trade lanes for domestic trade by the Group, which attracted a number of steady and quality clients by reason of the Group's high standard of service.

Cost of services

For the year ended 31 December, 2007, total cost of services amounted to RMB34,069,303,000, representing an increase of 20% as compared to year 2006. However, cost of services, on a per TEU basis, decreased by 7% as compared to year 2006 to RMB4,668.

The increase in the total cost of services was mainly due to:

- Container and cargo costs increased by 17.2% from RMB12,789,231,000 in 2006 to RMB14,994,967,000 mainly due to the increase in the volume of loaded cargoes. Port charges amounted to RMB2,761,217,000, representing an increase of 22.4% as a result of extended and established services, higher voyage frequencies and increase in port calling, canal passing frequency and the increase of various worldwide port expense rates in year 2007. The stevedore charges for loaded and empty containers amounted to RMB8,306,236,000, representing an increase of 4.1%, principally due to the increase in the volume of loaded cargoes in the international and domestic trade lanes and repositioning of empty containers.

Management Discussion and Analysis

- Vessel and voyage costs amounted to RMB12,408,257,000 for the year 2007, representing an increase of 20.7% as compared to year 2006. To a certain extent, vessel and voyage costs per TEU decreased with the deployment of large vessels which were ordered by the Group at low costs during the down cycle of the shipping industry. However, with the continuously high rise in fuel price in 2007, the annual closing price of crude oil in the New York commodity exchange was USD96 per barrel, representing an increase of 45% as compared to year 2006. For this reason, the annual average price of oil in 2007 was USD483 per ton, representing an increase of 57% as compared to year 2006. Accordingly, fuel costs increased to RMB7,559,827,000. As a result of efficient cost control, the Group's vessel and voyage costs per TEU decreased by RMB117 or 6.4% from RMB1,817 in 2006 to RMB1,700 in 2007.

- Sub-route and other costs amounted to RMB6,666,079,000, representing an increase of 25.3% as compared to year 2006. The increase was mainly due to an increase in volume of door to door service resulting in increasing in volume of sub-route services and cost of inland sub-route service in most countries.

Gross profit

Due to the above reasons, the Group recorded a gross profit of RMB4,756,317,000 in 2007, representing an increase of RMB2,645,545,000 or 125.3% as compared to year 2006.

Income tax expense

With effect from 3 March, 2004, the Company became a joint stock limited company under the Company Law of the PRC and was registered in the Pudong New District, Shanghai. As at 31 December, 2007, the EIT rate applicable to the Company is 15%. The Company's subsidiaries incorporated in the PRC are subject to EIT at a rate ranging from 15% to 33% for the year ended 31 December, 2007. The profits derived by the Company's overseas subsidiaries are subject to EIT at a fixed rate of 16.5%, as approved by the tax bureau, on the profits of the overseas subsidiaries for EIT purpose.

Selling, administrative and general expenses

For the year ended 31 December, 2007, the Group's selling, administrative and general expenses were RMB712,353,000, representing an increase of 29.4% as compared to year 2006.

Profit attributable to equity holders

Due to the above reasons, the profit attributable to the equity holders of the Company increased by RMB2,356,207,000 or 274.2% from RMB859,210,000 in 2006 to RMB3,215,417,000 in 2007.

Management Discussion and Analysis

Financial resources and financial liabilities

The Group's principal sources of working capital have been the cash flow from operations, bond issue and issuance of A share on the Shanghai Stock Exchange and bank borrowings. Cash is mainly used in financing cost of services, new vessels, purchase of containers, payment of dividends and the repayment of principal and interest for bank borrowings and finance leases.

As at 31 December, 2007, the Group's total bank loans were RMB4,190,259,000. The maturity profile is spread over a period between 2007 and 2019, with RMB958,266,000 repayable within one year, RMB2,273,095,000 in the second year, RMB427,757,000 in the third to fifth year, and RMB531,141,000 after the fifth year. The Group's long-term bank loans are mainly used for the purchase of new vessels and containers.

As at 31 December, 2007, the long-term bank loans were secured by mortgages over several container vessels, vessels under construction and containers with a net book value of RMB1,991,942,000 (31 December, 2006: RMB7,009,915,000), and charges over shares of certain vessel owning subsidiaries.

As at 31 December, 2007, the Group had USD loans at fixed interest rates in the amount of RMB939,712,000 and USD loans at floating interest rates in the amount of RMB3,250,547,000. The Group's loans are denominated in USD, and cash and cash equivalents are mainly denominated in RMB and USD.

As at 31 December, 2007, the Group's obligations under finance leases amounted to RMB3,306,730,000 (31 December, 2006: RMB3,894,973,000). The maturity profile is spread as follows: the amount repayable within one year is RMB543,261,000, the amount repayable in the second year is RMB563,958,000, the amount repayable in the third to fifth year is RMB1,573,129,000 and the amount repayable after the fifth year is RMB626,382,000. All the finance lease obligations payable are arranged for the lease of containers.

In June 2007, the Company issued domestic corporate bonds with the net proceeds of approximately RMB1,775,488,000.

Net current assets

As at 31 December, 2007, the Group's net current assets amounted to RMB14,773,726,000. Current assets mainly comprised bunkers of RMB904,573,000, trade and notes receivables of RMB4,054,201,000, prepayments and other receivables of RMB151,420,000, derivative financial asset of RMB21,694,000 and cash and cash equivalents of RMB16,290,419,000. Current liabilities mainly comprised trade and notes payables of RMB3,208,043,000, accrual and other payables of RMB667,226,000, income tax payable of RMB1,239,927,000, long-term bank loans-current portion of RMB958,266,000, finance lease obligations-current portion of RMB543,261,000, provision of RMB25,000,000 and derivative financial debt of RMB6,858,000.

Management Discussion and Analysis

Cash flows

For the year 2007, the Group's net cash generated from operating activities was RMB5,605,456,000, denominated principally in RMB, US dollars and Hong Kong dollars, and which represented an increase of RMB2,839,793,000 compared to year 2006. Cash and cash equivalent at the end of year 2007 increased by RMB13,374,877,000 as compared to the last year, mainly reflecting the increase in net cash inflow from operating activities and that from financing activities. The cash inflow from financing activities of the Group during the year mainly arose from issue of bonds and shares. The captioned fund will mainly be used as long-term capital expenditure and short-term business. Net cash generated from operations, when not needed for working capital requirements, is principally held as short-term and demand deposits.

The following table provides information regarding the Group's cash flows for the reporting periods.

	For the year ended 31 December,	
	2007 (RMB)	2006 (RMB)
Net cash generated from operating activities	**5,605,456,000**	2,765,663,000
Net cash used in investing activities	**(4,799,341,000)**	(3,686,690,000)
Net cash generated from financing activities	**12,568,762,000**	413,196,000
Net increase/(decrease) in cash and cash equivalents	**13,374,877,000**	(507,831,000)

Net cash generated from operating activities

For the year ended 31 December, 2007, the net cash generated from operating activities was RMB5,605,456,000, representing an increase of RMB2,839,793,000 from RMB2,765,663,000 in 2006. The increase was mainly due to the increase in the operating size of liner service and the operating profit rate. The net cash generated from operations for 2007 was RMB5,690,829,000, representing an increase of 91.2% as compared with RMB2,975,706,000 in 2006.

Net cash used in investing activities

For the year ended 31 December, 2007, net cash used in investing activities was RMB4,799,341,000, representing an increase of RMB1,112,651,000 from RMB3,686,690,000 in 2006. The increase was mainly due to the increase in the Group's capital expenditure on vessels, containers and other construction in progress of RMB4,874,933,000 in year 2007, representing an increase of RMB1,203,039,000 from RMB3,671,894,000 in 2006.

Management Discussion and Analysis

Net cash generated from financing activities

For the year ended 31 December, 2007, net cash generated from financing activities was RMB12,568,762,000, representing a net increase of RMB12,155,566,000 as compared to the net cash from financing activities of RMB413,196,000 in 2006. The main reason for such increase was because in December, 2007, the Group issued 2,336,625,000 A shares, of which the net proceeds raised was approximately RMB15,221,864,000. In June, 2007, the Company issued domestic corporate bonds with the net proceeds of approximately RMB1,775,488,000. All RMB loans from banks were repaid ahead of schedule in 2007, the total amount paid to banks increased by RMB2,863,197,000 as compared with that in 2006. The dividend distributed to shareholders increased by RMB1,067,250,000 as compared with that in 2006 (due to a bonus share issue on the basis of 5.5 bonus shares for every 10 shares of par value RMB1.00 each and the declaration of a cash dividend of approximately RMB1,549,650,000).

Average debtor turnover

Due to the management's effort to strengthen credit control over settlement from customers, the Group's average debtor turnover days substantially dropped as compared with last year.

Gearing ratio

As at 31 December, 2007, the Group's gearing ratio (i.e. the ratio of debt over shareholder's equity) was -21.3%, which is lower than 46% in 2006. The drop in gearing ratio was mainly because the net cash inflow from operating activities and financing activities largely exceeded the capital expenditures on construction of vessels and containers, and payment of dividends. In addition, the drop in gearing ratio was also because of the increase of net assets of the Company by the A share issue of the Group and keeping good performance on operation.

Foreign exchange risk and hedging

Most of the revenue of the Group are settled or denominated in US dollars and most of the operating expenses are also settled or denominated in US dollars. As a result, the negative impact on the operating income due to the continuous appreciation of RMB can be offset by each other to a certain extent. With the RMB appreciation, monetary net assets, including cash and cash equivalents in US dollars and HK dollars continued to depreciate. During the year, the Group devoted much effort to improve the currency structure of such assets, as a result, the exchange losses of the Group was controlled to RMB57,738,000 and the exchange difference charged to equity amounted to RMB530,346,000 as at 31 December, 2007. The Group continues to monitor the exchange rate fluctuation of RMB, convert net cash inflow from operating activities into RMB in a timely manner so as to minimize foreign currency risk, reducing the net currency assets denominated in foreign currency and consider appropriate measures including making hedging arrangement (e.g. forward exchange contracts), based on its operating needs to mitigate the Group's currency exposure.

Management Discussion and Analysis

Capital expenditure

During the year ended 31 December, 2007, the capital expenditure on vessels and vessels under construction amounted to RMB3,852,294,000, development of information system RMB29,641,000, purchase of containers RMB1,069,232,000, and purchase of office equipment and motor vehicle RMB14,544,000.

Capital commitments

As at 31 December, 2007, the Group had contracted but not provided for capital commitments of approximately RMB10,451,693,000 for vessels under construction. It is expected that part of the commitments will be financed by cash generated from operating activities and the proceeds from the A share issue, with the remaining portion by issuing bond or by bank borrowings.

Acquisition

On 15 October, 2007, the Company entered into the agreement with China Shipping Investment Co., Ltd. ("CS Investment"), China Shipping Agency Co., Ltd. ("CS Agency") and China Shipping Logistics (Hainan) Co., Ltd. to acquire their respective entire 10%, 20% and 30% equity interests in China Shipping Container Lines Hainan Company Limited ("CS (Hainan)"); and seven agreements with CS Investment to acquire its respective entire 10% equity interests in China Shipping Container Lines Xiamen Company Limited, China Shipping Container Lines Dalian Co., Ltd., China Shipping Container Lines Guangzhou Co., Ltd., China Shipping Container Lines Qingdao Company Limited, China Shipping Container Lines Shanghai Co., Ltd. China Shipping Container Lines Shenzhen Co., Ltd. and China Shipping Container Lines Tianjin Company Limited; and CS (Hainan), a subsidiary of the Company, entered into an agreement with CS Agency to acquire its entire 10% equity interest in China Shipping Container Lines (Haikou) Company Limited. The aggregate consideration payable for the said acquisitions was RMB40,955,000.

Contingent liabilities

As at 31 December, 2007, the Group had RMB25,000,000 contingent liabilities recorded as provision.

Employees, training and benefits

As at 31 December, 2007, the Group had 3,523 employees. Staff cost was approximately RMB1,010,176,000 (including a provision for the year of RMB100,469,000 in relation to the H share share appreciation rights granted to the Company's directors (the "Directors") and employees). In addition, the Group entered into contracts with a number of subsidiaries of China Shipping, pursuant to which those companies provided the Group with approximately 3,093 crew members in aggregate who mainly worked on the Group's self-owned or bare-boat chartered vessels.

Remuneration of the Group's employees includes basic salaries, other allowances and performance bonuses. The Group also adopts a performance discretionary incentive scheme for its staff. The scheme links up the financial benefits of the Group's staff with certain business performance indicators. Such indicators may include but not limited to the profit target of the Group.

Management Discussion and Analysis

Details of the performance discretionary incentive scheme vary among the members of the Group. The Group sets out certain performance indicators for each of its subsidiaries to achieve. Each subsidiary has the discretion to formulate its own detailed performance related remuneration policies according to its local circumstances.

The Group has adopted a compensation scheme on 12 October, 2005 and amended the same on 20 June, 2006 and 26 June, 2007, which is to be satisfied by cash payments and is share-based, known as the "H Share Share Appreciation Rights Scheme" (the "Scheme"). The fair value of services provided by the employees of the Company who are granted the H share share appreciation rights is recognized as an expense of the Company. Employees might in the future be entitled to a compensation in the form of a cash payment, which is calculated based on the appreciation in the price of the Company's H share from the date of grant to the date of exercise.

Biographies of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Shaode (李紹德), age 57

Chairman and Executive Director of the Company. He is responsible for the overall management of the Group's operations and formulation of the business strategies of the Company and its subsidiaries. Mr. Li is also currently the president and the vice Party secretary of China Shipping and the Chairman of China Shipping Development Company Limited ("CSDC"). He joined Shanghai Maritime Bureau in 1968 and began his career in the shipping industry. During period from 1968 to 1993, he was vice Party secretary, vice chief and chief of the Labour Department and deputy director general of the Oil Tanker Fleet of the Shanghai Maritime Bureau. From 1993 to 1995, he was the deputy general manager of Shanghai Shipping, general manager of Shanghai Shipping (group) company respectively, from 1997 to 2003, he was the vice president of China Shipping (Group) Company, from 2003 to June 2006, he was the Party secretary and vice president of China Shipping (Group) Company, from June 2006 to Nov. 2006, he was the Party secretary and president of China Shipping (Group) Company, From November 2006 till now, he was president and vice Party secretary of China Shipping (Group) Company. Mr. Li has over 35 years of experience in the shipping industry and in relation to the transportation safety management. He graduated from Shanghai Maritime University in 1983, majoring in Sea Transportation Management. In 1997, he obtained a Master's Degree in engineering. He has been awarded "State Council's Special Contribution Allowance" since 1999. He was elected as the vice-chairman of China Ship-owners' Society in 2001. Mr. Li joined the Company in October 1997.

Mr. Zhang Guofa (張國發), age 51

Vice Chairman and Executive Director of the Company. Mr. Zhang is also the vice president and a Party member of China Shipping and a director of CSDC. He began his career in the shipping industry in 1980. From 1991 to 2000, he began working in the water transport department of the Ministry of Communications and has held the posts of deputy department head, department head, deputy section chief, section chief. From July 2000 to November 2001, he was an assistant to the director in the Ministry of Communications, department of water transport. From November 2001 to November 2004, he was the deputy director of the water transport department of the Ministry of Communications. Since November 2004, he became the vice president of China Shipping, and the party member of China Shipping since December 2005. Mr. Zhang has extensive management experience. Mr. Zhang graduated from Wuhan University in 1988, obtained a Master's degree in 1991 and a Doctorate degree in 1997. Mr. Zhang joined the Company in February 2005.

Biographies of Directors, Supervisors and Senior Management

Mr. Huang Xiaowen (黃小文), age 45

General Manager, Executive Director and vice Party Secretary of the Company. He is in charge of the overall administration of the Company. Mr. Huang started his shipping career in 1981, and was appointed as manager of Container Shipping Section of Guangzhou Ocean Shipping Company, deputy general manager and general manager of Container Transportation Department of China Ocean Shipping Company during 1981-1997, and was appointed as deputy general manager of the Company during 1997-2006. he became the Executive Director since 2005 and the General Manager of the Company since January 2006. He became the vice Party Secretary of the Company since January 2007. Mr. Huang specialises in container shipping industry and management, and his "bulk container shipping methodology" was granted 2002 New Product for Hong Kong maritime administration, Gold Medal in New Technology International Exhibition and Practical New Design patent by China International Paten Administration, and in 2002 his "multi-purpose vehicle container shipping methodology" was also granted Practical New Design patent by China International Patent Administration. He was awarded "Shanghai Labor Model for 2001-2003" by Shanghai Municipality People's Government and "Excellent Party Member in Shanghai for 2002-2003" by Shanghai Party Committee. Mr. Huang graduated from Qingdao Ocean Seaman Institute with major in Vessel Piloting in 1981, and joined the Company in October 1997.

Mr. Zhao Hongzhou (趙宏舟), age 39

Deputy General Manager and Executive Director of the Company. Mr. Zhao assists the general Manager of the Company and is responsible for the Company's production, operation and administrative work. He began his career in the shipping industry in 1993. In 1994, he took on the role of the department head of Container Shipping main office of China Ocean Shipping (Group) Company. Between 1997 to 2002, he was the vice department head and department head of the executive department of China Shipping, Since November 2002 he became the deputy general manager of the company and the Executive Director since February 2005. He accumulated a lot of experience in relation to management. Mr. Zhao graduated in 1993 from Shanghai Maritime University, majoring in transportation management and engineering, where he obtained a Master's degree in engineering. Mr. Zhao joined the Company in November 2002.

Biographies of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Ma Zehua (馬澤華), age 54

Vice Chairman and Non-executive Director of the Company. Mr. Ma is the Party secretary and the vice president of China Shipping. During March 1987 to March 1993, he served as the deputy head of the Shipping Division and the deputy manager of the shipping department of China Ocean Shipping Company respectively. From March 1993 to February 1995, he was the general manager of Development Department and the assistant to president of China Ocean Shipping (Group) Company. From February 1995 to August 1997, he was the Party secretary and the president of China Ocean Shipping (Group) Company, American Branch. During December 1997 to December 1999, he served as a member of the Party committee and the deputy general manager of Guangzhou Ocean Shipping Company. From December 1999 to February 2000, he served as a member of the Party committee and the general manager of Qingdao Ocean Shipping Company. From February 2000 to November 2000, he served as the Party secretary and the general manager of Qingdao Ocean Shipping Company. From November 2000 to September 2001, he was a member of the Party committee and the general manager of Qingdao Ocean Shipping Company. From August 2001 to November 2006, he served as a member of the Party committee and the vice president of China Ocean Shipping (Group) Company. From November 2006 to present, he served as the Party secretary and the vice president of China Shipping. Mr. Ma has accumulated extensive experience in the shipping industry. Mr. Ma Zehua, graduated from Shanghai Maritime University with a master's degree. He joined the Company in June 2007.

Mr. Zhang Jianhua (張建華), age 57

Non-executive Director of the Company. He is also currently the vice president and a member of the Party committee of China Shipping. He began his career in the shipping industry from 1973. During the period from 1975 to 1983, he was the vice secretary and secretary of Tianjin Ocean Shipping Company. From 1985 to 1992, he was the vice Party secretary of Tianjin Ocean Shipping Company. From 1992 to 1997, he was the general manager of China Seaman Foreign Technology Services Company and Party secretary from 1993 to 1997. After 1997, he was the vice president and a member of the Party committee of China Shipping. Mr. Zhang has accumulated over 30 years of experience in shipping transportation and crew management. He is also experienced in business management. Mr. Zhang graduated in 1985 from the Dalian Maritime University. Mr. Zhang joined the Company in October 1997.

Biographies of Directors, Supervisors and Senior Management

Mr. Lin Jianqing (林建清), age 53

Non-executive Director of the Company. Mr. Lin is also the vice president and Party member of China Shipping, vice-Chairman of CSDC.

Mr. Lin entered the Guangzhou Maritime Bureau in 1982,. From 1982 to 1993, he was the ship third engineer, second engineer, first engineer, chief engineer of Guangzhou Maritime Bureau successively. From September 1993 to October 1997, he was the ship chief engineer, deputy engineering unit head, engineering unit head of Guangzhou Shipping (Group) Company successively. From October 1994 to July 1997, he was the assistant to general manager, deputy general manager of Guangzhou Shipping (Group) Company successively. From July 1997 to July 1998, he was the vice president and Party member of China Shipping, and deputy general manager of Guangzhou Shipping (Group) Company. From July 1998 to August 2000, he was the vice president and Party member of China Shipping, From August 2000 to April 2005, he was the vice president of China Shipping, From April 2005 till now, he is the vice president and Party member of China Shipping. He has almost 30 years of experience in the shipping industry. Mr. Lin graduated from Dalian Maritime College in 1982, majoring in Engineering, obtained a Master's degree in 1999 at Dalian Maritime University Transportation Plan and Management Department, obtained a Doctor's degree in 2003 at South China Normal University Industry and Commerce Management Department. Mr. Lin joined the Company in February 2008.

Mr. Wang Daxiong (王大雄), age 47

Non-executive Director of the Company. Mr. Wang is also the vice president and party member of China Shipping, a director of CSDC, chairman of China Shipping (Hainan) Haisheng Shipping/Enterprises Co., Ltd., chairman of China Shipping Group Investment Company Limited and a director of China Merchants Bank. Mr. Wang began his career in the shipping industry from 1983. From 1983 to 1995, he was the deputy department head, department head and division head of the finance division of the Guangzhou Maritime Bureau. From January 1996 to April 1996, he was the chief accountant of Guangzhou Shipping (Group) Company. Between April 1996 and January 1998, he was the chief accountant and head of finance department of Guangzhou Shipping (Group) Company. From 1998 to 2001, he was the chief accountant and a member of the Party committee of China Shipping. From 2001, he is the vice president of China Shipping, and party member of China Shipping from April 2005 on. Mr. Wang has extensive experience in financial management. He was served as the president of the Shanghai Transportation Accounting Association and a committee member of the Senior Accountant Assessment Committee of the MOC. Mr. Wang graduated from Shanghai Maritime University in 1983, majoring in maritime finance and accounting. Mr. Wang joined the Company in February 2004.

Biographies of Directors, Supervisors and Senior Management

Mr. Xu Hui (徐輝), age 45

Non-executive Director of the Company, general manager and Party secretary of Shanghai Shipping (Group) Company. He began his career in the shipping industry in 1982. Between December 1990 and January 1996, Mr. Xu held the post of chief engineer of Shanghai Maritime Bureau Oil Tanker Company. Between January 1996 and December 1996, Mr. Xu held the posts of assistant to general manager and guidance chief director of Shanghai Maritime Bureau Oil Tanker Company. From December 1996 to October 1997, he was the vice manager of the technical department of Shanghai Haixing Shipping Company. Between October 1997 and January 1998, Mr. Xu held the post of manager of the technical department of Shanghai Shipping (Group) Company. Between January 1998 and June 2002, Mr. Xu held the post of deputy general manager of both Shanghai Shipping (Group) Company and China Shipping Development Oil Tanker Company. Between June 2002 and March 2005, Mr. Xu held the post of deputy general manager of Shanghai Shipping (Group) Company, and from March 2005, he is the general manager and Party secretary of Shanghai Shipping (Group) company. Mr. Xu graduated from Jimei University in 1982, majoring in engineering. Mr. Xu joined the Company in October 2005.

Mr. Yao Zuo Zhi (姚作芝), age 61

Non-executive Director of the Company and Party secretary of Guangzhou Shipping (Group) Company. In 1965, Mr. Yao entered the Guangzhou Maritime Bureau. From 1965 to 1993, he was the unit head, section chief, department chief of the Organization Department and vice-chairman of Guangzhou Maritime Bureau. Between 1993 and 1997, he was the vice general manager of Guangzhou Shipping (Group) Company. Mr. Yao was also the Party secretary of China Shipping Development Cargo Shipping Company between 1997 and 2005. From 1997 till now, he has been the Party secretary of Guangzhou shipping (Group) Company. From 2002 to January 2007, he was the general manager of Guangzhou Shipping (Group) Company. From May 2003 till Mar 2007, he was the director of China Shipping development company Ltd. Mr. Yao has over 40 years of experience in the shipping industry. He graduated from South China Normal University in 1985, majoring in politics. Mr. Yao joined the Company in October 2003, he was the chairman of the supervisory committee of the Company ("Supervisory Committee") from February 2004 to August 2006 and was Non-executive Director since August 2006.

Biographies of Directors, Supervisors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Hanxiang (胡漢湘), age 67

Independent Non-executive Director of the Company. Mr. Hu graduated from Dalian Maritime University, majoring in vessel piloting in 1966. From 1968 to 1972, Mr. Hu was a technician of Tianjin Port Bureau. From 1982 to 1985, he was an operator of National Ministry of Communications and manager of Operation division of Ocean Shipping Administration. From 1985 to 1994, he was the deputy director of Ocean Shipping Administration and Transportation Management Department, director of Water Transport Centre, deputy director of Water Transport Department and director of National Water Transport Operation Department. From 1994 to 2000, he was the director of Water Transport department of Ministry of Communications. From 2000 till now, he has been the director of shipping communication of the Two Shores Across the Strait association. He has over 30 years of experience in the shipping industry. From 2000, he was a member of the first and second expert committee of Ministry of Communications. Mr. Hu was included as economical expert of China's expert and celebrity glossary. From 1995, he was the vice chairman of China ports association, director of relation of the Two Shores Across the Strait association and vice chairman of China ship agency association. Mr. Hu was appointed as an Independent Non executive Director in March 2004.

Mr. Wang Zongxi (汪宗熙), age 74

Independent Non-executive Director of the Company and a former member of the Shanghai Standing Committee of the Chinese People's Political Congress. Mr. Wang graduated from the Architectural Electrical Equipment Department of Tongji University. Mr. Wang has been a registered accountant in the PRC since 1997 and is a member of the PRC's Shanghai Institute of Certified Public Accountant. Shanghai Institute of Certified Public Accountants is an official branch of the Chinese Institute of Certified Public Accountants ("CICPA"), which is a recognised body in the PRC. Accountants under CICPA are recognised as certified and qualified accountants in the PRC. From 1951, Mr. Wang engaged in consolidated economic management at finance and tax departments in Shanghai. In 1983, Mr. Wang joined the constitution of Shanghai Audit Bureau. In 1984, he was appointed as the deputy director of Shanghai Audit Bureau. Between 1986 and 1988, Mr. Wang served as assistant director of the Shanghai Finance Office. In 1988, Mr. Wang returned to the Shanghai Audit Bureau as chief until 1993, when he joined the Shanghai Standing Committee of the Chinese People's Political Congress. During the period, Mr. Wang was appointed as an adviser of Trust and Investment Company. Mr. Wang was appointed as an Independent non-executive Director in March 2004.

Biographies of Directors, Supervisors and Senior Management

Mr. Shen Kangchen (沈康辰), age 67

Independent Non-executive Director of the Company. Mr. Shen was principal of Shanghai Maritime University. He was graduated from East China Institute of Water Conservation with graduate student experience in water lane and port. He was previously an instructor, lecturer and associate professor, successively in Chongqing Jiaotong University and Institute of Architecture and Engineering from September 1966 to December 1979, and a visiting scholar to Carnegie Mellon University and University of Florida respectively from August 1981 to August 1983. He served as the vice president of Chongqing Jiaotong University from August 1983 to January 1985, and a professor, the Secretary of the CPC Committee and the dean of faculty of Shanghai Maritime University during February 1985 to February 1988. During March 1988 to November 1991, he was a professor and the vice president of Shanghai Maritime University. From December 1991 to April 1999, he was a professor and the president of Shanghai Maritime University. In May 1999, he was appointed the Head of Network Computer Research Centre of Shanghai Maritime University. And been invited the visit scholar of New Jersey Industry College from August 1997 to January 1998. Director of Network Computing Institute, Shanghai Maritime University since May 1999. Since 2004 to present, he has served as the chief engineer of CABR Technology Co., Ltd. Mr. Shen was appointed as an Independent Non-executive Director in June 2007.

Mr. Jim Poon (盤占元), age 67

Independent Non-executive Director of the Company. Mr. Jim Poon was the senior head and the managing director for Orient Overseas Container Line (OOCL) based in New York, London and Hong Kong, respectively over his entire shipping career life. He served the Board of Directors of OOCLL and it's subsidiaries for several terms and was involved in international commerce activities. During his tenure in Europe from 1994 to 1998, he was appointed by the EU Competition Commission (DG IV, or Directorate 4) as member of the "Wiseman" Committee. This committee of five members had the mandates to serve and advise the directorate on general competition policies involving the container shipping/maritime industry, pan-European Union. He retired from OOCL in 2001. After retirement, Mr. Poon was appointed by the Hong Kong SAR government, respectively, as member of the "Hong Kong Maritime Board", the "Logistics Council", the "Port Development Council", and the "Maritime Industry Council". He served these various roles successively ranging from four to six years until 2006. Mr. Poon also was elected, successively for three terms, from 2000 until 2005, the chairman of the Hong Kong Liner Shipping Association. Having more than 30 years of experience in the shipping industry. Mr. Poon received high educations on various academics. He also completed the AMP of the Harvard Business school of the US.

Mr. Poon was appointed as an independent Non-Executive Director since June 2007.

Biographies of Directors, Supervisors and Senior Management

Mr. Shen zhongying (沈重英), age 63

Independent Non-executive Director of the Company. Mr. Shen graduated from Shanghai Industrial College and he previously worked in several government departments in Shanxi Province from June 1972 to December 1990. He served as chairman of Hong Kong Li Shan company Limited from December 1990 to May 1994, the deputy director of Shanghai Planned Economy Research Institution from May 1994 to February 1996, the deputy office manager and office manager of Shanghai Supervision Management Office of Securities and Future from February 1996 to October 1998, the Party secretary of the CPC Committee and the head of CSRC Shanghai Securities Management Office and the chief of CSRC Shanghai Inspection Bureau from October 1998 to June 2003. During July 2003 to August 2006, he was a non-member governor of Shanghai Stock Exchange and the Head of the Shanghai Stock Exchange Member Management Committee. Since March 2003, he has been a member of the No.12 Standing Committee of the Shanghai Municipal People's Congress. Mr. Shen joined the company in October 2007.

SUPERVISORS

Mr. Chen Decheng (陳德誠), age 57

Chairman of Supervisory Committee. Mr. Chen is also a member of the Party Committee and Chairman of Trade Union of China Shipping. He started his shipping career from October 1968. Between 1984 and 1992 he was vice director, then director of Party Committee Office of Shanghai Shipping Bureau. Between 1992 and 1995 he held the posts of managing vice general manager and Party- Secretary of Shanghai Shipping (Group) Industrial Company. Between 1995 and 1998 he was Chairman of Trade Union and Party member of Shanghai Shipping (Group) Company. From March 1998 to August 2000 he was chairman of Trade Union and Party member of China Shipping. From August 2000 to February 2001 he held the post of Chairman of Trade Union of China Shipping. Since February 2001 he was a Party member and chairman of Trade Union of China Shipping. Mr. Chen studied in Cadre Education Class, Chinese Department, East China Normal University majoring in secretarial business during September 1982-August 1984, and started his on-the-job study in East China University of Science and Technology majoring in administrative management during September 1997-July 2000. He joined the Company in August 2006.

Biographies of Directors, Supervisors and Senior Management

Mr. Yao Guojian (姚國建), age 54

Supervisor of the Company. He is also the vice party secretary and secretary of the Disciplinary Committee of the Company. He started his shipping career in 1977. During April 1978 to September 1985, he was the deputy head of workshop, vice party secretary and head of the administration section of Lifeng Ship Factory under Shanghai Marine Bureau. During September 1987 to October 1994, he served as the chief steward, the head of supervisory section and the head of administration section of Shanghai Marine Bureau. From October 1994 to July 1997, he acted as the supervisor of disciplinary committee and examination of Shanghai Marine Shipping (Group) Company, the secretary of disciplinary committee of vessel company No. 2 under Shanghai Marine Shipping (Group) Company, the secretary to disciplinary committee and the chairman of Trade Union of Container Branch Company under Shanghai Hai Xing Shipping Co., Ltd. From July 1997 to March 2002, he was the deputy head of supervision & auditing division of China Shipping and the vice Party secretary and secretary to the disciplinary committee of China Shipping. Between March 2002 and January 2003, he was a member of the Party committee, secretary to the disciplinary committee and chairman of the Labour Union of China Shipping Logistics Company Limited. He has accumulated extensive experience in management. Mr. Yao Guojian, graduated from East China Normal University in administrative management. H e joined the Company in January 2003

Mr. Tu Shiming (屠士明), age 44

Supervisor of the Company. Mr. Tu is also the deputy general manager of Supervision and Auditing Division of China Shipping. Mr. Tu graduated from the Shanghai Harbor College in 1983, majoring in maritime accounting, and achieved the undergraduate course in Shanghai Finance and Economics University in 1990, majoring in accounting. He began his career in the shipping industry in 1983. Between November 1996 and December 1997, Mr. Tu was the unit head of finance unit of CSDC. Between December 1997 and March 2005, Mr. Tu held the posts of unit head, deputy section chief and section chief of the audit division of China Shipping successively. Mr. Tu joined the Company in October 2005.

Mr. Wang Xiuping (王修平), age 43

Supervisor of the Company and General Manager of Enterprise Strategic Planning Division of the Company. Mr. Wang joined the Shanghai Maritime Bureau in 1982, and between 1990 and 1998, he was the third officer, the second officer and the chief officer of ocean shipping vessels. Between 2000 and 2003, he has been the deputy unit head, the unit head, assistant manager and executive assistant manager of the stowage center of the Company. Mr. Wang has over 20 years of experience in shipping industry. He graduated from Shanghai Maritime Staff University in 1990, majoring in vessel piloting and graduated from China Central Radio and TV University in 2006, majoring in business administration. Mr. Wang was awarded the Golden Anchor Award in 2002 by the National Committee of the China Seamen's Union. Mr. Wang joined the Company in January 1999.

Biographies of Directors, Supervisors and Senior Management

Mr. Hua Min (華民), age 57

Supervisor of the Company. Mr. Hua earned a Bachelors degree in economics from Fudan University in 1982 and a Ph.D. in Global Economy from Fudan University in 1993. Prior to his education at Fudan University, Mr. Hua served in the People's Liberation Army Air Force and as a cadre at a Shanghai factory. Between 1982 and 1990, Mr. Hua was a lecturer at East China Normal University. Mr. Hua studied for his Ph.D. at Fudan University between 1990 and 1993. From 1993 to 2000, Mr. Hua was assistant professor, professor at the Fudan University Global Economy Department and promoted to department head successively. In 2000, Mr. Hua joined the Fudan University Global Economic Research Institute as the principal. Mr. Hua was appointed as a Supervisor of the Company in March 2004.

Ms. Pan Yingli (潘英麗), age 52

Supervisor of the Company. Ms. Pan is a professor at Shanghai Communications University Antai Economics & Administration College, engaging in teaching and researching of finance and macro economy. Ms. Pan study at East China Normal University since 1978, got Bachelor and Master degree, and began teaching at the Economic Department in 1984. In 1991, she was promoted to deputy professor. Ms. Pan obtained a Doctor's degree in Economics and in 1994, she became a professional professor. In November, 2005, she moved to Shanghai Communications University. Ms. Pan was appointed as a Supervisor of the Company in March 2004.

COMPANY SECRETARY

Mr. Ye Yumang (葉宇芒), age 41

Company Secretary of the Company and General Manager of the Directorate Secretary Office of the Company, a senior economist. From 1989 to 1996, he engaged in vessel technique and administrative matters in Shanghai Shipping (Group) Company. From May 1995 to August 1995, Mr. Ye was the assistant company secretary of CSDC. From August 1995 to April 2000, he was the joint company secretary of CSDC. From April 2001 to March 2003, he was the company secretary for CSDC. Mr. Ye graduated from Shanghai Maritime University in 1989, with a Master's degree in mechanical engineering. In March 2007, Mr. Ye got his master's degree in EMBA from the Shanghai Finance & Economy University. Mr. Ye joined the Company in November 2002.

Biographies of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. Huang Xinming (黃新明), age 53

Party secretary and deputy general manager of the Company, a senior engineer. He began his career in the shipping industry in 1971. From July 1985 to October 1993, he was deputy section chief and section chief of Shanghai Bureau of Maritime Transportation Administration. From October 1993 to December 1995, he was general manager of organisation division and general manager of the human resources division of Shanghai Maritime Transport (Group) Company. From December 1995 to December 1998, he was deputy general manager of Shanghai Maritime Transport (Group) Company, general manager and Party secretary of China Shipping Agency Company Limited. From December 1998 to January 2000, he was general manager of China Shipping Agency Company Limited. From January 2000 to August 2004, he was assistant to the president of China Shipping, general manager and deputy party secretary of China Shipping Logistics Company Limited. Mr. Huang has accumulated experience in management. Mr. Huang graduated from the post-graduate class of East China Normal University in January 1997, majoring in global economics and obtained a Master's degree in business administration from Autralia International Public University in October 1999. Mr. Huang joined the Company in December 2004.

Mr. Li Xueqiang (李學強), Age 47

Deputy General Manager of the Company. Mr. Li takes charges of safety and security work in assistance with General-Manager of the Company. Mr. Li joined Shanghai Shipping Bureau in 1983. He has been head of engine administration of Shanghai Shipping Bureau, assistant to general manager of Passenger Traffic affiliate to Shanghai Shipping Company, vice director of Technology Department of Shanghai Shipping Company and vice general manager of Shanghai Haixing Container Company from 1983 to 1997. Mr. Li has experienced shipping industry and vessel technology management for a long time and accumulated extensive experiences in enterprise management and transportation safety management. Mr. Li graduated from Dalian Maritime Institute with a major in Engine Management with a degree of Bachelor of Engineering in 1983, and Master of Laws with a major in International Law from Shanghai Maritime University in 2005, Mr. Li joined the Company in October 1997.

Mr. Ji Tao (季濤), age 57

Deputy General Manager of the Company. Mr. Ji assists the general manager of the Company and is responsible for human resources and administrative management. In 1971, he joined the Shanghai Maritime Bureau. Between 1971 and 1998, he has held the posts of deputy manager, vessel officer, and vessel chief of Shanghai Shipping (Group) Oil Tanker Company Cargo Shipping Second Branch Office and deputy manager of Shanghai Haixing Goods Transportation Branch Office. From 1998 to 1999, he was the deputy manager of China Shipping Cargo Shipping Shanghai Branch Office. Mr. Ji has extensive experience in personnel management and the management of transportation safety. Mr. Ji graduated in 1985 from Dalian Maritime University, majoring in sociology administration. Mr. Ji joined the Company in March 1999.

Biographies of Directors, Supervisors and Senior Management

Mr. Xu Weiyong (徐偉勇), age 46

Deputy General Manager of the Company. Mr. Xu assists the General Manager and is responsible for business operation. He began his career in shipping in 1983, and was vessel engine operator and clerk in Shipping Section of Shanghai Ocean Shipping Company, general manager of Shanghai Aoji International Shipping Company Limited during 1983-1997, he also held positions as general manager of Rich Shipping Shanghai Company Limited during 1997-2003, and general manager of China Shipping Container Lines (Shanghai) during 2003-2006, Mr. Xu accumulated experienced acknowledgement in shipping business operation and management. He graduated from Shanghai Maritime University with major in engine management in 1983. Mr. Xu joined the company in January 2006.

Mr. Zhao Xiaoming (趙小明), age 52

Chief financial officer of the Company. Mr. Zhao generally assists the General Manager and is responsible for accounting management and supervision. Mr. Zhao started his shipping career in 1983, he worked in finance section of Shanghai Shipping Bureau during 1983-1993. From 1993 to 1996 he was deputy head of the finance section. From January 1997 to July 1998 he was section head of finance division of Shang Haixing Shipping Company Limited. During January 1998 to July 1999 he was deputy head of Finance Department of China Shipping. He held the posts of vice CFO and CFO of China Shipping Container Lines during July 1999 to January 2003, and CFO of CSHK and China Shipping Container Lines (Hong Kong) Forwarding Limited, chief accountant of China Shipping (Hong Kong) Holdings Limited, general manager of finance department and director of Hong Kong Settlement Center, China Shipping Settlement Center during 2003-2006. He accumulated rich experience in finance management and supervision. Mr. Zhao graduated from Shanghai Maritime University majoring in finance/accounting in 1983, and got his Master's degree in monetary/banking from Shanghai Finance & Economy University in June 1996 with the title of senior accountant. Mr. Zhao joined the Company in July 1999.

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December, 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Group are owning, chartering and operating container vessels for the provision of international and domestic container marine transportation service. The principal activities of the subsidiaries are set out in Note 40 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 69 of the financial statements.

DIVIDENDS

On 1 April, 2008, the Directors recommend the payment of a final dividend of RMB0.04 per share, amounting to RMB467,325,000.

RESERVES

Movement of the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 70 and Note 18 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in Note 6 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 17 to the financial statements.

Report of the Directors

DISTRIBUTABLE RESERVES

In accordance with the PRC Company Law, the Company may only distribute dividends out of its distributable profits (i.e., the Company's profit after income tax after offsetting: (i) the accumulated losses brought forward from the previous years; and (ii) the allocations to the statutory surplus reserve and, if any, the discretionary common reserve (in such order of priorities) before payment of any dividend on shares).

According to the Company's articles of association, for the purpose of determining profit distribution, the profit distribution of the Company is the lesser of its profit after income tax determined in accordance with: (i) the PRC accounting standard and regulations; and (ii) accounting principles generally accepted in Hong Kong.

As at 31 December, 2007, distributable reserves of the Company, calculated based on the above principles, amounted to approximately RMB488,570,000, which is prepared in accordance with the PRC accounting standard and regulations.

PRE-EMPTIVE RIGHTS

Under the articles of association of the Company and the laws of the PRC, no pre-emptive rights exist which require the Company to offer new shares to its existing shareholders in proportion to their shareholdings.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 156.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

The Company issued and listed 2,336,625,000 A shares on the Shanghai Stock Exchange on 12 December, 2007.

Apart from the foregoing, during the year ended 31 December, 2007, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's shares.

H SHARE SHARE APPRECIATION RIGHTS SCHEME

In accordance with the "Resolution Regarding Adoption and Approval of the H Share Share Appreciation Rights Scheme and Implementation Methods" passed at the Company's second special general meeting in 2005 held on 12 October, 2005, the Company implemented the Scheme as appropriate incentive policy.

In accordance with the Scheme and its amendments dated 20 June, 2006 and 26 June, 2007, the eligible grantees are: the Directors (other than independent non-executive Directors), the supervisors of the Company ("Supervisors") (other than independent Supervisors), the senior management of the Company, the head person in charge of department of each of the operational and management departments of the Company and the general managers and deputy general managers of the Company's subsidiaries.

Report of the Directors

DIRECTORS AND SUPERVISORS

The Directors and Supervisors who held office during the year and up to the date of this report are:

EXECUTIVE DIRECTORS

Mr. Li Shaode (Chairman)
Mr. Zhang Guofa (Vice Chairman)
Mr. Huang Xiaowen
Mr. Zhao Hongzhou

NON-EXECUTIVE DIRECTORS

Mr. Ma Zehua (Vice Chairman)
Mr. Zhang Jianhua
Mr. Lin Jianqing
Mr. Wang Daxiong
Mr. Xu Hui
Mr. Yao Zuozhi

INDEPENDENT NON-EXECUTIVE

DIRECTORS
Mr. Hu Hanxiang
Mr. Wang Zongxi
Mr. Shen Kangchen
Mr. Jim Poon *(also known an Pan Zhanyuan)*
Mr. Shen Zhongying

Supervisors

Mr. Chen Decheng
Mr. Yao Guojian
Mr. Tu Shiming
Mr. Wang Xiuping
Mr. Hua Min
Ms. Pan Yingli

According to the articles of association of the Company, the term of service of the Directors and Supervisors shall be 3 years.

Report of the Directors

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors of the Board and the Supervisory Committee for this term has a service contract with the Company until June 2010.

The Company did not enter into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) with any Director or Supervisor.

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

No contracts of significance (as defined in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")), in which a Director or a Supervisor is or was materially interested, directly or indirectly, subsisted at the end of the year or at any time during the year.

No contracts of significance in relation to the Company's business in which the Company, its subsidiary, its holding company or a subsidiary of its holding company was a party and in which a Director or a Supervisor is or was materially interested, directly or indirectly, subsisted at the end of the year or at any time during the year.

No contracts or proposed contracts with the Company in which a Director or a Supervisor is or was materially interested in any way, directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors, Supervisors and senior management of the Company are set out on pages 23 to 34 of this Annual Report.

Each of Li Shaode, Zhang Jianhua, Wang Daxiong and Zhang Guofa was as at 31 December, 2007 the president, a vice-president, a vice-president and a vice-president respectively of China Shipping, which was a company having, as at 31 December, 2007, an interest or short position in the Company's shares and underlying shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No arrangements to which the Company, its subsidiary, its holding company or a subsidiary of its holding company is or was a party to enable the Directors, Supervisors or chief executives of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate subsisted at the end of the year or at any time during the year.

Report of the Directors

DIRECTORS', SUPERVISORS' INTERESTS IN SHARES

According to the Scheme adopted on 12 October, 2005 and amended on 20 June, 2006 and 26 June, 2007, nine Directors and four Supervisors are granted with rights under the Scheme. Details of the Scheme were set out in the Company's circular to shareholders dated 26 August, 2005 and the amended Scheme was produced to the annual general meetings of the Company held on 20 June, 2006 and 26 June, 2007.

As at 31 December, 2007, the Directors' and Supervisors' interests in H shares of the Company were as follows:

NAME	Number of underlying H shares	Capacity	Percentage in total share capital
Directors			
Li Shaode	2,182,000	Beneficial owner	0.09% (Long position)
Zhang Guofa	1,431,000	Beneficial owner	0.06% (Long position)
Huang Xiaowen	2,151,000	Beneficial owner	0.09% (Long position)
Zhao Hongzhou	1,680,000	Beneficial owner	0.07% (Long position)
Ma Zehua	981,000	Beneficial owner	0.04% (Long position)
Zhang Jianhua	800,000	Beneficial owner	0.03% (Long position)
Wang Daxiong	800,000	Beneficial owner	0.03% (Long position)
Xu Hui	700,000	Beneficial owner	0.03% (Long position)
Yao Zuozhi	700,000	Beneficial owner	0.03% (Long position)
Supervisors			
Chen Decheng	612,000	Beneficial owner	0.03% (Long position)
Yao Guojian	1,600,000	Beneficial owner	0.07% (Long position)
Wang Xiuping	900,000	Beneficial owner	0.04% (Long position)
Tu Shiming	260,000	Beneficial owner	0.01% (Long position)

Report of the Directors

Explanations:

Saved as disclosed above, as at 31 December, 2007, none of the Directors, Supervisors or their respective associates had any interest in the shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register kept by the Company referred to there in, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December, 2007, so far as was known to the Directors, the interests or short positions of the following persons (other than Directors or Supervisors) in the shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company pursuant to section 336 of the SFO were as follows:

Name of Shareholder	Class of shares	Name of shares/ underlying shares held	Capacity	Percentage in the relevant class of share capital	percentage in total share capital
China Shipping (Group) Company	A	5,595,500,000 (long position)	Beneficial owner	70.54%	47.89%
Hutchison International Limited	H	374,724,900 (long position)	Beneficial owner	9.99%	2.07%
Baring Asset Management Limited	H	333,854,650 (long position)	Investment manager	8.90%	2.86%
Northern Trust Fiduciary Services (Ireland) Limited	H	298,073,950 (long position)	Trustee	7.95%	2.55%
UBS AG	H	267,987,751 (long position) 16,385,262 (short position)	Beneficial owner and Person having a security interest in shares and Interest of corporation controlled by the substantial shareholder	7.14% (long position) 0.44% (short position)	2.29% (long position) 0.14% (short position)

Report of the Directors

Save as disclosed above, as at 31 December, 2007, so far as was known to the Directors, no person (other than Directors or Supervisors) had any interest or short position in any shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company pursuant to section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this Report, there was sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers. During the year, the Group sold less than 30% of its goods and services to its 5 largest customers.

For the year ended 31 December, 2007, none of the Directors, Supervisors, their respective associates and any Shareholder (who to the knowledge of the Board owns more than 5% of the share capital of the Company) had any interest in the 5 largest customers or the 5 largest suppliers of the Group.

CONNECTED TRANSACTIONS

Pursuant to Rule 14A.45 of the Listing Rules, details of the following connected transaction of the Group is required to be disclosed in this Annual Report:

On 15 October, 2007, the Company entered into the agreement with China Shipping Investment Co., Ltd. ("CS Investment"), China Shipping Agency Co., Ltd. ("CS Agency") and China Shipping Logistics (Hainan) Co., Ltd. to acquire their respective entire 10%, 20% and 30% equity interests in China Shipping Container Lines Hainan Company Limited ("CS (Hainan)"); and seven agreements with CS Investment to acquire its respective entire 10% equity interests in China Shipping Container Lines Xiamen Company Limited, China Shipping Container Lines Dalian Co., Ltd., China Shipping Container Lines Guangzhou Co., Ltd., China Shipping Container Lines Qingdao Company Limited, China Shipping Container Lines Shanghai Co., Ltd. China Shipping Container Lines Shenzhen Co., Ltd. and China Shipping Container Lines Tianjin Company Limited; and CS (Hainan), a subsidiary of the Company, entered into an agreement with CS Agency to acquire its entire 10% equity interest in China Shipping Container Lines (Haikou) Company Limited. The aggregate consideration payable for the said acquisitions was RMB40,955,000 (equivalent to approximately HK$40,955,000).

Report of the Directors

China Shipping is the Company's controlling shareholder, and CS Investment, CS Agency and China Shipping Logistics (Hainan) Co., Ltd are all wholly-owned subsidiaries of China Shipping, hence the said acquisitions constitute connected transactions of the Company under the Listing Rules.

The Stock Exchange granted a waiver (the "Waiver") to the Company for a period of three years ended on 31 December, 2006 in connection with certain continuing connected transactions. The Waiver has been revised and approved at the shareholder's meeting of the Company held on 10 April, 2007. (Details of the revisions were set out in the Company's announcements dated 24 January, 2007 and 10 April, 2007 and the Company's circular dated 16 February, 2007).

The following tables set out the relevant annual caps approved by the Stock Exchange and subsequently revised and approved at the aforesaid shareholder's meeting and the actual annual figures for the year ended 31 December, 2007 in relation to those continuing connected transactions. Terms used in the following tables shall have the same meanings as defined in the Prospectus.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL

	Transactions under the	Annual Cap for 2007 (RMB'000)	Actual Figure for the year ended 31 December, 2007 (RMB'000)
1.	Master Provision of Chassis Agreement in respect of chassis etc. to be provided to the Group	40,000	35,376
2.	i) CSDC Bareboat Charters; and ii) Master Bareboat Charter Agreement in respect of vessels etc. to be provided to the Group	79,000	77,382
3.	Master Ship Repair Services Agreement in respect of services to be provided to the Group	109,000	36,594
4.	Master Depot Services Agreement in respect of services to be provided to the Group	37,000	35,266
5.	i) First Master IT Service Agreement and ii) Second Master IT Service Agreement in respect of:		
	(1) products and services to be provided by the Group	68,000	52,061
	(2) products and services to be provided to the Group	27,000	11,203
6.	(i) First Master Container Management Agreement; and (ii) Second Master Container Management Agreement in respect of services etc. to be provided by the Group	21,000	–
7.	(ii) Second Master Container Management Agreement in respect of crew members etc. to be provided to the Group	33,000	27,394
8.	Master Time Charter Agreement in respect of vessels etc. to be provided by the Group	35,040	31,656

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS NOT EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL

	Transactions under the	Annual Cap for 2007 (RMB'000)	Actual Figure for the year ended 31 December, 2007 (RMB'000)
1.	Master Supply Agreement in respect of products etc. to be provided to the Group	800,000	796,050
2.	(i) First Master Liner and Cargo Agency Agreement; and (ii) Second Master Liner and Cargo Agency Agreement in respect of services to be provided to the Group	584,000	545,732
3.	Master Liner Services Agreement in respect of services to be provided to the Group	2,259,000	1,565,099
4.	Master Ground Container Transport Agreement in respect of services to be provided to the Group	330,000	228,680
5.	(i) First Master Container Management Agreement and (ii) Second Master Container Management Agreement in respect of services to be provided to the Group	903,000	880,800
6.	Master Time Charter Agreement in respect of vessels etc. to be provided to the Group	410,000	18,096
7.	(i) First Master Loading and Unloading Agreement; and (ii) Second Master Loading and Unloading Agreement in respect of services to be provided to the Group	1,255,000	1,091,429
8.	Revised Master Provision of Containers Agreement in respect of:		
	(1) containers to be leased to the Group	620,000	410,300
	(2) containers to be purchased by the Group	1,131,000	724,904

Report of the Directors

For further details regarding the above continuing connected transactions, please refer to Note 39 to the financial statements.

The independent non-executive Directors, Mr. Hu Hanxiang, Mr. Jim Poon, Mr. Wang Zongxi, Mr. Shen Kangchen and Mr. Shen Zhongying have reviewed the above continuing connected transactions and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

For the purpose of Rule 14A.38 of the Listing Rules, PricewaterhouseCoopers, the auditors of the Company, have also performed certain agreed upon procedures on the above continuing connected transactions and confirmed that the continuing connected transactions disclosed above:

(1) have received the approval of the Company's Board;

(2) in relation to those transactions which are revenue generating in nature, are in accordance with the pricing policies of the Company;

(3) have been entered into in accordance with the relevant agreements governing the transactions; and

(4) have not exceeded the relevant annual cap disclosed in the Prospectus and as disclosed in the Company's announcement of 24 January, 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to the Listing Rules, each Independent Non-executive Director has reaffirmed his independence with the Company. Based on their confirmation, the Company considered that they are independent.

Report of the Directors

PENSION SCHEME

Details of the Group's pension scheme for the year ended 31 December, 2007 are set out in Notes 2,20 and 28 to the financial statements.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December, 2007, the Group had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the year.

TAX RELIEF AND EXEMPTION

The Company is not aware that holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Please refer to the Corporate Governance Report on pages 47 to 60 for details.

AUDIT COMMITTEE

Details of the Company's Audit Committee are set out in the Corporate Governance Report on pages 54 to 55.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

China Shipping Container Lines Company Limited
Li Shaode
Chairman

Shanghai, the People's Republic of China
1 April, 2008

Corporate Governance Report

The Board has reviewed the corporate governance documents it has adopted and is of the view that such documents have incorporated the principles and code provisions of the "Code on Corporate Governance Practices" (the "CG Code") as set out in Appendix 14 to the Listing Rules.

The Board confirms that, other than as set out below, none of the Directors is aware of any information that would reasonably indicate that the Group was not, at any time during year 2007, in compliance with the code provisions of the CG Code.

A BOARD OF DIRECTORS

1. Composition of the first session of the Board

the first session of the Board consists of four Executive Directors, five Non-executive Directors and four Independent Non-executive Directors.

Executive Directors:

Mr. Li Shaode *(Chairman)*
Mr. Jia Hongxiang *(Vice-chairman)*
Mr. Huang Xiaowen
Mr. Zhao Hongzhou

Non-executive Directors:

Mr. Zhang Guofa *(Vice-chairman)*
Mr. Zhang Jianhua
Mr. Wang Daxiong
Mr. Xu Hui
Mr. Yao Zuozhi

Independent Non-executive Directors:

Mr. Hu Hanxiang
Mr. Gu Nianzu
Mr. Wang Zongxi
Mr. Lam Siu Wai, Steven

Corporate Governance Report

Composition of the second session of the Board

As approved by the annual general meeting for year 2006, the second session of the Board consists of four Executive Directors, five Non-executive Directors and four Independent Non-executive Directors. As approved by the second extraordinary general meeting for year 2007, Mr. Shen Zhongying was also appointed as an Independent Non-executive Director for the second session of the Board.

Executive Directors:

Mr. Li Shaode *(Chairman)*
Mr. Zhang Guofa *(Vice Chairman)*
Mr. Huang Xiaowen
Mr. Zhao Hongzhou

Non-executive Directors:

Mr. Ma Zehua *(Vice Chairman)*
Mr. Zhang Jianhua
Mr. Wang Daxiong
Mr. Xu Hui
Mr. Yao Zuozhi

Independent Non-executive Directors:

Mr. Hu Hanxiang
Mr. Wang Zongxi
Mr. Shen Kangchen
Mr. Jim Poon *(also known an Pan Zhanyuan)*
Mr. Shen Zhongying

The list of Directors (including names, duties and brief biographies) is shown on the Company's website: http://www.cscl.com.cn.

Each Independent Non-executive Director has reconfirmed his independence to the Company in accordance with the Listing Rules. Based on the confirmation, the Company considers that they are independent.

In 2007, the Board had at least three Independent Non-executive Directors in accordance with the Listing Rules, of whom one Independent Non-executive Director had appropriate professional qualifications or accounting or related financial management expertise.

Corporate Governance Report

2. RESPONSIBILITIES OF THE BOARD

The Board is responsible for managing the businesses and affairs of the Group with the goal of enhancing shareholder value; to present a balanced, clear and easily comprehensible assessment of the Company's performance, position and prospects as set out in the annual and interim reports, and other price-sensitive announcements and other financial disclosures required under the Listing Rules; and to report to regulators information which is required to be disclosed pursuant to statutory requirements.

The Board owes fiduciary and statutory duties to the Company and the Group. Other duties include: formulating the overall strategy and policies of the Group, and the establishment of corporate and management goals, major operational measures and risk management policies in accordance with the strategic objectives of the Group; supervision and monitoring of the operational and financial performance of the Group; and approval of expenditure budget and key capital spending, key investments, major acquisitions and disposals of assets, corporate or financial reorganization, major finance consent and management matters.

The Board has set up the Audit Committee and the Remuneration Committee. Please refer to the following paragraphs for the composition and duties of the Audit Committee and the Remuneration Committee. Each committee should present its recommendations to the Board in accordance with its own duties, such recommendations should be ultimately determined by the Board, unless prescribed clearly in each committee's duties.

The Company Secretary provides information regarding the latest developments in relation to the Listing Rules and other applicable regulatory requirements for all Directors. Any Director may require the Company Secretary to arrange independent professional advice at the expense of the Company to assist the Director(s) in discharging his/their duties to the Company effectively.

3. CHAIRMAN AND GENERAL MANAGER

In 2007, Mr. Li Shaode served as the Chairman of the Company, and Mr. Huang Xiaowen was the General Managers and both of them were Executive Directors. The Articles of Association of the Company requires that the Chairman and the General Manager should perform their responsibilities separately. For the biographies of Mr. Li Shaode and Mr. Huang Xiaowen, please refer to "Biographies of Directors, Supervisors and Senior Management".

Corporate Governance Report

4. BOARD MEETINGS

The Board held regular board meetings in accordance with paragraph A.1.1. of the CG Code. The Directorate Secretary Office would provide an official agenda of items to be considered and determined by the Board before any Board meeting. Notice would be given at least 14 days before each regular board meeting. Directors may include related matters in the agenda for discussion at the board meeting. The Company Secretary assists the Chairman of the Company to prepare an agenda for each board meeting and ensures it is prepared in accordance with applicable statutory requirements and regulations in relation to the meeting. The ultimate agenda and board papers would be sent to all Directors at least 3 days before the board meeting.

On 26 June, 2007, the Board of the Company was elected by the annual general meeting for year 2006.

The first session of the Board held four meetings. The average attendance rate of the Directors was 96.2%.

Record of attendance for each Director is set out as follows:

Executive Directors

Directors	Number of meetings attended	attendance rate
Li Shaode	4	100%
Jia Hongxiang	4	100%
Huang Xiaowen	4	100%
Zhao Hongzhou	4	100%

Non-executive Directors

Non-executive Directors	Number of meetings attended	attendance rate
Zhang Guofa	4	100%
Zhang Jianhua	4	100%
Wang Daxiong	4	100%
Xu Hui	4	100%
Yao Zuozhi	4	100%

Corporate Governance Report

Independent Non-executive Directors

Independent Non-executive Directors	Number of meetings attended	attendance rate
Hu Hanxiang	4	100%
Gu Nianzu	3	75%
Wang Zongxi	4	100%
Lam Siu Wai, Steven	3	75%

The second session of the Board held six meetings. The average attendance rate of the Directors for the meetings held by the second session of the Board was 98.8%.

Record of attendance for each Director is set out as follows

Directors

Directors	Number of meetings attended	attendance rate
Li Shaode	6	100%
Zhang Guofa	5	83.3%
Huang Xiaowen	6	100%
Zhao Hongzhou	6	100%

Non-executive Directors

Non-executive Directors	Number of meetings attended	attendance rate
Ma Zehua	6	100%
Zhang Jianhua	6	100%
Wang Daxiong	6	100%
Xu Hui	6	100%
Yao Zuozhi	6	100%

Independent Non-executive Directors

Independent Non-executive Directors	Number of meetings attended	attendance rate
Hu Hanxiang	6	100%
Wang Zongxi	6	100%
Shen Kangchen	6	100%
Jim Poon	6	100%
Shen Zhongying	3	100%

Any Director with a conflicting interest in any resolution to be considered by the Board should abstain from voting on such resolution.

Corporate Governance Report

5. SUPPLY OF AND ACCESS TO INFORMATION

All Directors are entitled to have access to the relevant documents and other information of the Board from the Company Secretary in order to make informed decisions.

6. APPOINTMENT AND RESIGNATION OF DIRECTORS

The Board reviews its structure, size and composition on a regular basis. The appointment of new Directors to the Board is based on formal, considered and transparent procedures.

The Company has not established a Nomination Committee, and the Board itself is responsible for the nomination of new Directors directly. In choosing the candidates for directors of the Company, China Shipping, the controlling shareholder of the Company, will conduct research and review those candidates with related experiences and social connections, and then recommend those candidates to the Board for their consideration. Before holding a meeting, the Board will carefully study the backgrounds of the candidates, and consult and collect information on those candidates where necessary, and then discuss and resolve in the following meeting. Those candidates nominated by the Board will then be submitted to the shareholders' meeting for approval.

In 2007, two Board meetings were held respectively to review and make recommendations in respect of the appointment and resignation of Directors, and the attendance rate was 100%. The attendance of each Director is set out as follows:

Executive Directors

Directors	Number of meetings attended	attendance rate
Li Shaode	2	100%
Zhang Guofa *(26 June, 2007 -31 December, 2007)*	1	100%
Jia Hongxiang *(1 January, 2007 -26 June, 2007)*	1	100%
Huang Xiaowen	2	100%
Zhao Hongzhou	2	100%

Note: On 26 June, 2007, Mr. Jia, Hongxiang resigned from his positions as a Vice Chairman of the Board and an Executive Director. On the same date, Mr. Zhang Guofa was appointed as a Vice Chairman of the Board and an Executive Director.

Corporate Governance Report

Non-executive Directors

Directors	Number of meetings attended	attendance rate
Ma Zehua *(26 June, 2007 -31 December, 2007)*	1	100%
Zhang Jianhua	2	100%
Wang Daxiong	2	100%
Zhang Guofa *(1 January, 2007-26 June, 2007)*	1	100%
Xu Hui	2	100%
Yao Zuozhi	2	100%

Note: On 26 June, 2007, Mr. Zhang, Guofa resigned from his positions as a Vice Chairman of the Board and a Non-executive Director. On the same date, Mr. Ma Zehua was appointed as a Vice Chairman of the Board and a Non-executive Director.

Independent Non-executive Directors

Directors	Number of meetings attended	attendance rate
Hu Hanxiang	2	100%
Gu Nianzu *(1 January, 2007 -26 June, 2007)*	1	100%
Wang Zongxi	2	100%
Lam Siu Wai, Steven *(1 January, 2007 -26 June, 2007)*	1	100%
Shen Kangchen *(26 June, 2007 -31 December, 2007)*	1	100%
Jim Poon *(26 June, 2007 -31 December, 2007)*	1	100%

Note: On 26 June, 2007, Mr. Gu Nianzu and Mr. Lam Siu Wai, Steven resigned from their position as an Independent Non-executive Directors. On the same date, Mr. Shen Kangchen and Jim Poon were appointed as an Independent Non-executive Directors.

Mr. Shen Zhongying was appointed as an Independent Non-executive Director in October 2007 after the two above Board meetings.

Corporate Governance Report

7. BOARD COMMITTEES

(1) Audit Committee

The primary duties of the Audit Committee are: to oversee the integrity of the financial reports, annual and interim reports of the Company, and review the financial control and internal control procedures of the Company.

On 26 June, 2007, resolutions were passed to elect the members of the new Audit Committee, which consists of two Independent Non-executive Directors, Mr. Wang Zongxi and Mr. Shen Kangchen, and a Non-executive Director Mr. Wang Daxiong. Mr. Wang Zongxi is the Chairman of the Audit Committee. The primary duties of the Audit Committee are: to oversee the integrity of the financial reports, annual and interim reports of the Company, and review the financial control and internal control procedures of the Company.

The first session of the Audit Committee held one meeting in 2007 and the average attendance rate was 100%. The annual results and financial report for the year 2006 were reviewed in this meeting. During the meeting, the Audit Committee was of the view that the Company has established the effective system of internal control, for the year 2006, the implementing of financial control, internal control and risk management system were sound and no material matter over our financial control and internal control was founded and recommendations were presented to the Board for approval.

The attendance rate of each member of the Audit Committee is set out as follows:

Directors	Number of meeting attended	attendance rate
Wang Zongxi	1	100%
Gu Nianzu	1	100%
Wang Daxiong	1	100%

The second session of the Audit Committee held one meeting in 2007 and the average attendance rate was 100%. The interim results and financial report as at 30 June, 2007 were reviewed in this meeting. During the meeting, the Audit Committee was of the opinion that under the unfavorable operation conditions, including substantial increase in primary cost such as oil and transportation of inland North America and decrease in shipment price of Pacific Ocean market, the Company successfully achieved its production mission in the first half year and gained a considerable economic result through implementing refined management policy and various effective cost-controlling measures. During the meeting, the Audit Committee was

Corporate Governance Report

of the opinion that the interim results and the financial report for the six months ended 30 June, 2007 reflected our financial status and no material matter over our financial control and internal control was founded. The Audit Committee noted that, according to the requirement of being consistence set by Ministry of Finance PRC, new domestic accounting policies are implemented starting from this year. As a result of that, the difference between the international and domestic accounting standards adopted by us is further reduced. However, there is still difference to a certain extent due to the different implementation time of the accounting policies. The Audit Committee noted that the Company is putting great effort on the development of IMIS system and SAP system, which are scheduled to be applied on 1 January 2008, in order to enhance its financial management standard. The opinion of the Audit Committee on the 2007 interim report and the financial report of the Company was unanimously approved by the meeting, and recommendations were presented to the Board for approval.

The attendance rate of each member of the Audit Committee is set out as follows:

Directors	**Number of meeting attended**	**attendance rate**
Wang Zongxi	1	100%
Shen Kangchen	1	100%
Wang Daxiong	1	100%

(2) Remuneration Committee

On 26 June, 2007, resolutions were passed by the Board to elect the new members of the Remuneration Committee, which consists of two Independent Non-executive Directors, Mr. Wang Zongxi and Mr. Shen Kangchen, and a Non-executive Director Mr. Zhang Jianhua. Mr. Zhang Jianhua is the Chairman of the Remuneration Committee. And on 8 August, 2007, resolution was passed at the second meeting of the second session of the Board to appoint Mr. Shen Kangchen as the chairman of the Remuneration Committee.

Corporate Governance Report

The duties of the Remuneration Committee are: to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors, Supervisors and senior management, and on the establishment of a formal and transparent procedure for developing policies on such remuneration; to have the delegated responsibility to determine the specific remuneration packages of all Executive Directors, Supervisors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of Non-executive Directors. During 2007, the Remuneration Committee assessed performance of Executive Directors and approved the terms of Executive Directors' service contracts. When performing the above appraisals, the Remuneration Committee considered factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and employment conditions elsewhere in the Group and desirability of performance based remuneration; reviewed and approved performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; reviewed and approved the compensation payable to Executive Directors, Supervisors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; reviewed and approved compensation arrangements relating to dismissal or removal of Directors or Supervisors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and ensured that no Director, Supervisor or any of their associates was involved in determining his own remuneration.

The Remuneration Committee held one meeting in 2007 and the average attendance rate was 66.7%. The resolution regarding amendment of the Scheme and Implementation Methods was reviewed in that meeting, and recommendation was presented to the Board for approval.

The attendance rate of each member of the Remuneration Committee is set out as follows:

Number of Attendance

Directors	**Number of meeting attended**	**attendance rate**
Zhang Jianhua	1	100%
Wang Zongxi	1	100%
Gu Nianzu	0	0

Corporate Governance Report

8. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company had adopted the Model Code as set out in Appendix 10 to the Listing Rules as the standard regarding Directors' and Supervisors' securities transactions. The Company confirmed, having made specific enquiries with all Directors and Supervisors, that for the year ended 31 December, 2007, its Directors and Supervisors have complied with the requirements relating to Directors' and Supervisors' dealing in securities as set out in the Model Code.

9. H SHARE SHARE APPRECIATION RIGHTS SCHEME

To incentivise the Directors, Supervisors, senior management and other important personnel of the Company to work towards the Company's development and in the shareholders' long-term interest, the Company adopted the Scheme on 12 October, 2005 and the same was modified on 20 June, 2006 and 26 June, 2007. Details of the Scheme were set out in the Company's circular to shareholders dated 26 August, 2005 and the amendments to the Scheme were produced to the annual general meetings of the Company held on 20 June, 2006 and 26 June, 2007.

10. THE TERM OF OFFICE FOR NON-EXECUTIVE DIRECTORS OF THE FIRST SESSION OF THE BOARD

NON-EXECUTIVE DIRECTORS	Term of office starting date	Term of office expiration date
Zhang Guofa	18 February, 2005	26 June, 2007
Zhang Jianhua	3 March, 2004	26 June, 2007
Wang Daxiong	3 March, 2004	26 June, 2007
Xu Hui	12 October, 2005	26 June, 2007
Yao Zuozhi	28 August, 2006	26 June, 2007

Corporate Governance Report

THE TERM OF OFFICE FOR THE SECOND SESSION OF THE BOARD NON-EXECUTIVE DIRECTORS

FOR NON-EXECUTIVE DIRECTORS	Term of office starting date	Term of office expiration date
Ma Zehua	26 June, 2007	until the conclusion of the annual general meeting for the year 2009, i.e. on or around June, 2010
Zhang Jianhua	26 June, 2007	until the conclusion of the annual general meeting for the year 2009, i.e. on or around June, 2010
Wang Daxiong	26 June, 2007	until the conclusion of the annual general meeting for the year 2009, i.e. on or around June, 2010
Xu Hui	26 June, 2007	until the conclusion of the annual general meeting for the year 2009, i.e. on or around June, 2010
Yao Zuozhi	26 June, 2007	until the conclusion of the annual general meeting for the year 2009, i.e. on or around June, 2010

Corporate Governance Report

B. ACCOUNTABILITY AND AUDITING

1. EXTERNAL AUDITOR

PricewaterhouseCoopers was re-appointed as external auditors of the Company at the 2006 Annual General Meeting by the shareholders until the conclusion of the next Annual General Meeting.

The Company has paid PricewaterhouseCoopers RMB5,750,000 as remuneration for its auditing service provided for 2007. During the same year, PricewaterhouseCoopers has not provided any significant non-auditing service to the Group.

BDO Shanghai Zhonghua was appointed as domestic auditors of the Company. The Company has paid BDO Shanghai Zhonghua RMB2,500,000 as remuneration for its auditing service. During the same year, BDO Shanghai Zhonghua has not provided any non-auditing service to the Group.

2. ACKNOWLEDGEMENT OF THE DIRECTORS AND AUDITORS

The Directors have conducted a review of the effectiveness of the system of internal control of the Company and its subsidiaries covering all material controls (including financial, operational and compliance controls and risk management functions).

The Directors have acknowledged their responsibilities for preparing the financial statements for the year ended 31 December, 2007.

PricewaterhouseCoopers, the auditors of the Company, has acknowledged its auditor's responsibilities in the Auditor's Report on the financial statements for the year ended 31 December, 2007.

Corporate Governance Report

C. COMMUNICATION WITH SHAREHOLDERS

The Company has put particular emphasis on communication with shareholders. All information related to the operation, business strategies, and development of the Group is provided in the Company's annual report and interim report. The Company encourages shareholders to attend the Annual General Meeting and each extraordinary general meeting, which should serve as valuable communication forums for each other and with the management.

In 2007, the last general meeting was the second extraordinary general meeting for year 2007 held on 29 September, 2007 at Conference Room No. 1, No 450, Fushan Road, Shanghai.

The resolutions passed at the meeting and the results of the poll are as follows:

Resolution		Ordinary/ Special	for	Votes by poll against	abstain
1	To approve the Initial Public Offering and Listing of A shares;	Special	4,511,291,144 (99.99998%)	1000	0
2	To approve the Plan for Distribution of Distributable Profit Before Offering;	Special	4,511,291,144 (99.99998%)	1000	0
3	To approve the Election of an Additional Director;	Special	4,511,291,144 (99.99998%)	1000	0
4	To approve the Adjustment of Membership Structure of the Supervisory Committee of the Company;	Special	4,511,291,144 (99.99999%)	1000	0
5	To approve the Amendments to the Articles of Association;	Special	4,511,291,144 (99.99998%)	0	1000
6	To approve the Rules of Procedure of Shareholders' General Meeting;	Special	4,511,292,144 (100%)	0	0
7	To approve the Rules of Procedure of Meetings of the Board of Directors;	Special	4,511,292,144 (100%)	0	0
8	To approve the Rules of Procedure of Meeting of the Supervisory Committee.	Special	4,511,292,144 (100%)	0	0
9	To approve the Fair Decision-Making System for Connected Transactions.	Ordinary	4,505,218,144 (99.86536%)	6,074,000 (0.13464%)	0

Report of the Supervisory Committee

To the shareholders:

During 2007, we, the supervisory committee (the "Supervisory Committee") of China Shipping Container Lines Company Limited (the "Company"), performed our supervisory duties in good faith and in a cautious but active manner to further the interests of the Company and its shareholders in accordance with the company law of the People's Republic of China (the "Company Law"), the articles of association of the Company (the "Articles") and the applicable laws and regulations of the places of listing of the Company. Accordingly, we supervised the performance of duties by the directors and senior management of Company. The working status of the Supervisory Committee during 2007 are briefly reported as follows:

WORKING STATUS OF THE SUPERVISORY COMMITTEE IN 2007

In 2007, we held three meetings in total.

On 10 April, 2007, the seventh meeting of the first session of the Supervisory Committee was held in Shanghai. During the meeting, we reviewed and approved resolutions regarding the Company's financial report for 2006, the Company's dividend distribution scheme for 2006, the Company's results announcement for 2006, the Supervisory Committee's report for 2006 and the re-election of the members of Supervisory Committee of the Company.

On 26 June, 2007, the first meeting of the second session of the Supervisory Committee was held in Shanghai. During the meeting, we reviewed and approved resolutions regarding the proposed appointment of chairman of the Supervisory Committee. The meeting elected Mr. Chen Decheng as the chairman of the Supervisory Committee for the current term, the duration of which is the same as the current term of the Board.

On 9 August, 2007, the second meeting of the second session of the Supervisory Committee was held in Shanghai. During the meeting, we reviewed and approved resolutions regarding the Company's interim financial report for 2007, interim results announcement of the Company for 2007, changes to the composition of the Supervisory Committee and rules and procedures of meeting of the Supervisory Committee.

During the reported period, our members attended all the Company's board meetings and general meetings.

INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE FOR CERTAIN RELEVANT EVENTS OF THE COMPANY IN 2007

Operating status of the Company

We monitored and reviewed the execution of the resolutions approved by the Company's general meetings and board meetings, paid close attention to the internal management system of the Company and supervised the performance of duties of the Company's directors and senior management in accordance with applicable laws and the Articles. We are of the view that the Company's decision-making procedures are legal and a comprehensive internal control system is in place. The Company strictly complied with the relevant laws and regulations of the State and operated in accordance with the applicable laws and regulations of the places of listing of the Company.

Report of the Supervisory Committee

The Company's directors and senior management have duly and diligently carried out their duties under good practices. We have not identified any violation of relevant laws or regulations or the Articles by any of them or any acts of any of them being against the interests of the Company.

Financial status of the Company

We reviewed, amongst other things, the Company's financial report for 2007, the Company's dividend distribution scheme for 2007 and the Company's internal and external auditors' reports for 2007. We are of the view that the Company's financial status was sound, the Company's financial management standards and internal control system were implemented and have improved, and the Company's financial report for 2007 objectively and accurately reflected the Company's financial status and operating results for 2007. We accepted the auditor's report and approved the Company's dividend distribution scheme for 2007.

Acquisitions, disposals and connected transactions of the Company

We are of the view that the prices the Company paid or received for transactions relating to acquisitions and disposals of assets were reasonable and no internal dealing was found. We are further of the view that the Company's connected transactions were entered into in the ordinary course of business and on normal commercial terms that are fair and reasonable for the Company and its shareholders.

In 2008, we will continue to perform the supervisory functions endowed on us by the relevant laws and regulations and the Articles and work hard to further the interests of the Company and its shareholders.

China Shipping Container Lines Company Limited
Supervisory Committee

Shanghai, the People's Republic of China
1 April, 2008

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

TO THE SHAREHOLDERS OF
CHINA SHIPPING CONTAINER LINES COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Shipping Container Lines Company Limited ("the Company") and its subsidiaries (together, "the Group") set out on pages 65 to 155, which comprise the consolidated and company balance sheets as at 31 December, 2007, and the consolidated income statement, 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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, 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 as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 1 April, 2008

Consolidated Balance Sheet

As at 31 December, 2007

	Note	As at 31 December 2007 RMB'000	 2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**25,955,024**	23,463,851
Land use rights	*7*	**12,622**	13,356
Goodwill	*8*	**56,956**	46,427
Investment in associated companies	*10*	**54,932**	48,758
Investment in jointly controlled entities	*11*	**32,959**	32,000
		26,112,493	23,604,392
Current assets			
Bunkers		**904,573**	635,735
Trade and notes receivables	*14*	**4,054,201**	3,490,403
Prepayments and other receivables		**151,420**	97,984
Derivative financial instruments	*15*	**21,694**	–
Cash and cash equivalents	*16*	**16,290,419**	2,915,542
		21,422,307	7,139,664
Total assets		**47,534,800**	30,744,056
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*17*	**11,683,125**	6,030,000
Other reserves	*18*	**18,411,309**	5,998,515
Retained earnings	*18*		
– Proposed final dividend		**467,325**	241,200
– Others		**2,379,557**	4,263,526
		32,941,316	16,533,241
Minority interests		**1,927**	42,964
Total equity		**32,943,243**	16,576,205

Consolidated Balance Sheet (continued)

As at 31 December, 2007

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*19*	**3,231,993**	5,538,152
Domestic corporate bonds	*20*	**1,775,488**	–
Finance lease obligations	*21*	**2,763,469**	3,199,249
Deferred income tax liabilities	*22*	**172,026**	837,249
		7,942,976	9,574,650
Current liabilities			
Trade and notes payables	*23*	**3,208,043**	2,205,055
Accrual and other payables		**667,226**	515,189
Short-term bank borrowings	*19*	**–**	400,000
Long-term bank borrowings – current portion	*19*	**958,266**	707,608
Finance lease obligations – current portion	*21*	**543,261**	695,724
Current income tax liabilities		**1,239,927**	69,625
Provision	*24*	**25,000**	–
Derivative financial instruments	*15*	**6,858**	–
		6,648,581	4,593,201
Total liabilities		**14,591,557**	14,167,851
Total equity and liabilities		**47,534,800**	30,744,056
Net current assets		**14,773,726**	2,546,463
Total assets less current liabilities		**40,886,219**	26,150,855

Li Shaode
Director

Huang Xiaowen
Director

The notes on pages 72 to 155 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December, 2007

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**17,898,481**	14,971,491
Land use rights	*7*	**12,622**	13,356
Interests in subsidiaries	*9*	**1,133,437**	1,328,477
Investment in associated companies	*10*	**31,614**	29,214
Investment in a joint controlled entity	*11*	**32,000**	32,000
		19,108,154	16,374,538
Current assets			
Bunkers		**209,883**	65,660
Trade and notes receivables	*14*	**2,423,482**	1,178,261
Prepayments and other receivables		**129,294**	104,411
Dividend receivable from subsidiaries		**5,759,802**	300,000
Derivative financial instruments	*15*	**21,694**	–
Cash and cash equivalents	*16*	**14,357,901**	925,058
		22,902,056	2,573,390
Total assets		**42,010,210**	18,947,928
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*17*	**11,683,125**	6,030,000
Other reserves	*18*	**18,862,054**	6,170,275
Retained earnings	*18*		
– Proposed final dividend		**467,325**	241,200
– Others		**638,870**	24,806
Total equity		**31,651,374**	12,466,281

Balance Sheet (continued)

As at 31 December, 2007

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*19*	**–**	3,408,940
Domestic corporate bonds	*20*	**1,775,488**	–
Deferred income tax liabilities	*22*	**52,478**	48,497
		1,827,966	3,457,437
Current liabilities			
Trade and notes payables	*23*	**6,928,389**	1,833,288
Accrual and other payables		**358,451**	258,894
Short-term bank borrowings	*19*	**–**	400,000
Long-term bank borrowings – current portion	*19*	**–**	475,000
Current income tax liabilities		**1,219,030**	57,028
Provision	*24*	**25,000**	–
		8,530,870	3,024,210
Total liabilities		**10,358,836**	6,481,647
Total equity and liabilities		**42,010,210**	18,947,928
Net current assets/(liabilities)		**14,371,186**	(450,820)
Total assets less current liabilities		**33,479,340**	15,923,718

Li Shaode
Director

Huang Xiaowen
Director

The notes on pages 72 to 155 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December, 2007

		Year ended 31 December	
		2007	2006
	Note	**RMB'000**	RMB'000
Revenue	*5*	**38,825,620**	30,502,378
Cost of services	*25*	**(34,069,303)**	(28,391,606)
Gross profit		**4,756,317**	2,110,772
Other gains/(losses), net	*26*	**85,414**	(7,389)
Other income	*27*	**166,638**	117,062
Selling, administrative and general expenses	*25*	**(712,353)**	(550,414)
Operating profit		**4,296,016**	1,670,031
Finance costs	*30*	**(496,919)**	(533,999)
Share of profit of associated companies	*10*	**6,045**	6,529
Share of profit of jointly controlled entities	*11*	**959**	–
Profit before income tax		**3,806,101**	1,142,561
Income tax expense	*31*	**(590,452)**	(277,847)
Profit for the year		**3,215,649**	864,714
Attributable to:			
Equity holders of the Company		**3,215,417**	859,210
Minority interests		**232**	5,504
		3,215,649	864,714
Dividends	*34*	**5,333,475**	241,200
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)	*33*		
– basic		**RMB0.34**	RMB0.09
– diluted		**RMB0.34**	RMB0.09

The notes on pages 72 to 155 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December, 2007

		Attributable to equity holders of the Company					
	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 1 January, 2006		6,030,000	6,128,838	4,433,026	16,591,864	37,460	16,629,324
Currency translation differences		–	(194,233)	–	(194,233)	–	(194,233)
Profit for the year		–	–	859,210	859,210	5,504	864,714
Profit appropriation to statutory reserves	*18*	–	63,910	(63,910)	–	–	–
Dividend relating to 2005		–	–	(723,600)	(723,600)	–	(723,600)
Balance at 31 December, 2006 and 1 January, 2007		6,030,000	5,998,515	4,504,726	16,533,241	42,964	16,576,205
Currency translation differences		–	(238,356)	–	(238,356)	–	(238,356)
Profit for the year		–	–	3,215,417	3,215,417	232	3,215,649
Transfer of reserves to retained earnings	*18*	–	(794,953)	794,953	–	–	–
Profit appropriation to statutory reserves	*18*	–	560,864	(560,864)	–	–	–
Issuance of domestic public shares ("A Share")	*17*	2,336,625	12,885,239	–	15,221,864	–	15,221,864
Disposal of a subsidiary	*35(d)*	–	–	–	–	(10,843)	(10,843)
Acquisition of minority interests of subsidiaries	*35(c)*	–	–	–	–	(30,426)	(30,426)
Dividend relating to 2006		–	–	(241,200)	(241,200)	–	(241,200)
Special dividend paid	*34*	3,316,500	–	(4,866,150)	(1,549,650)	–	(1,549,650)
Balance at 31 December, 2007		11,683,125	18,411,309	2,846,882	32,941,316	1,927	32,943,243

The notes on pages 72 to 155 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December, 2007

	Note	Year ended 31 December 2007 RMB'000	2006 RMB'000
Cash flows from operating activities			
Cash generated from operations	*35(a)*	**5,690,829**	2,975,706
Income tax paid		**(85,373)**	(210,043)
Net cash generated from operating activities		**5,605,456**	2,765,663
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,874,933)**	(3,671,894)
Acquisition of a subsidiary, net of cash acquired		–	(78,528)
Capital injection to a jointly controlled entity		**–**	(32,000)
Acquisition of minority interests of subsidiaries	*35(c)*	**(40,955)**	–
Deconsolidation of a subsidiary	*35(d)*	**(3,402)**	–
Proceeds from disposal of property, plant and equipment		**6,127**	15,516
Dividend received from associated companies		**7,076**	5,367
Interest received		**106,746**	74,849
Net cash used in investing activities		**(4,799,341)**	(3,686,690)
Cash flows from financing activities			
Interest paid		**(347,491)**	(362,627)
Net proceeds from issuance of A Share	*17(c)*	**15,221,864**	–
Net proceeds from issuance of domestic corporate bonds	*20*	**1,775,488**	–
Proceeds from short-term and long-term bank borrowings		**2,015,386**	2,645,285
Repayments of short-term and long-term bank borrowings		**(4,470,887)**	(1,607,690)
Proceeds from sale and lease back of containers		**1,014,288**	1,349,650
Capital element of finance lease payments		**(644,846)**	(615,016)
Interest element of finance lease payments		**(204,190)**	(272,806)
Dividend paid to Company's shareholders		**(1,790,850)**	(723,600)
Net cash generated from financing activities		**12,568,762**	413,196
Net increase/(decrease) in cash and cash equivalents		**13,374,877**	(507,831)
Cash and cash equivalents at beginning of the year		**2,915,542**	3,423,373
Cash and cash equivalents at end of the year		**16,290,419**	2,915,542

The notes on pages 72 to 155 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

China Shipping Container Lines Company Limited ("the Company") and its subsidiaries (together, "the Group") are principally engaged in owning, chartering and operating container vessels for the provision of international and domestic container marine transportation service.

The Company was incorporated in the People's Republic of China (the "PRC") on 28 August, 1997 as a company with limited liability under the Company Law of the PRC. On 3 March, 2004, the Company was transformed into a joint stock limited company under the Company Law of the PRC. In June 2004, the Company issued 2,420,000,000 overseas public shares ("H Share"), which were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Main Board") since 16 June, 2004. In December 2007, the Company issued 2,336,625,000 A Share, which were listed on the Shanghai Stock Exchange since 12 December, 2007.

The address of the Company's registered office is 27th Floor, 450 Fu Shan Road, Pudong New District, Shanghai, PRC.

These consolidated financial statements are presented in thousands of units of Renminbi ("RMB'000"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 1 April, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of 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 4.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

(a) Standard and interpretations effective in 2007 and relevant to the Group's operations

HKFRS 7, "Financial instruments: disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements – Capital disclosures", introduces new disclosures relating to financial instruments and do not have any impact on the classification and valuation of the Group's financial instruments, but require additional disclosures in relation to the Group's financial instruments. The main additional disclosures include certain quantitative information of the Group's exposure to credit risk, liquidity risk and market risk, as well as qualitative information of the Group's capital risk management. The additional disclosures are set out in Note 3 below.

HK (IFRIC) – Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This interpretation does not have any impact on the Group's financial statements.

HK (IFRIC) – Int 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on the Group's financial statements.

(b) Interpretation early adopted by the Group

HK (IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions", was early adopted in 2007. HK (IFRIC) – Int 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone financial statements of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

(c) Interpretations effective in 2007 but not relevant to the Group's operations

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January, 2007 but are not relevant to the Group's operations:

HK (IFRIC) – Int 7, "Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies";

HK (IFRIC) – Int 9, "Re-assessment of embedded derivatives".

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

(d) *Standards and amendments to existing standards that are not yet effective for 2007 and have not been early adopted by the Group*

HKAS 1 (Revised), "Presentation of financial statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKAS 23 (Amendment), "Borrowing costs" (effective from 1 January, 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs will be removed. Management does not anticipate any material impact on the Group's financial statements as the Group has already followed the principles of capitalise borrowing costs for qualifying assets in accordance with the existing HKAS 23.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

(d) *Standards and amendments to existing standards that are not yet effective for 2007 and have not been early adopted by the Group (continued)*

HKFRS 8, "Operating segments" (effective from 1 January, 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail by management.

HKAS 27 (Revised) "Consolidated and separate financial statements" (effective from 1 July, 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

HKFRS 3 (Revised) "Business combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July, 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted "rather than" are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

(d) Standards and amendments to existing standards that are not yet effective for 2007 and have not been early adopted by the Group (continued)

HKFRS 2 Amendment "Share-based payment vesting conditions and cancellations" (effective from 1 January, 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately.

(e) Interpretations to existing standards that are not yet effective for 2007 and not relevant to the Group's operations

HK (IFRIC) – Int 12, "Service concession arrangements" (effective from 1 January, 2008). HK (IFRIC) – Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK (IFRIC) – Int 12 is not relevant to the Group's operations because none of the Group's companies provide public sector services.

HK (IFRIC) – Int 13, "Customer loyalty programmes" (effective from 1 July, 2008). HK (IRFIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK (IFRIC) – Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

HK (IFRIC) – Int 14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). HK (IFRIC) – Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. HK (IFRIC) – Int 14 is not relevant to the Group's operation as the Group does not have any defined benefit plan.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2.8). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) *Transactions and minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between consideration paid and the relevant share of the carrying value of net assets of the subsidiary base on the percentage of interests acquired.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 CONSOLIDATION *(continued)*

(c) Associated companies

Associated companies are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associated companies is accounted for using the equity method of accounting and is initially recognised at cost.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in associated companies equals or exceeds its investment in the associated companies, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated companies.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's investment in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investment in associated companies is stated at cost less provision for impairment losses (Note 2.9). The results of the associated companies are accounted for by the Company on the basis of dividend received and receivable.

(d) Jointly controlled entities

Jointly controlled entities are joint ventures that involve the establishment of corporation in which the Group and other ventures have their respective interests. The jointly controlled entities operate in the same way as other entities, except that a contractual agreement between the Group and other ventures established joint control and none of the participating parties has unilateral control over the economic activity of the jointly controlled entities.

Investment in a jointly controlled entity is accounted for in the financial statements under the equity method and is stated at cost plus share of post-acquisition results and reserves and goodwill on acquisition less provision for impairment losses (Note 2.9). The share of post-acquisition results and reserves is based on the relevant profit sharing ratios.

In the Company's balance sheet the investment in a jointly controlled entity is stated at cost less provision for impairment losses (Note 2.9). The results of jointly controlled entity are accounted for by the Company on the basis of dividend received and receivable.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

2.4 FOREIGN CURRENCY TRANSLATION

(a) 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"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary 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 the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 FOREIGN CURRENCY TRANSLATION *(continued)*

(c) 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:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement 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

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 PROPERTY, PLANT AND EQUIPMENT

(a) Vessels under construction

Vessels under construction are stated at cost less accumulated impairment losses. Cost of vessel under construction includes all direct costs relating to the construction and acquisition of vessels incurred by the Group. No depreciation is provided for vessels under construction until such time as the relevant vessels are completed and ready for intended use. Vessels under construction are transferred to container vessels upon the completion of the construction.

(b) Construction in progress

Construction in progress represents office building under renovation and other property, plant and equipment under construction or pending installation and is stated at cost less accumulated impairment losses. Cost includes the cost of acquisition and construction of the building and the actual renovation costs incurred during the year. No depreciation is provided for construction in progress until such time as the relevant assets are completed and available for intended use. When the assets are ready for their intended use, the costs are transferred to building or other property, plant and equipment and depreciated in accordance with the policy as stated below.

(c) Vessel repairs and surveys

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and these costs are depreciated over the period to the next estimated dry-docking date. Costs incurred on the subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs are incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

(d) Other property, plant and equipment

All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(d) Other property, plant and equipment (continued)

Depreciation of 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:

	Estimated useful lives
Container vessels	25 years from the date of first registration
Building	40 years
Containers	8 to 12 years
Improvements on vessels under operating leases*	5 years or the period of the lease, whichever is the shorter
Computer and office equipment	5 to 8 years
Motor vehicles	6 years

* represent improvements on vessels operated by the Group under operating leases

The residual values of 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 2.9).

(e) Gain or loss on sale

Gains and losses on disposals are determined by comparing proceeds with carrying amounts, and are included in the income statement.

2.6 LAND USE RIGHTS

All land in the PRC is state-owned or collectively-owned and no individual land ownership exists. The Group acquires the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights, which are amortised over the lease period using the straight-line method.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 ASSETS UNDER LEASES

(i) Where the Group is a lessee

(a) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The interest element of the finance cost is recognised in the consolidated 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.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(b) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) Where the Group is a lessor

Operating lease

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet and when applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 2.5 above. Rental income, net of any incentives given to lessees, is recognised on a straight line basis over the period of lease.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 ASSETS UNDER LEASES *(continued)*

(iii) Sale and leaseback transactions – where the Group is the lessee

A sale and leaseback transaction involves the sale of an asset by the Group and the leasing of the same asset back to the Group. The lease payments and the sale price are usually closely interrelated as they are negotiated as a package.

Sale and leaseback arrangements that result in the Group retaining the majority of the risks and rewards of ownership of assets are accounted for as finance leases. Any excess of sales proceeds over the carrying amount is deferred and amortised over the period of lease.

2.8 GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.9 IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES, JOINTLY CONTROLLED ENTITIES AND NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) *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 classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *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 maturities greater than 12 months after the balance sheet date, these are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" in the balance sheet.

Regular 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. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are 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 gains/(losses), 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.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 2.13.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of these derivative instruments are recognised immediately in the income statement within "other gains/(losses), net".

2.12 BUNKERS

Bunkers represent fuels and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis.

2.13 TRADE AND OTHER RECEIVABLES

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. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "selling, administrative and general expenses". When the receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against "selling, administrative and general expenses" in the income statement.

2.14 CASH AND CASH EQUIVALENTS

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

2.15 SHARE CAPITAL

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

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 TRADE PAYABLES

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

2.17 BORROWINGS

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

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 balance sheet date.

2.18 CURRENT AND DEFERRED 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 and its subsidiaries and associated companies 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 and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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 substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except 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.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 BORROWING COSTS

Borrowing costs incurred for the construction or acquisition of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowings costs are expensed and charged in the income statements when they are incurred.

2.20 EMPLOYEE BENEFITS

(a) Pension obligations

The full-time employees of the Group employed in Mainland China are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulae. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans based on percentages of the total salary of employees, subject to a certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

The Group also operates a defined contribution Mandatory Provident Fund ("MPF") scheme for its employees employed in Hong Kong. The Group and the employees both contribute 5% of the employees' relevant income per month as required by the Hong Kong MPF Scheme Ordinance subject to a maximum of HKD1,000 per person.

The Group's contributions to the above defined contribution schemes are charged to the income statement as incurred.

(b) Housing benefits

All full-time employees of the Group employed in Mainland China are entitled to participate in various government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of the employees on a monthly basis, subject to a certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the funds are expensed as incurred.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 EMPLOYEE BENEFITS *(continued)*

(c) Share-based compensation

The Group operates a cash-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of share appreciation rights is recognised as expense. The employees are entitled to a future cash payment, based on the increase in the Company's H Share price from a specified level over a specified period of time.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share appreciation rights, by applying an option pricing models, taking into account the terms and condition on which the share appreciation rights were granted, and the extent to which the employees have rendered service to date.

At each balance sheet date, the Group measures the services acquired and the liability incurred at the fair value of the liabilities. The fair value of the liabilities are re-measured at each balance sheet date and at the date of settlement, with any changes in fair value, if any, recognised in the consolidated income statement over the vesting period or for the year, where appropriate (Note 28 (i)).

2.21 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 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.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of business taxes, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group recognises revenues on the following bases:

(i) *Liner services*

Freight revenues from the operation of the 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.

(ii) *Chartering*

Income from chartering of vessels under operating leases is recognised over the periods of the respective leases on a straight-line basis.

(iii) *Interest income*

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

(iv) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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 notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.24 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

'

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the RMB and United States Dollars ("USD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operation. The Group is considering to use forward contracts to cover the foreign currency exposures in the future, where appropriate.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(i) Foreign exchange risk *(continued)*

At 31 December, 2007, if RMB had strengthened/weakened by 10% against the USD with all other variables held constant, post-tax profit for the year would have been RMB350,369,000 (2006: RMB256,442,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables and cash and cash equivalents, and foreign exchange gains/losses on translation of USD-denominated borrowings and trade and other payables.

(ii) Cash flow and fair value interest rate risk

The main interest-bearing assets of Group are short term bank deposits. The risk on Group's income and operating cash flows from changes in market interest rates is low.

The Group's interest-rate risk arises from borrowings, domestic corporate bonds, and finance lease obligations. Borrowings and finance lease obligations issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings, domestic corporate bonds, and finance lease obligations issued at fixed rates expose the Group to fair value interest-rate risk. As at 31 December, 2007 and 2006, over 65% and 78% of the Group's borrowings, domestic corporate bonds, and finance lease obligations were at fixed rates respectively. During 2007 and 2006, the Group's borrowings at variable rate were denominated in USD. The weighted average effective interest rates and terms of repayment of the Group's borrowings are disclosed in Note 19.

At 31 December, 2007, if interest rates had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been RMB27,142,000 (2006: RMB19,721,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. The Group has policies that limit the amount of credit exposure to any financial institutions. The Group has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility (Note 19) and cash and cash equivalents (Note 16)) on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest). Balances of trade and notes payables, accruals and other payables and derivative financial instruments due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December, 2007				
Bank borrowings *(Note 19)*	**1,185,112**	**2,448,065**	**479,669**	**559,896**
Domestic corporate bonds *(Note 20)*	**81,180**	**81,180**	**243,540**	**2,205,900**
Finance lease obligations *(Note 21)*	**731,594**	**720,180**	**1,840,463**	**665,976**
Trade and notes payables *(Note 23)*	**3,208,043**	**–**	**–**	**–**
Accrual and other payables	**667,226**	**–**	**–**	**–**
Derivative financial instruments	**6,858**	**–**	**–**	**–**
At 31 December, 2006				
Bank borrowings *(Note 19)*	1,503,649	1,037,644	4,558,103	795,475
Finance lease obligations *(Note 21)*	995,756	889,384	2,106,029	865,105
Trade and notes payables *(Note 23)*	2,205,055	–	–	–
Accrual and other payables	515,189	–	–	–

3.2 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 may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Total debt is calculated as total borrowings (including current and non-current borrowings, domestic corporate bonds and finance lease obligations as shown in the consolidated balance sheet) less cash and cash equivalents.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management *(continued)*

The gearing ratios at 31 December, 2007 and 2006 were as follows:

	2007	2006
	RMB'000	RMB'000
Bank borrowings *(Note 19)*	**4,190,259**	6,645,760
Domestic corporate bonds *(Note 20)*	**1,775,488**	–
Finance lease obligations *(Note 21)*	**3,306,730**	3,894,973
Less: Cash and cash equivalents *(Note 16)*	**(16,290,419)**	(2,915,542)
Net debt	**(7,017,942)**	7,625,191
Total equity	**32,943,243**	16,576,205
Gearing ratio	**(21.3%)**	46.0%

The significant increase in cash and cash equivalents was mainly due to the proceeds from A share offering amounting to approximately RMB15,221,864,000 which was received in December 2007.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade and notes receivables, prepayment and other receivables, and cash and cash equivalents, and the carrying amount of trade and notes payables, accrual and other payables, current borrowings and balances with group companies are assumed to approximate their fair values due to the short term maturities of these assets and liabilities. The fair value of non-current liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences 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:

(i) Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations and valuations require the use of judgement and estimates.

(ii) Income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. 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 income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets depends on the management's expectation of future taxable profit that will be available against which the deferred tax assets can be utilised. The outcome of their actual utilisation may be different.

(iii) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment. Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(iv) Provision of cost of services

Cost of services, which comprise container and cargo, vessel and voyage costs, sub-route and other costs, are recognised on a percentage of completion basis as set out in Note 2.22. Invoices in relation to these expenses are received approximately up to six months after the expenses have been incurred. Consequently, recognition of cost of services is based on the rendering of services as well as the latest tariff agreed with vendors. If the actual expenses of a voyage differ from the estimated expenses, this will have an impact on cost of services in future periods.

5 REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are owning, chartering and operating container vessels for the provision of international and domestic container marine transportation service. Revenue represents gross income from liner and chartering services, net of discounts allowed, where applicable.

	2007	2006
	RMB'000	RMB'000
Revenue		
– Liner	**38,702,300**	30,375,447
– Chartering	**123,320**	126,931
	38,825,620	30,502,378

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

The business segment reporting includes provisions of liner service and chartering of vessels. In respect of the geographical segment reporting, segment revenues from liner and chartering services cover the world's major trade lanes.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments

The Group's business is organised into two business segments: liner and chartering. The Group's business is dominated by provision of liner services. The chartering business is of insufficient size to be reported separately.

Secondary reporting format – geographical segments

The Group's liner and chartering businesses are managed on a worldwide basis. The revenue generated from the world's major trade lanes includes Pacific, Europe/Mediterranean, Asia Pacific, China Domestic and Others.

The directors of the Company consider that the nature of the Group's business precludes a meaningful allocation of the Group's assets to specific geographical segments as defined under HKAS 14 "Segment Reporting". Accordingly, geographical segment information is only presented for revenue:

	2007 **RMB'000**	2006 RMB'000
Pacific	**14,060,086**	13,490,485
Europe/Mediterranean	**12,811,876**	8,600,589
Asia Pacific	**5,540,157**	3,971,655
China Domestic	**4,309,270**	2,419,817
Others	**2,104,231**	2,019,832
	38,825,620	30,502,378

Notes to the Consolidated Financial Statements

6 PROPERTY, PLANT AND EQUIPMENT

The Group

	Container vessels RMB'000	Building RMB'000	Vessels under construction RMB'000	Construction in progress RMB'000	Improvement on vessels under operating leases RMB'000	Containers RMB'000	Motor vehicles RMB'000	Computer and office equipment RMB'000	Total RMB'000
At 1 January, 2006									
Cost	14,066,152	169,826	3,607,523	15,401	334,744	5,948,550	41,931	253,412	24,437,539
Accumulated depreciation and impairment losses	(1,357,019)	(2,689)	–	–	(257,490)	(1,910,016)	(20,784)	(118,728)	(3,666,726)
Net book amount	12,709,133	167,137	3,607,523	15,401	77,254	4,038,534	21,147	134,684	20,770,813
Year ended 31 December, 2006									
Opening net book amount	12,709,133	167,137	3,607,523	15,401	77,254	4,038,534	21,147	134,684	20,770,813
Exchange difference	(18,055)	–	(79,889)	–	–	(92,550)	(66)	(868)	(191,428)
Transfers	2,863,253	25,971	(2,863,253)	(37,312)	–	–	–	11,341	–
Addition from purchase of a subsidiary	–	–	–	–	–	–	103	2,682	2,785
Additions	31,833	–	2,151,813	31,697	3,855	963,583	2,513	14,545	3,199,839
Acquisition from fellow subsidiaries	54,760	–	–	–	–	837,731	–	–	892,491
Disposals *(Note 35 (a))*	(8,049)	–	–	–	(11,032)	(4,277)	(381)	(3,422)	(27,161)
Depreciation *(Note 25, 35 (a))*	(519,777)	(4,160)	–	–	(30,905)	(583,032)	(5,072)	(40,542)	(1,183,488)
Closing net book amount	15,113,098	188,948	2,816,194	9,786	39,172	5,159,989	18,244	118,420	23,463,851
At 31 December, 2006									
Cost	16,975,344	195,797	2,816,194	9,786	166,498	6,847,128	43,958	274,957	27,329,662
Accumulated depreciation and impairment losses	(1,862,246)	(6,849)	–	–	(127,326)	(1,687,139)	(25,714)	(156,537)	(3,865,811)
Net book amount	15,113,098	188,948	2,816,194	9,786	39,172	5,159,989	18,244	118,420	23,463,851
Year ended 31 December, 2007									
Opening net book amount	**15,113,098**	**188,948**	**2,816,194**	**9,786**	**39,172**	**5,159,989**	**18,244**	**118,420**	**23,463,851**
Exchange difference	**(26,046)**	**–**	**(24,967)**	**–**	**–**	**(309,760)**	**(61)**	**(1,010)**	**(361,844)**
Transfers	**2,905,329**	**–**	**(2,905,329)**	**–**	**–**	**–**	**–**	**–**	**–**
Additions	**100,987**	**–**	**3,751,307**	**29,641**	**6,772**	**1,069,232**	**4,450**	**10,093**	**4,972,482**
De-recognition of containers under finance lease	**–**	**–**	**–**	**–**	**–**	**(830,301)**	**–**	**–**	**(830,301)**
Disposals (Note 35 (a))	**–**	**–**	**–**	**–**	**(5,827)**	**(3,426)**	**(362)**	**(1,767)**	**(11,382)**
Depreciation (Note 25, 35 (a))	**(730,618)**	**(6,526)**	**–**	**–**	**(28,348)**	**(475,736)**	**(4,730)**	**(31,824)**	**(1,277,782)**
Closing net book amount	**17,362,750**	**182,422**	**3,637,205**	**39,427**	**11,769**	**4,609,998**	**17,541**	**93,912**	**25,955,024**
At 31 December, 2007									
Cost	**19,873,906**	**195,797**	**3,637,205**	**39,427**	**145,356**	**5,467,188**	**46,489**	**275,459**	**29,680,827**
Accumulated depreciation and impairment losses	**(2,511,156)**	**(13,375)**	**–**	**–**	**(133,587)**	**(857,190)**	**(28,948)**	**(181,547)**	**(3,725,803)**
Net book amount	**17,362,750**	**182,422**	**3,637,205**	**39,427**	**11,769**	**4,609,998**	**17,541**	**93,912**	**25,955,024**

Notes to the Consolidated Financial Statements

6 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Company

	Container vessels RMB'000	Building RMB'000	Vessels under construction RMB'000	Construction in progress RMB'000	Improvement on vessels under operating leases RMB'000	Containers RMB'000	Motor vehicles RMB'000	Computer and office equipment RMB'000	Total RMB'000
At 1 January, 2006									
Cost	13,337,909	169,826	1,163,958	15,895	300,430	2,870,311	7,769	161,915	18,028,013
Accumulated depreciation and impairment losses	(1,279,217)	(2,689)	–	–	(234,930)	(1,777,375)	(3,348)	(80,434)	(3,377,993)
Net book amount	12,058,692	167,137	1,163,958	15,895	65,500	1,092,936	4,421	81,481	14,650,020
Year ended 31 December, 2006									
Opening net book amount	12,058,692	167,137	1,163,958	15,895	65,500	1,092,936	4,421	81,481	14,650,020
Transfers	1,468,235	25,971	(1,468,235)	(37,312)	–	–	–	11,341	–
Additions	27,566	–	1,913,275	31,203	–	–	1,714	–	1,973,758
Transfer to a subsidiary	–	–	–	–	–	(1,092,936)	–	–	(1,092,936)
Disposals	(8,049)	–	–	–	(11,032)	–	–	(128)	(19,209)
Depreciation	(483,952)	(4,160)	–	–	(25,359)	–	(1,133)	(25,538)	(540,142)
Closing net book amount	13,062,492	188,948	1,608,998	9,786	29,109	–	5,002	67,156	14,971,491
At 31 December, 2006									
Cost	14,812,456	195,797	1,608,998	9,786	128,329	–	9,483	171,254	16,936,103
Accumulated depreciation and impairment losses	(1,749,964)	(6,849)	–	–	(99,220)	–	(4,481)	(104,098)	(1,964,612)
Net book amount	13,062,492	188,948	1,608,998	9,786	29,109	–	5,002	67,156	14,971,491
Year ended 31 December, 2007									
Opening net book amount	**13,062,492**	**188,948**	**1,608,998**	**9,786**	**29,109**	**–**	**5,002**	**67,156**	**14,971,491**
Transfers	**1,567,415**	**–**	**(1,567,415)**	**–**	**–**	**–**	**–**	**–**	**–**
Additions	**12,399**	**–**	**3,562,570**	**25,161**	**–**	**–**	**647**	**2,407**	**3,603,184**
Disposals	**(60,879)**	**–**	**–**	**–**	**(5,758)**	**–**	**(20)**	**–**	**(66,657)**
Depreciation	**(561,932)**	**(6,526)**	**–**	**–**	**(23,351)**	**–**	**(980)**	**(16,748)**	**(609,537)**
Closing net book amount	**14,019,495**	**182,422**	**3,604,153**	**34,947**	**–**	**–**	**4,649**	**52,815**	**17,898,481**
At 31 December, 2007									
Cost	**16,263,739**	**195,797**	**3,604,153**	**34,947**	**100,508**	**–**	**9,743**	**173,658**	**20,382,545**
Accumulated depreciation and impairment losses	**(2,244,244)**	**(13,375)**	**–**	**–**	**(100,508)**	**–**	**(5,094)**	**(120,843)**	**(2,484,064)**
Net book amount	**14,019,495**	**182,422**	**3,604,153**	**34,947**	**–**	**–**	**4,649**	**52,815**	**17,898,481**

Notes to the Consolidated Financial Statements

6 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) As at 31 December, 2007, the net book value of containers held under finance lease by the Group amounted to approximately RMB3,420,080,000 (2006: RMB3,806,385,000).

(b) The Group leased certain containers from its fellow subsidiaries under long term leases prior to 1 January, 2007. The leases were recognised as finance lease contracts. As at 1 January, 2007, the Group entered into addendum agreements with the fellow subsidiaries, pursuant to which the terms of the lease contracts have been revised from long term to one year short term. Accordingly, the container assets under finance leases and finance lease obligations amounted to RMB830,301,000 and RMB957,684,000 as at 1 January, 2007, respectively, was derecognised on 1 January, 2007 and a gain of RMB127,383,000 (Note 26) was recognised in the income statement for the year ended 31 December, 2007.

(c) As at 31 December, 2007, the net book value of container vessels, vessels under construction and containers of the Group pledged as securities for the long-term bank borrowings amounted to approximately RMB1,991,942,000 (2006: RMB7,009,915,000) (Note 19).

(d) As at 31 December, 2007, the net book value of the assets leased out under operating leases, where the Group is the lessor, comprised vessels under chartering arrangements amounted to RMB195,944,000 (2006: RMB180,946,000).

(e) In the year ended 31 December, 2007, the capitalised borrowing costs of the Group and the Company included in vessels under construction amounted to approximately RMB98,960,000 and RMB88,212,000 (2006: RMB123,751,000 and RMB70,063,000), respectively.

(f) As at 31 December, 2007, the accumulated impairment losses of the container vessels of the Group and the Company included under "accumulated depreciation and impairment losses" amounted to RMB59,279,000 (2006: RMB59,279,000).

(g) Depreciation expenses of RMB1,256,409,000 (2006: RMB1,163,981,000) has been charged to consolidated income statement within cost of services, and RMB21,373,000 (2006: RMB19,507,000) has been charged to consolidated income statement within selling, administrative and general expenses (Note 25).

Notes to the Consolidated Financial Statements

7 LAND USE RIGHTS

The Group and the Company's interests in land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	The Group and The Company RMB'000
Year ended 31 December, 2006	
Opening net book value	13,686
Amortisation charge for the year	(330)
Closing net book amount	13,356
At 31 December, 2006	
Cost	13,918
Accumulated amortisation	(562)
Net book amount	13,356
Year ended 31 December, 2007	
Opening net book value	**13,356**
Amortisation charge for the year	**(734)**
Closing net book amount	**12,622**
At 31 December, 2007	
Cost	**13,918**
Accumulated amortisation	**(1,296)**
Net book amount	**12,622**

All of the Group's land use rights are located in Shanghai, the PRC and are held on leases of 30 to 50 years from the dates of acquisition.

Notes to the Consolidated Financial Statements

8 GOODWILL

	The Group RMB'000
Year ended 31 December, 2006	
Opening net book amount	13,281
Addition from purchase of a subsidiary	33,146
Closing net book amount, at cost	46,427
Year ended 31 December, 2007	
Opening net book amount	**46,427**
Acquisition of minority interests of subsidiaries *(Note 35 (c))*	**10,529**
Closing net book amount, at cost	**56,956**

Goodwill impairment test

There is no impairment of goodwill of the Group. The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.8. The carrying amounts of goodwill acquired through acquisition of equity interests of subsidiaries are solely allocated to these subsidiaries for impairment testing.

The recoverable amount of the subsidiary is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates which are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risk relating to the subsidiary.

Based on the impairment tests of goodwill, in the opinion of the directors of the Company ("Directors"), no impairment provision is considered necessary for the balance of the Group's goodwill.

Notes to the Consolidated Financial Statements

9 INTERESTS IN SUBSIDIARIES

	The Company	
	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Investment in subsidiaries – unlisted shares, at cost	**480,848**	396,188
Loan to a subsidiary	**652,589**	932,289
	1,133,437	1,328,477

(a) During the year, the Company acquired the minority interests of eight subsidiaries from its ultimate holding company, China Shipping (Group) Company at cash consideration amounting to RMB40,955,000 (Note 35(c)), and recognised goodwill amounting to RMB10,529,000 (Note 8).

(b) During the year ended 31 December, 2007, the Company deconsolidated a subsidiary with investment cost of RMB2,400,000 when the Company ceased to control over the subsidiary which then became an associated company of the Group (Note 35 (d)).

(c) The loan to a subsidiary is unsecured, interest bearing at LIBOR plus 0.05% per annum, denominated in USD and repayable from the year ended 31 December, 2005 to 2009.

(d) A list of subsidiaries as at 31 December, 2007 is set out in Note 40 (a).

Notes to the Consolidated Financial Statements

10 INVESTMENTS IN ASSOCIATED COMPANIES

	The Group	
	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Beginning of the year	**48,758**	47,596
Deconsolidation of a subsidiary *(Note 35 (d))*	**7,205**	–
Share of results of associated companies		
– profit before income tax	**8,102**	8,944
– income tax expense	**(2,057)**	(2,415)
	6,045	6,529
Dividend received	**(7,076)**	(5,367)
End of the year	**54,932**	48,758

The Group's share of the results of its associated companies, all of which are unlisted, and their aggregated assets and liabilities, are as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Total assets	**63,132**	51,280
Total liabilities	**8,200**	2,522
Revenue	**44,670**	39,972
Net profit	**6,045**	6,529
Percentage of interest held	**40%**	40%

Details of the associated companies as at 31 December, 2007 are set out in Note 40 (b).

Notes to the Consolidated Financial Statements

10 INVESTMENTS IN ASSOCIATED COMPANIES *(continued)*

	The Company As at 31 December	
	2007	2006
	RMB'000	RMB'000
Unlisted investments, at cost	**31,614**	29,214

11 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	The Group As at 31 December	
	2007	2006
	RMB'000	RMB'000
Beginning of the year	**32,000**	–
Investment in jointly controlled entities	**–**	32,000
Share of results of jointly controlled entities		
– profit before income tax	**1,080**	–
– income tax expense	**(121)**	–
	959	–
End of the year	**32,959**	32,000

Notes to the Consolidated Financial Statements

11 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The group's share of the results of its jointly controlled entities, all of which are unlisted, and their aggregated assets and liabilities, are as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Total assets	**58,415**	32,000
Total liabilities	**25,456**	–
Revenue	**3,040**	–
Net profit	**959**	–
Percentage of interest held	**50%**	50%

Details of the jointly controlled entities as at 31 December, 2007 are set out in Note 40 (c).

	The Company	
	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Unlisted investments, at cost	**32,000**	32,000

There are no contingent liabilities relating to the Group and the Company's investment in jointly controlled entities, and no contingent liabilities of the ventures itself.

Notes to the Consolidated Financial Statements

12. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	The Group		The Company	
	As at 31 December		As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Assets per consolidated/company balance sheet				
Assets at fair value through the profit and loss				
– Derivative financial instruments *(Note 15)*	**21,694**	–	**21,694**	–
Loans and receivables				
– Trade and notes receivables *(Note 14)*	**4,054,201**	3,490,403	**2,423,482**	1,178,261
– Other receivables	**137,903**	97,984	**129,294**	104,411
– Cash and cash equivalents *(Note 16)*	**16,290,419**	2,915,542	**14,357,901**	925,058
	20,504,217	6,503,929	**16,932,371**	2,207,730
Liabilities per consolidated/company balance sheet				
Liabilities at fair value through the profit and loss				
– Derivative financial instruments *(Note 15)*	**6,858**	–	**–**	–
Other financial liabilities				
– Trade and notes payables *(Note 23)*	**3,208,043**	2,205,055	**6,928,389**	1,833,288
– Accrual and other payables	**667,226**	515,189	**358,451**	258,894
– Bank borrowings *(Note 19)*	**4,190,259**	6,245,760	**–**	4,283,940
– Domestic corporate bonds *(Note 20)*	**1,775,488**	–	**1,775,488**	–
– Finance lease obligations *(Note 21)*	**3,306,730**	3,894,973	**–**	–
	13,154,604	12,860,977	**9,062,328**	6,376,122

Notes to the Consolidated Financial Statements

13. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by types of the financial assets and by reference to historical information about counter party default rates.

(a) Trade receivables

As at 31 December, 2007, the Group's trade receivables of RMB3,329,846,000 (2006: RMB2,914,493,000) and the Company's trade receivables of RMB2,272,562,000 (2006: RMB1,170,648,000) were within three months. Trade receivables that were within three months mainly represent those due from customers with good credit history and low default rate. Trade receivables that were either past due or impaired were disclosed in Note 14.

None of the financial assets that are fully performing has been renegotiated in the year.

(b) Cash and cash equivalents

The Group categories its cash in banks into the following:

- Group 1 – Major international banks (Citibank and ABN AMRO Bank)
- Group 2 – Top 4 banks in the PRC (China Construction Bank, Bank of China, Agricultural Bank of China and Industrial and Commercial Bank of China)
- Group 3 – Other state-owned banks in the PRC

The management considered the credit risks in respect of cash and bank deposits with financial institutions are relatively minimum as each counter party either bears a high credit rating or is large state-owned bank. The management believes the state is able to support the large state-owned banks in the event of crisis.

	The Group As at 31 December		**The Company As at 31 December**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Group 1	**1,328,926**	1,563,042	**64,518**	66,291
Group 2	**7,443,412**	605,937	**7,141,397**	381,999
Group 3	**7,518,081**	746,563	**7,151,986**	476,768
	16,290,419	2,915,542	**14,357,901**	925,058

Notes to the Consolidated Financial Statements

14 TRADE AND NOTES RECEIVABLES

	The Group As at 31 December		The Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables				
– Subsidiaries	**–**	–	**1,464,004**	664,393
– Fellow subsidiaries *(Note 39 (c))*	**2,034,131**	1,932,592	**429,944**	292,996
– Third parties	**1,801,852**	1,431,516	**343,299**	108,779
	3,835,983	3,364,108	**2,237,247**	1,066,168
Notes receivables	**218,218**	126,295	**186,235**	112,093
	4,054,201	3,490,403	**2,423,482**	1,178,261

The ageing analysis of the trade and notes receivables is as follows:

	The Group As at 31 December		The Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
1 to 3 months	**3,329,846**	2,914,493	**2,272,562**	1,170,648
4 to 6 months	**581,023**	561,926	**118,248**	12,240
7 to 9 months	**244,239**	114,784	**47,348**	4,554
10 to 12 months	**4,265**	–	**2,323**	–
Over 1 year	**8,810**	13,150	**7,454**	13,150
	4,168,183	3,604,353	**2,447,935**	1,200,592
Less: provision for impairment of receivables	**(113,982)**	(113,950)	**(24,453)**	(22,331)
	4,054,201	3,490,403	**2,423,482**	1,178,261

The carrying amounts of the trade and notes receivables approximate their fair value.

Notes to the Consolidated Financial Statements

14 TRADE AND NOTES RECEIVABLES *(continued)*

As at 31 December, 2007, trade receivables of the Group and the Company of RMB838,337,000 and RMB175,373,000 respectively (2006: RMB689,860,000 and RMB29,944,000 respectively) were over-due and impaired. The amount of the provision was RMB113,982,000 and RMB24,453,000 respectively as of 31 December, 2007 (2006: RMB113,950,000 and RMB22,331,000 respectively). The ageing of these receivables is as follows:

	The Group		**The Company**	
	As at 31 December		**As at 31 December**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
4 to 6 months	**581,023**	561,926	**118,248**	12,240
7 to 9 months	**244,239**	114,784	**47,348**	4,554
10 to 12 months	**4,265**	–	**2,323**	–
Over 1 year	**8,810**	13,150	**7,454**	13,150
	838,337	689,860	**175,373**	29,944

The carrying amounts of the trade and notes receivables are denominated in the following currencies:

	The Group		**The Company**	
	As at 31 December		**As at 31 December**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,231,231**	1,176,638	**335,686**	412,932
HKD	**204,761**	7,717	**–**	–
USD	**2,347,947**	1,966,129	**1,905,018**	754,182
Other currencies	**270,262**	339,919	**182,778**	11,147
	4,054,201	3,490,403	**2,423,482**	1,178,261

Notes to the Consolidated Financial Statements

14 TRADE AND NOTES RECEIVABLES *(continued)*

Movements in the provision for impairment of trade receivables are as follows:

	The Group		**The Company**	
	As at 31 December		**As at 31 December**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**113,950**	130,059	**22,331**	37,828
Provision for receivable impairment *(Note 25)*	**32**	–	**2,122**	–
Reversal of provision for impairment of receivables *(Note 25)*	**–**	(16,109)	**–**	(15,497)
At 31 December	**113,982**	113,950	**24,453**	22,331

The creation and release of provision for impaired receivables have been included in 'selling, administrative and general expenses' in the income statement (Note 25).

Credit policy

Credit terms in the range within 3 months are granted to those customers with good payment history.

There is no concentration of credit risk with respect to trade receivables, as the Group and the Company have a large number of customers, internationally dispersed.

Notes to the Consolidated Financial Statements

15 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group As at 31 December		The Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Forward foreign exchange contracts				
Assets	**21,694**	–	**21,694**	–
Liabilities	**6,858**	–	**–**	–

The fair value of forward foreign exchange contracts is determined using forward foreign exchange rates at the balance sheet date. The notional principal amounts of the outstanding forward foreign exchange contracts assets and liabilities at 31 December, 2007 are USD50,000,000 and USD50,000,000 respectively (2006: Nil).

16 CASH AND CASH EQUIVALENTS

	The Group As at 31 December		The Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**1,164,652**	2,065,367	**474,945**	881,695
Short-term bank deposits	**15,125,767**	850,175	**13,882,956**	43,363
	16,290,419	2,915,542	**14,357,901**	925,058

The effective interest rate on short-term bank deposits was 2.53% per annum (2006: 4.6%); the deposits have an average maturity of 42 days (2006: 5 days).

Cash and cash equivalents are denominated in the following currencies:

	The Group As at 31 December		The Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**14,143,659**	889,378	**13,874,616**	602,632
HKD	**143,368**	120,764	**41,345**	41,716
USD	**1,672,352**	1,742,818	**437,338**	278,872
Other currencies	**331,040**	162,582	**4,602**	1,838
	16,290,419	2,915,542	**14,357,901**	925,058

Notes to the Consolidated Financial Statements

17 SHARE CAPITAL

	The Company			
	Number of shares (thousand)	**A Share of RMB1 each** RMB'000	**H Share of RMB1 each** RMB'000	**Total** RMB'000
At 31 December, 2006	6,030,000	3,610,000	2,420,000	6,030,000
Issuance of bonus shares	3,316,500	1,985,500	1,331,000	3,316,500
Issuance of A Share	2,336,625	2,336,625	–	2,336,625
At 31 December, 2007	**11,683,125**	**7,932,125**	**3,751,000**	**11,683,125**

Note:

(i) As at 31 December, 2007 and 2006, all issued shares are registered, fully paid and divided into 11,683,125,000 shares (2006: 6,030,000,000 shares) of RMB1.00 each, comprised 7,932,125,000 A Share and 3,751,000,000 H Share (2006: 3,610,000,000 domestic shares and 2,420,000,000 H Share). The A Share (and domestic share) and H Share rank pari passu in all material aspects except that the dividends to holders of H Share are declared in RMB but paid in HKD.

(ii) At a board meeting of the Company held on 8 August, 2007, the Directors proposed that part of the Group's distributable profits as at 30 June, 2007, amounting to RMB3,316,500,000, be distributed as bonus shares at par value RMB1.00 to the existing shareholders on the basis of 5.5 bonus shares for every 10 existing shares owned by such shareholders (Note 34(i)). This bonus issue has been approved by an extraordinary general meeting of the Company ("EGM") held on 29 September, 2007

(iii) Pursuant to the resolution of the board meeting of the Company held on 8 August, 2007 and EGM held on 29 September, 2007, the Company issued 2,336,625,000 A Share, and these A Share commenced trading on the Shanghai Stock Exchange on 12 December, 2007. The gross proceeds from the issue of A Share amounted to RMB15,468,458,000 and, after deducting related expenses of approximately RMB246,594,000, the net proceeds from the A Share issue are approximately RMB15,221,864,000. The share premium amounting to approximately RMB12,885,239,000 was recorded as capital surplus (Note 18). The net proceeds from the issue of A Share will be used to (i) construct container vessels; (ii) purchase assets related to container transportation business; (iii) strengthen the Group's working capital; and repay bank loans.

Notes to the Consolidated Financial Statements

18 OTHER RESERVES AND RETAINED EARNINGS

(a) Other reserves

	The Group					
	Capital surplus	**Statutory surplus reserve** *(note (i))*	**Statutory public welfare fund** *(note (iii))*	**Discretionary common reserve**	**Translation**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January, 2006	4,851,488	787,735	586,632	740	(97,757)	6,128,838
Currency translation difference	–	–	–	–	(194,233)	(194,233)
Transfer	–	586,632	(586,632)	–	–	–
Profit appropriation to statutory reserves *(Note (i))*	–	63,910	–	–	–	63,910
As at 31 December, 2006 and 1 January, 2007	**4,851,488**	**1,438,277**	**–**	**740**	**(291,990)**	**5,998,515**
Currency translation difference	**–**	**–**	**–**	**–**	**(238,356)**	**(238,356)**
Issuance of A Share *(Note 17(iii))*	**12,885,239**	**–**	**–**	**–**	**–**	**12,885,239**
Transfer of reserves to retained earnings *(Note (ii))*	**–**	**(794,953)**	**–**	**–**	**–**	**(794,953)**
Profit appropriation to statutory reserves *(Note (i))*	**–**	**560,864**	**–**	**–**	**–**	**560,864**
As at 31 December, 2007	**17,736,727**	**1,204,188**	**–**	**740**	**(530,346)**	**18,411,309**

Notes to the Consolidated Financial Statements

18 OTHER RESERVES AND RETAINED EARNINGS *(continued)*

(a) Other reserves *(continued)*

	The Company			
	Capital surplus	**Statutory surplus reserve** *(note (i))*	**Statutory public welfare fund** *(note (iii))*	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January, 2006	4,771,887	769,757	568,654	6,110,298
Transfer	–	568,654	(568,654)	–
Profit appropriation to statutory reserves *(Note (i))*	–	59,977	–	59,977
As at 31 December, 2006 and 1 January, 2007	4,771,887	1,398,388	–	6,170,275
Issuance of A Share *(Note 17(iii))*	12,885,239	–	–	12,885,239
Transfer of reserves to retained earnings *(Note (ii))*	–	(754,324)	–	(754,324)
Profit appropriation to statutory reserves *(Note (i))*	–	560,864	–	560,864
As at 31 December, 2007	**17,657,126**	**1,204,928**	**–**	**18,862,054**

(b) Retained earnings

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**4,504,726**	4,433,026	**266,006**	739,867
Profit for the year	**3,215,417**	859,210	**5,754,079**	309,716
Dividends relating to 2006 (2005)	**(241,200)**	(723,600)	**(241,200)**	(723,600)
Special dividend *(Note 34)*	**(4,866,150)**	–	**(4,866,150)**	–
Transfer of reserves to retained earnings *(Note (ii))*	**794,953**	–	**754,324**	–
Profit appropriation to statutory reserves *(Note (i))*	**(560,864)**	(63,910)	**(560,864)**	(59,977)
	2,846,882	4,504,726	**1,106,195**	266,006

Notes to the Consolidated Financial Statements

18 OTHER RESERVES AND RETAINED EARNINGS *(continued)*

Note:

(i) In accordance with the PRC regulations and the Articles of Association of the companies within the Group, before distributing the net profit of each year, each of the companies registered in the PRC is required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares. However, such statutory surplus reserve fund must be maintained at a minimum of 25% of the entity's share capital after such issuance.

(ii) In the year ended 31 December, 2007, the Group adopted new China Accounting Standards issued by the Ministry of Finance of PRC ("New CAS") for its PRC statutory financial statements. Pursuant to the New CAS and its interpretations, the Group transferred certain statutory surplus reserve to retained earnings.

(iii) Prior to 1 January, 2006, companies registered in the PRC within the Group are required to set aside 5% to 10% of their statutory net profit for the year as determined under relevant PRC accounting standards to the statutory public welfare fund. The statutory public welfare fund is to be utilised to build or acquire capital items, for the entity's employees and cannot be used to pay off staff welfare expenses. Titles to these capital items remain with the entity.

According to the Company Law of the PRC which was revised on 27 October, 2005, the Company is no longer required to make profit appropriation to the statutory public welfare fund commencing from 1 January, 2006. Pursuant to a related notice issued by the Ministry of Finance of the PRC, the balance of this fund as at 1 January, 2006 was transferred to the statutory surplus reserve.

Notes to the Consolidated Financial Statements

19 BANK BORROWINGS

	The Group As at 31 December		The Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-Current				
Long-term bank borrowings	**3,231,993**	5,538,152	**–**	3,408,940
Current				
Short-term bank borrowings	**–**	400,000	**–**	400,000
Long-term bank borrowings				
– current portion	**958,266**	707,608	**–**	475,000
	958,266	1,107,608	**–**	875,000
	4,190,259	6,645,760	**–**	4,283,940
Representing:				
– unsecured	**2,775,748**	1,642,870	**–**	862,000
– secured	**1,414,511**	5,002,890	**–**	3,421,940
	4,190,259	6,645,760	**–**	4,283,940

The maturity periods of the bank borrowings are as follows:

	The Group As at 31 December		The Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**958,266**	1,107,608	**–**	875,000
In the second year	**2,273,095**	707,608	**–**	475,000
In the third to fifth year	**427,757**	4,079,808	**–**	2,622,700
After fifth year	**531,141**	750,736	**–**	311,240
	4,190,259	6,645,760	**–**	4,283,940

Notes to the Consolidated Financial Statements

19 BANK BORROWINGS *(continued)*

The exposure of the Group and Company's borrowings to interest-rate changes and the contractual repricing dates is as follows:

	The Group		The Company	
	As at 31 December		As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**3,250,551**	2,361,820	**–**	–
6-12 months	**–**	4,283,940	**–**	4,283,940
After fifth year	**939,708**	–	**–**	–
	4,190,259	6,645,760	**–**	4,283,940

As at 31 December, 2007, the long-term bank borrowings of the Group were secured by the following:

(i) Legal mortgage over certain container vessels, vessels under construction and containers of the Group with net book value of approximately RMB1,991,942,000 (2006: RMB7,009,915,000) (Note 6(c)).

(ii) Charges over shares of certain vessels owning subsidiaries (Note 40(a)(i)).

An analysis of the carrying amounts of the Group and the Company's bank borrowings by type and currency is as follows:

	The Group		The Company	
	As at 31 December		As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB				
– at fixed rates	**–**	4,283,940	**–**	4,283,940
USD				
– at fixed rates	**939,712**	–	**–**	–
– at floating rates	**3,250,547**	2,361,820	**–**	–
	4,190,259	6,645,760	**–**	4,283,940

Notes to the Consolidated Financial Statements

19 BANK BORROWINGS *(continued)*

The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	The Group		**The Company**	
	As at 31 December		**As at 31 December**	
	2007	2006	**2007**	2006
Bank borrowing				
– RMB	**–**	5.18%	**–**	5.18%
– USD	**5.41%**	5.96%	**–**	–

The carrying amounts of current borrowings approximated their fair value.

The carrying amounts and the fair values of long-term bank borrowings are as follows:

	The Group		**The Company**	
	As at 31 December		**As at 31 December**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Carrying amounts	**4,190,259**	6,245,760	**–**	3,883,940
Fair values	**4,135,360**	6,150,725	**–**	3,788,905

The Group and the Company have the following undrawn borrowing facilities.

	The Group		**The Company**	
	As at 31 December		**As at 31 December**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Floating rates	**119,795**	1,210,348	**–**	–
Fixed rates	**–**	4,760,360	**–**	4,760,360
	119,795	5,970,708	**–**	4,760,360

Notes to the Consolidated Financial Statements

20 DOMESTIC CORPORATE BONDS

	The Group and The Company	
	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Non-current domestic corporate bonds	**1,775,488**	–

On 12 June, 2007, the Company issued domestic corporate bonds in the PRC with face value of RMB1,800,000,000, pursuant to the approval obtained from the National Development and Reform Commission of the PRC. The bonds are for a ten-year period fully repayable by 12 June 2017, and bear interest at a fixed rate of 4.51% per annum. The bonds are guaranteed by the Bank of China, Shanghai branch, and have been listed on the interbank bond market in the PRC.

The bonds were initially recognised at the its fair value of RMB1,800,000,000, after deducting the transaction cost that are directly attributable to the bonds amounting to approximately RMB24,512,000.

As at 31 December, 2007, the estimated fair value of the bonds is approximately RMB1,627,206,000. The fair value is calculated based on discounted cash flows using applicable discount rates from the prevailing market interest rates offered to the Group for debts with substantially the same characteristics and maturity dates. The discount rate used was approximately 5.5% per annum.

Notes to the Consolidated Financial Statements

21 FINANCE LEASE OBLIGATIONS

	The Group					
	As at 31 December, 2007			As at 31 December, 2006		
	Minimum lease payment RMB'000	Finance charges RMB'000	Net present value of minimum lease payment RMB'000	Minimum lease payment RMB'000	Finance charges RMB'000	Net present value of minimum lease payment RMB'000
Finance lease obligations						
Within one year	**731,594**	**188,333**	**543,261**	995,756	300,032	695,724
In the second year	**720,180**	**156,222**	**563,958**	889,384	224,690	664,694
In the third to fifth year	**1,840,463**	**267,334**	**1,573,129**	2,106,029	374,336	1,731,693
After fifth year	**665,976**	**39,594**	**626,382**	865,105	62,243	802,862
	3,958,213	**651,483**	**3,306,730**	4,856,274	961,301	3,894,973
Less: within one year (current portion)	**(731,594)**	**(188,333)**	**(543,261)**	(995,756)	(300,032)	(695,724)
	3,226,619	**463,150**	**2,763,469**	3,860,518	661,269	3,199,249

The average effective interest rate of finance lease obligations of the Group is 6.17% per annum (2006:10.3%).

The carrying amounts of finance lease obligations approximated their fair values. The fair values are based on discounted cashflow using average borrowing rates.

All finance lease obligations are dominated in USD.

Notes to the Consolidated Financial Statements

22 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
– Deferred tax assets to be recovered within 12 months	**(8,552)**	(15,887)	**(8,552)**	(10,942)
– Deferred tax liabilities to be settled after more than 12 months	**180,578**	853,136	**61,030**	59,439
	172,026	837,249	**52,478**	48,497

The movements in the deferred tax liabilities/(assets) are as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of the year	**837,249**	637,120	**48,497**	(40,836)
Deferred taxation charged/(credit) to income statement *(Note 31)*	**(665,223)**	200,129	**3,981**	89,333
End of the year	**172,026**	837,249	**52,478**	48,497

Notes to the Consolidated Financial Statements

22 DEFERRED INCOME TAX *(continued)*

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:

	The Group				The Company		
	Profits of subsidiaries	Residual value difference	Other	Total	Residual value difference	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January, 2006	682,901	36,769	–	719,670	36,769	–	36,769
Charged to income statement	110,796	42,627	–	153,423	42,627	–	42,627
At 31 December, 2006	793,697	79,396	–	873,093	79,396	–	79,396
Charged/(credit) to income statement	(669,204)	8,104	5,423	(655,677)	8,104	5,423	13,527
At 31 December, 2007	**124,493**	**87,500**	**5,423**	**217,416**	**87,500**	**5,423**	**92,923**

Deferred tax liabilities of the Group mainly relates to deferred tax liabilities provided at a fixed rate of 16.5% on the profit of overseas subsidiaries which are subject to PRC EIT and payable upon profit remittance to the Company.

Notes to the Consolidated Financial Statements

22 DEFERRED INCOME TAX *(continued)*

Deferred tax assets:

	The Group					
	Interest element of finance lease obligations	**Capitalised dry docking expense**	**Tax losses**	**Share base payment**	**Provision**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January, 2006	(69,148)	(8,457)	(4,945)	–	–	(82,550)
Charged/(credited) to consolidated income statement	69,148	(2,485)	(19,957)	–	–	46,706
At 31 December, 2006	–	(10,942)	(24,902)	–	–	(35,844)
Charged/(credited) to consolidated income statement	–	1,864	19,957	(25,117)	(6,250)	(9,546)
At 31 December, 2007	**–**	**(9,078)**	**(4,945)**	**(25,117)**	**(6,250)**	**(45,390)**

	The Company					
	Interest element of finance lease obligations	**Capitalised dry docking expense**	**Tax losses**	**Share base payment**	**Provision**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January, 2006	(69,148)	(8,457)	–	–	–	(77,605)
Charged/(credited) to income statement	69,148	(2,485)	(19,957)	–	–	46,706
At 31 December, 2006	–	(10,942)	(19,957)	–	–	(30,899)
Charged/(credited) to income statement	–	1,864	19,957	(25,117)	(6,250)	(9,546)
At 31 December, 2007	**–**	**(9,078)**	**–**	**(25,117)**	**(6,250)**	**(40,445)**

Deferred tax assets are recognised for tax losses carry forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. As at 31 December, 2007, the Group did not recognise deferred tax assets of approximately RMB59,773,000 (2006: RMB14,229,000) in respect of losses amounting to approximately RMB239,091,000 (2006: RMB94,862,000). Most of the tax losses will expire within five years.

Notes to the Consolidated Financial Statements

23 TRADE AND NOTES PAYABLES

	The Group As at 31 December		The Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables				
– Subsidiaries	**–**	–	**5,855,844**	1,102,064
– Fellow subsidiaries *(Note 39 (c))*	**458,349**	259,834	**334,083**	362,793
– Third parties	**2,749,694**	1,945,221	**678,462**	288,431
	3,208,043	2,205,055	**6,868,389**	1,753,288
Notes payables				
– Subsidiaries	**–**	–	**60,000**	80,000
	3,208,043	2,205,055	**6,928,389**	1,833,288

The ageing analysis of the trade and notes payables is as follows:

	The Group As at 31 December		The Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
1 to 3 months	**3,130,218**	2,132,189	**6,831,613**	1,674,144
4 to 6 months	**77,825**	45,774	**24,000**	106,545
7 to 9 months	**–**	27,092	**72,776**	52,599
	3,208,043	2,205,055	**6,928,389**	1,833,288

Notes to the Consolidated Financial Statements

23 TRADE AND NOTES PAYABLES *(continued)*

The carrying amounts of the trade and notes payables are denominated in the following currencies:

	The Group		The Company	
	As at 31 December		As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**594,105**	841,803	**498,050**	297,226
HKD	**–**	56,075	**–**	–
USD	**2,607,392**	1,150,148	**6,397,324**	1,520,653
Other currencies	**6,546**	157,029	**33,015**	15,409
	3,208,043	2,205,055	**6,928,389**	1,833,288

The carrying amounts of the trade and notes payables approximate their fair value.

24 PROVISIONS

The amounts of RMB25,000,000 represent a provision for a legal claim brought against the Company by the customers. The provision charge is recognised in income statement within selling, administrative and general expenses. The balance at 31 December, 2007 is expected to be utilised in year 2008. In the directors' opinion, after taking into account of the legal advice, the outcome of this legal claim will not give rise to any significant loss beyond the amounts provided at 31 December, 2007.

Notes to the Consolidated Financial Statements

25 COST AND EXPENSE BY NATURE

Cost of services, selling, administrative and general expenses are analysed as follows:

	2007 **RMB'000**	2006 RMB'000
Cost of services		
Container repositioning and management	**10,851,187**	9,945,061
Cost of bunkers consumed	**7,559,827**	6,133,914
Operating lease rentals	**3,736,582**	2,985,971
Port charges	**2,761,217**	2,256,494
Depreciation	**1,256,409**	1,163,981
Employee benefit expenses	**621,999**	426,859
Sub-route and others	**7,282,082**	5,479,326
	34,069,303	28,391,606
Selling, administrative and general expenses		
Employee benefit expenses	**388,177**	312,639
Rental expenses	**45,509**	44,059
Telecommunication and utilities expenses	**27,770**	15,054
Depreciation	**21,373**	19,507
Repair and maintenance expenses	**8,922**	7,847
Auditor's remuneration	**8,250**	6,480
Amortisation	**734**	330
Provision/(reversal of provision) for impairment of receivables	**32**	(16,109)
Office expenses and others	**211,586**	160,607
	712,353	550,414
	34,781,656	28,942,020

Notes to the Consolidated Financial Statements

26 OTHER GAINS/(LOSSES), NET

	2007 RMB'000	2006 RMB'000
Gains on de-recognition of container assets under finance leases and finance lease liabilities *(Note 6(b),35(a))*	**127,383**	–
Gains on the forward foreign exchange contracts, net *(Note 35(a))*	**21,024**	–
(Losses)/gains on disposal of property, plant and equipment *(Note 35(a))*	**(5,255)**	11,645
Net foreign exchange losses	**(57,738)**	(19,034)
	85,414	(7,389)

27 OTHER INCOME

	2007 RMB'000	2006 RMB'000
Interest income	**114,577**	74,849
Information technology services fees	**52,061**	42,213
	166,638	117,062

28 EMPLOYEE BENEFIT EXPENSE

An analysis of staff costs, including directors' and supervisors' emoluments, is set out below:

	2007 RMB'000	2006 RMB'000
Staff salaries and hiring of crews	**711,083**	562,486
Social welfare benefits	**108,612**	124,727
Pension cost	**90,012**	50,853
Share based compensation granted to directors and employees *(note (i))*	**100,469**	1,432
	1,010,176	739,498

Notes to the Consolidated Financial Statements

28 EMPLOYEE BENEFIT EXPENSE *(continued)*

Note:

(i) H Share Appreciation Rights Scheme

In accordance with the "Resolution Regarding Adoption and Approval of the H Share Share Appreciation Rights Scheme and Implementation Methods" passed at the Company's second Special General Meeting in year 2005 held on 12 October, 2005, the Company implemented a H Share share appreciation rights scheme as appropriate incentive policy to its directors and employees. Under this scheme, the H Share share appreciation rights (the "Rights") are granted in units with each unit representing one H Share. No shares will be issued under the share appreciation rights scheme. Upon exercise of the Rights, the grantee will receive a cash payment in RMB, subject to any applicable withholding tax, translated from the Hong Kong dollars ("HKD") amount equal to the number of units of Rights exercised multiplied by the appreciation, if any, in the market price of the Company's H Share above the exercise price of the Rights, based on the applicable exchange rate between RMB and HKD at the date of the exercise.

The stipulated lock-up period for exercising the Rights is two years after the date of grant. Not more than 30%, 60% and 100% of the Rights can be exercised during the third year, fourth year and fifth year, respectively. The Rights can be exercised before the expiration of the term of the scheme (10 years). The Rights which have not been exercised after the expiration of the term of the scheme shall lapse.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2007		2006	
	Average exercise price in HK dollar per share	**Unit of Rights (thousands)**	Average exercise price in HK dollar per share	Unit of Rights (thousands)
At 1 January	**3.41**	**30,150**	3.41	30,150
Granted	**4.86**	**45,273**	–	–
Adjusted *(note (a))*	**(1.53)**	**35,726**	–	–
At 31 December	**2.79**	**111,149**	3.41	30,150

Notes to the Consolidated Financial Statements

28 EMPLOYEE BENEFIT EXPENSE *(continued)*

Note:

(a) In August 2007, the Company issued bonus share to the then existing shareholders on the basis of 5.5 bonus shares for every 10 existing shares owned by such shareholders (Note 34). The Rights were adjusted accordingly.

During the year ended 31 December, 2007, no Rights granted was exercised or expired (2006: nil). As at 31 December, 2007, the expiry dates of the outstanding Rights were between 4 and 7 year.

The fair value of the Rights are estimated on each balance sheet date by using Binomial option valuation models based on expected volatility from 45% to 50%, exercise price shown above, an expected dividend yield of 2% and risk-free interest rates from 3.03% to 3.28%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company and other comparable companies.

In the year ended 31 December, 2007, the Group recognised share compensation cost of approximately RMB100.47 million (2006: RMB1.43 million). As at 31 December, 2007, the liability related to the Rights was approximately RMB103.33 million (2006: RMB2.86 million). As at 31 December, 2007, the unrecognised compensation cost of outstanding Rights was approximately RMB158.33 million which was expected to be recognised within the next 4 years.

Notes to the Consolidated Financial Statements

29 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(a) Directors' and supervisors' emoluments

The remuneration of every Director and Supervisor for the year ended 31 December, 2007 is set out below:

Name of Director and Supervisor	Fees RMB'000	Salary RMB'000	Pension and other social welfare RMB'000	Fair value of the Rights *(Note 28)* RMB'000	Total RMB'000
2007					
Director					
Mr. Li Shaode	–	–	–	3,754	3,754
Mr. Zhang Guofa	–	–	–	1,964	1,964
Mr. Huang Xiaowen	–	742	156	3,455	4,353
Mr. Zhao Hongzhou	–	593	140	2,794	3,527
Mr. Ma Zehua	–	–	–	847	847
Mr. Zhang Jianhua	–	–	–	1,215	1,215
Mr. Wang Daxiong	–	–	–	1,215	1,215
Mr. Xu Hui	–	–	–	913	913
Mr. Yao Zuozhi	–	–	–	656	656
Mr. Hu Hanxiang	100	–	–	–	100
Mr. Wang Zongxi	100	–	–	–	100
Mr. Shen Kangchen	50	–	–	–	50
Mr. Jim Poon	150	–	–	–	150
Mr. Shen Zhongying	25	–	–	–	25
Supervisor					
Mr. Chen Decheng	–	–	–	648	648
Mr. Tu Shiming	–	–	–	305	305
Mr. Hua Min	100	–	–	–	100
Ms. Pan Yingli	100	–	–	–	100
Mr. Wang Xiuping	–	427	110	1,474	2,011
Mr. Yao Guojian	–	593	140	2,649	3,382
	625	2,355	546	21,889	25,415

Notes to the Consolidated Financial Statements

29 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

(a) Directors' and supervisors' emoluments *(continued)*

The remuneration of every Director and Supervisor for the year ended 31 December, 2006 is set out below:

Name of Director and Supervisor	Fees RMB'000	Salary RMB'000	Pension and other social welfare RMB'000	Fair value of the Rights *(Note 28)* RMB'000	Total RMB'000
2006					
Director					
Mr. Li Shaode	–	–	–	54	54
Mr. Jia Hongxiang	–	146	166	7	319
Mr. Huang Xiaowen	–	144	157	47	348
Mr. Zhao Hongzhou	–	115	139	39	293
Mr. Hu Hanxiang	88	–	–	–	88
Mr. Gu Nianzu	88	–	–	–	88
Mr. Wang Zongxi	88	–	–	–	88
Mr. Lam Siu Wai	275	–	–	–	275
Mr. Zhang Guofa	–	–	–	24	24
Mr. Zhang Jianhua	–	–	–	16	16
Mr. Wang Daxiong	–	–	–	16	16
Mr. Xu Hui	–	–	–	11	11
Mr. Yao Zuozhi	–	–	–	5	5
Supervisor					
Mr. Huang Xinming	–	144	166	39	349
Mr. Hua Min	88	–	–	–	88
Ms. Pan Yingli	88	–	–	–	88
Mr. Chen Decheng	–	–	–	6	6
Mr. Tu Shiming	–	–	–	3	3
Mr. Wang Xiuping	–	358	93	–	451
	715	907	721	267	2,610

No directors or supervisors of the Company waived any emoluments during the year (2006: Nil). No discretionary bonus was paid to any of the directors or supervisors of the Company during the year (2006: Nil).

All the directors and supervisors of the Company received emoluments from the Company or its subsidiaries during the year ended 31 December, 2007 and 2006.

Notes to the Consolidated Financial Statements

29 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three directors (2006: Nil) and one supervisor (2006: Nil). The emoluments payable to the remaining one (2006: five) individuals during the year are as follows:

	2007	2006
	RMB'000	RMB'000
Basic salaries and allowances	**741**	2,129
Pension and others welfare	**167**	475
Fair value of the Rights *(Note 28 (i))*	**2,794**	–
	3,702	2,604

The emoluments of the above one (2006: five) individuals fell within the following bands:

	2007	2006
Nil to HKD1,000,000 (equivalent to approximately RMB1,000,000)	**–**	5
HKD3,500,000 (equivalent to approximately RMB3,500,000) to HKD4,000,000 (equivalent to approximately RMB4,000,000)	**1**	–
	1	5

(c) During the year, no emoluments were paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2006: nil).

Notes to the Consolidated Financial Statements

30 FINANCE COSTS

	2007 RMB'000	2006 RMB'000
Interest expenses:		
– bank loans	**391,689**	362,627
– finance lease obligations	**204,190**	295,123
Total interest expenses	**595,879**	657,750
Less: amount capitalised in vessels under construction	**(98,960)**	(123,751)
	496,919	533,999

The capitalisation rate applied to funds borrowed generally and utilised for the vessels under construction is 5.32% (2006: 5.43%) per annum for the year ended 31 December, 2007.

31 INCOME TAX EXPENSE

	2007 RMB'000	2006 RMB'000
Current income tax		
– Hong Kong profits tax *(note (i))*	**16,399**	1,214
– PRC enterprise income tax *(note (ii))*	**1,239,276**	76,504
Deferred taxation *(Note 22)*	**(665,223)**	200,129
	590,452	277,847

Note:

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for year ended 31 December, 2007.

Notes to the Consolidated Financial Statements

31 INCOME TAX EXPENSE *(continued)*

Note: (continued)

(ii) PRC enterprise income tax ("EIT")

The Company is a joint stock limited company under the Company Law of the PRC and is registered in the Pudong New District, Shanghai. The EIT rate applicable to the Company is 15%.

The Company's subsidiaries incorporated in the PRC are subject to EIT at a rate ranging from 15% to 33% for the year ended 31 December, 2007 (2006: 15%-33%).

Pursuant to relevant EIT regulations, the profits derived by the Company's overseas subsidiaries are subject to EIT. The Company has obtained approval from the tax bureau to adopt a fixed rate of 16.5% on the profits of the overseas subsidiaries for EIT purposes.

Effective from 1 January, 2008, the companies of the Group incorporated in the PRC shall determine and pay the EIT in accordance with the Corporate Income Tax Law of the People's Republic of China (the "new EIT Law") as approved by the National People's Congress on 16 March, 2007 and the Detailed Implementations Regulations of the Corporate Income Tax Law (the "DIR") as approved by the State Council on 6 December, 2007. In accordance with the new EIT Law and DIR, the EIT rate applicable to companies of the Group incorporated in the PRC will be reduced to 25% for those with original applicable EIT rates higher than 25%, or gradually increased to 25% in a 5-year period from 2008 to 2012 for those with original applicable EIT rates lower than 25%, where appropriate.

(iii) The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2007	2006
	RMB'000	RMB'000
Profit before income tax	**3,806,101**	1,142,561
Less: Share of profit of associated companies	**(6,045)**	(6,529)
Share of profit of jointly controlled entities	**(959)**	–
	3,799,097	1,136,032
Tax calculated at a taxation rate of 15% (2006:15%)	**(569,865)**	(170,405)
Write off of deferred tax assets on finance lease *(Note 22)*	**–**	(69,148)
Effect of different tax rate or tax base of subsidiaries	**(20,587)**	(38,294)
	(590,452)	(277,847)

Notes to the Consolidated Financial Statements

32 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB5,754,079,000 (2006: RMB309,716,000).

33 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The ordinary shares issued as bonus share (Note 34) are included in the calculation of weighted average number of share from 1 January, 2006. The earnings per share for the year ended 31 December, 2006 has been adjusted retrospectively.

	2007	2006
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	**3,215,417**	859,210
Weighted average number of ordinary shares in issue (thousands)	**9,461,731**	9,346,500
Basic earnings per share (RMB per share)	**RMB0.34**	RMB0.09

Diluted earnings per share is same as the basic earnings per share, as the Company does not have any potential dilutive ordinary shares in the year ended 31 December, 2007 (2006:Nil).

34 DIVIDENDS

	2007	2006
	RMB'000	RMB'000
Special dividend, paid *(note (i))*	**4,866,150**	–
Final dividend, proposed *(note (ii))*	**467,325**	241,200
	5,333,475	241,200

Notes:

(i) At a Board meeting held on 8 August, 2007, the directors proposed that part of the Group's distributable profits as at 30 June, 2007, amounting to RMB3,316,500,000, be distributed as bonus shares each at par value to the existing shareholders of the Company at the close of business on 29 September, 2007 on the basis of 5.5 bonus shares for every 10 existing shares owned by such shareholders. The remaining distributable profits as at 30 June, 2007, amounting to RMB1,549,650,000, was distributed in the form of cash dividend. This dividend proposal was approved by the shareholders meeting on 29 September, 2007.

(ii) At a meeting held on 1 April, 2008, the Board proposed a final dividend in respect of the year ended 31 December, 2007 of RMB467,325,000 (2006: RMB241,200,000), representing RMB0.04 (2006: RMB0.04) per ordinary share. This proposed dividend is not reflected as dividend payable in the balance sheet as at 31 December, 2007.

Notes to the Consolidated Financial Statements

35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit before income tax to net cash generated from operations:

	2007 RMB'000	2006 RMB'000
Profit before income tax	**3,806,101**	1,142,561
Depreciation *(Note 6)*	**1,277,782**	1,183,488
Amortisation of land use rights	**734**	330
Share of profit of associated companies	**(6,045)**	(6,529)
Share of profit of jointly controlled entities	**(959)**	–
Interest expense	**292,729**	238,876
Interest income	**(114,577)**	(74,849)
Share-based payment	**100,469**	1,432
Provision/(reversal of provision) for impairment of receivables	**32**	(16,109)
Finance charge of finance lease obligations	**204,190**	295,123
Loss on disposal of property, plant and equipment (See below)	**5,255**	11,645
Gain on de-recognise of finance lease obligation *(Note 26)*	**(127,383)**	–
Fair value gains on derivative financial instruments *(Note 26)*	**(21,024)**	–
Provisions	**25,000**	–
Operating profit before working capital changes	**5,442,304**	2,775,968
Increase in bunkers	**(269,844)**	(82,655)
(Increase)/decrease in trade and notes receivables	**(445,746)**	654,496
(Increase)/decrease in prepayments and other receivables	**(49,541)**	33,659
Increase/(decrease) in trade and notes payables	**1,003,758**	(577,162)
Increase in accruals and other payables	**9,898**	171,400
Net cash generated from operations	**5,690,829**	2,975,706

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2007 RMB'000	2006 RMB'000
Net book amount *(Note 6)*	**11,382**	27,161
Loss on disposal of property, plant and equipment *(Note 26)*	**(5,255)**	(11,645)
Proceeds from disposal of property, plant and equipment	**6,127**	15,516

Notes to the Consolidated Financial Statements

35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(continued)*

(b) Significant non-cash transactions

During the year ended 31 December, 2007, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of RMB980,457,000 (2006: RMB296,684,000).

(c) Acquisition of minority interests of subsidiaries

Pursuant to an agreement entered in October 2007 by the Company and the subsidiaries of the ultimate holding company, China Shipping (Group) Company, the Company acquired 10% equity interests in each of the following subsidiaries, China Shipping Container Lines Dalian Co., Ltd., China Shipping Container Lines Guangzhou Co., Ltd., China Shipping Container Lines Qingdao Co., Ltd., China Shipping Container Lines Shanghai Co., Ltd., China Shipping Container Lines Shenzhen Co., Ltd., China Shipping Container Lines Tianjin Co., Ltd. and China Shipping Container Lines Xiamen Co., Ltd., and acquired 60% equity interests in China Shipping Container Lines Hainan Co., Ltd. ("CSCL Hainan"). The assets, liabilities and the cash flow relating to the acquisition of the minority interests are as follows:

	CSCL Hainan	**Others**	**Total**
	RMB'000	RMB'000	RMB'000
Net assets of the acquiree	16,977	202,400	219,377
Share of equity acquired	60%	10%	
Net assets acquired	10,186	20,240	30,426
Add: Goodwill	4,481	6,048	10,529
Total payment for acquisition	14,667	26,288	40,955

(d) Deconsolidation of a subsidiary

Pursuant to a resolution of the board of China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd ("Yangpu Refrigeration"), a 40% owned subsidiary of the Company, and its article of association, the Group ceased to have control but retained significant influence over Yangpu Refrigeration from 1 January, 2007. Thereafter, Yangpu Refrigeration became an associated company of the Group.

Notes to the Consolidated Financial Statements

36 COMMITMENTS

(a) Capital commitments

As at 31 December, 2007 and 2006, the Group and the Company had the following significant capital commitments which were not provided for in the balance sheets:

	The Group As at 31 December		The Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted but not provided for:				
– Vessels under construction	**10,451,693**	4,100,999	**10,443,863**	3,969,969

(b) Lease commitments

As at 31 December, 2007 and 2006, the Group and the Company had future aggregate minimum lease payments under non-cancelable operating leases as follows:

	The Group As at 31 December		The Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Land and buildings:				
– Within one year	**36,683**	44,339	**6,112**	6,420
– In the second to fifth year	**41,110**	62,835	**18,288**	19,828
– After fifth year	**3,673**	4,248	**3,639**	3,639
	81,466	111,422	**28,039**	29,887
Vessels chartered-in and containers under operating leases:				
– Within one year	**2,734,286**	2,935,592	**520,923**	243,624
– In the second to fifth year	**6,000,668**	6,940,418	**453,071**	338,940
– After fifth year	**3,884,338**	3,825,150	**–**	–
	12,619,292	13,701,160	**973,994**	582,564
	12,700,758	13,812,582	**1,002,033**	612,451

Notes to the Consolidated Financial Statements

37 FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December, 2007 and 2006, the Group and the Company had future aggregate minimum lease receipts under non-cancellable operating leases as following:

	The Group		The Company	
	As at 31 December		As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Vessels chartered-out under operating leases:				
– Within one year	**210,854**	49,960	**1,332,177**	929,088
– In the second to fifth year	**840,955**	27,850	**1,947,544**	1,979,036
– After fifth year	**781,668**	–	**704,025**	–
	1,833,477	77,810	**3,983,746**	2,908,124

38 CONTINGENT LIABILITIES

As at 31 December, 2007, the Group and the Company have no significant contingent liabilities.

Notes to the Consolidated Financial Statements

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS

The Group is part of a larger group of companies under China Shipping (Group) Company (incorporated in the PRC) and has extensive transactions and relationships with members of the China Shipping (Group) Company. China Shipping (Group) Company itself is a state-owned enterprise and is controlled by the PRC government. Neither of them produces financial statements for public use.

As the Group is controlled by China Shipping (Group) Company, it is considered to be indirectly controlled by the PRC government, which controls a substantial number of entities in the PRC. In accordance with HKAS 24 "Related Party Disclosure", state-owned enterprises and their subsidiaries, other than China Shipping (Group) Company and its subsidiaries, directly or indirectly controlled by the PRC Government are also deemed as related parties of the Group ("other state-owned enterprises"). For purpose of related party transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relative to related-party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in the financial statements (Note 6 and Note 35), the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the years and balances arising from related party transactions for the year ended 31 December, 2007 and 31 December, 2006.

Notes to the Consolidated Financial Statements

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(a) For the year ended 31 December, 2007 and 2006, the Directors are of the view that the following companies are significant related parties of the Group:

Name	Relationship with the Group
China Shipping (Group) Company	Parent and ultimate holding company
Rich Shipping Co., Ltd.	Fellow subsidiary
Shanghai Marine Transport (Group) Co., Ltd.	Fellow subsidiary
Guangzhou Marine Transport (Group) Co., Ltd.	Fellow subsidiary
Dalian Marine Transport (Group) Company	Fellow subsidiary
China Shipping Development Co., Ltd.	Fellow subsidiary
China Shipping Passenger Liner Co., Ltd.	Fellow subsidiary
China Shipping (Hainan) Haisheng Shipping and Enterprise Co., Ltd	Fellow subsidiary
Shanghai INCHON International Ferry Co., Ltd	Fellow subsidiary
China Shipping Terminal Development Co., Ltd.	Fellow subsidiary
China Shipping Logistics Co., Ltd.	Fellow subsidiary
China Shipping Agency Co., Ltd.	Fellow subsidiary
China Shipping Air Cargo Co., Ltd.	Fellow subsidiary
China Shipping Industry Co., Ltd.	Fellow subsidiary
China Shipping Investment Co., Ltd.	Fellow subsidiary
China Shipping International Trading Co., Ltd.	Fellow subsidiary
China Shipping Telecommunications Co., Ltd.	Fellow subsidiary
Dong Fang International Investment Co., Ltd.	Fellow subsidiary
China Shipping Agency (Australia) Holdings Pte Ltd.	Fellow subsidiary
China Shipping Japan Co., Ltd.	Fellow subsidiary
China Shipping Agency (Korea) Co., Ltd.	Fellow subsidiary
China Shipping (Europe) Holding GmbH	Fellow subsidiary
China Shipping (Hongkong) Holdings Co., Ltd.	Fellow subsidiary
China Shipping (North America) Holding Co., Ltd.	Fellow subsidiary
Orient Sea Highway Services Co., Ltd.	Fellow subsidiary
China Shipping Car Carrier Co., Ltd.	Fellow subsidiary
China Shipping (Western Asia) Holdings Co., Ltd.	Fellow subsidiary
China Shipping (South Eastern Asia) Holding Co., Ltd.	Fellow subsidiary
China Shipping Agency (Israel) Co., Ltd.	Fellow subsidiary
Los Angeles West Basin Container Terminal,LLC	Fellow subsidiary
Dong Fang International Container (Lian Yungang) Co., Ltd.	Fellow subsidiary
Dong Fang International Container (Jin Zhou)Co., Ltd.	Fellow subsidiary
Dong Fang International Container (Guang Zhou) Co., Ltd.	Fellow subsidiary
China Shipping International Ship Management Co., Ltd.	Fellow subsidiary
China Shipping & Sinopec Suppliers Co., Ltd.	Fellow subsidiary

Save as disclosed elsewhere in the financial statements (Note 6 and Note 35), the Group had the following transactions and balances with related parties.

Notes to the Consolidated Financial Statements

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

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

	2007 **RMB'000**	2006 RMB'000
Transactions with fellow subsidiaries		
Revenue:		
Information technology services	**52,061**	42,213
Lease of containers	**–**	854
Liner services	**1,565,099**	1,661,158
Lease of vessels	**31,656**	7,592
Expense:		
Interest element of finance lease obligations in connection with lease of containers	**–**	149,009
Lease of containers	**410,300**	67,682
Lease of chassis	**35,376**	39,400
Cargo and liner agency services	**545,732**	420,048
Container management services	**880,800**	751,920
Time charter services	**18,096**	232,650
Bareboat charter services	**77,382**	76,795
Ship repair services	**36,594**	58,560
Supply of fresh water, vessel fuel, lubricants, spare parts and other materials	**796,050**	474,523
Depot services	**35,266**	30,541
Information technology services	**11,203**	27,083
Provision of crew members	**27,394**	121,244
Loading and unloading services	**1,091,429**	875,888
Sub-route services	**–**	164,379
Ground container transport costs	**228,680**	152,151
Purchase of containers	**724,904**	864,733

Notes to the Consolidated Financial Statements

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(b) The following significant transactions were carried out with related parties: *(continued)*

	2007 **RMB'000**	2006 RMB'000
Transactions with other state-owned enterprises		
Revenue:		
Interest income from bank deposits	**27,868**	17,737
Expense:		
Port charges	**2,561,306**	2,507,759
Purchase of bunkers and spare parts	**962,471**	451,910
Interest expenses	**228,049**	312,265
Vessel maintenance costs	**57,292**	81,277
Other transactions:		
Progress payment made on construction of vessels	**891,459**	1,518,655

(c) Balances with related parties

	2007 **RMB'000**	2006 RMB'000
Balances with fellow subsidiaries		
Trade receivables *(note (i))*	**2,092,008**	1,992,363
Less: provisions	**(57,877)**	(59,771)
	2,034,131	1,932,592
Trade payables *(note (i))*	**(458,349)**	(259,834)
Finance lease obligations *(note (ii))*	**–**	(957,684)
	1,575,782	715,074

Notes to the Consolidated Financial Statements

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties *(continued)*

Note:

(i) These balances are unsecured and interest free.

(ii) These balances carry interest at average rate of 11.6% per annum as agreed between both parties. As at 1 January, 2007, the Group entered into addendum agreements with the fellow subsidiary, pursuant to which the terms of the lease have been revised from long term to one year short term (Note 6 (b)).

	2007	2006
	RMB'000	RMB'000
Balances with other state-owned enterprises		
Bank deposits *(note (i))*	**14,961,493**	1,350,583
Bank borrowings *(note (ii))*	**2,775,748**	5,064,810
Other payables *(note (iii))*	**247,911**	985,105

Note:

(i) Interest of bank deposits is at market rate ranging from 0.72% to 3.78% per annum (2006: from 0.72% to 3.6%).

(ii) Interest of bank borrowings is at market rates ranging from LIBOR plus 0.23% to LIBOR plus 0.375% per annum (2006: 3.6% to LIBOR plus 0.375%).

(iii) These balances are unsecured and interest free.

(d) Key management compensation

	2007	2006
	RMB'000	RMB'000
Basic salaries and allowances	**6,491**	2,806
Pension and others welfare	**1,396**	1,229
Fair value of the Rights *(Note 28 (a))*	**33,739**	267
	41,626	4,302

Notes to the Consolidated Financial Statements

40 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINLY CONTROLLED ENTITIES

(a) Subsidiaries

As at 31 December, 2007, the Company has direct and indirect interests in the following subsidiaries:

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Established and operate in the PRC						
China Shipping Container Lines Dalian Co., Ltd.	5 January, 2003	Limited liability company	RMB10,000,000	100%	–	Cargo and liner agency
China Shipping Container Lines Guangzhou Co., Ltd.	26 January, 2003	Limited liability company	RMB10,000,000	100%	–	Cargo and liner agency
China Shipping Container Lines Hainan Company Limited	14 January, 2003	Limited liability company	RMB10,000,000	100%	–	Cargo and liner agency
China Shipping Container Lines Qingdao Company Limited	13 January, 2003	Limited liability company	RMB10,000,000	100%	–	Cargo and liner agency
China Shipping Container Lines Shanghai Co., Ltd.	13 January, 2003	Limited liability company	RMB71,140,000	100%	–	Cargo and liner agency
China Shipping Container Lines Shenzhen Co., Ltd.	15 January, 2003	Limited liability company	RMB10,000,000	100%	–	Cargo and liner agency
China Shipping Container Lines Tianjin Company Limited	3 January, 2003	Limited liability company	RMB10,000,000	100%	–	Cargo and liner agency
China Shipping Container Lines Xiamen Co., Ltd.	6 January, 2003	Limited liability company	RMB10,000,000	100%	–	Cargo and liner agency

Notes to the Consolidated Financial Statements

40 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINLY CONTROLLED ENTITIES *(continued)*

(a) Subsidiaries (continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
China Shipping Container Lines (Yangpu) Co., Ltd.	5 December, 2002	Limited liability company	RMB38,000,000	90%	4%	Domestic containers shipping cargo sales, slot booking, container transportation centre, transhipment, depot construction, leasing, sales and purchase of vessels and container related business
Shanghai Puhai Shipping Lines Co., Ltd.	19 November, 1992	Limited liability company	RMB222,911,111	94.49%	5.51%	International container shipping, transportation of cargo (including containers) between ports along with the mainland domestic coast
China Shipping Container Lines (Fuzhou) Co., Ltd.	20 May, 2003	Limited liability company	RMB500,000	10%	90%	Cargo and liner agency
China Shipping Container Lines (Haikou) Co., Ltd.	5 November, 2003	Limited liability company	RMB3,000,000	–	100%	Cargo and liner agency
China Shipping Container Lines (Jiangsu) Co., Ltd.	19 September, 2003	Limited liability company	RMB6,500,000	45%	55%	Transportation
China Shipping Container Lines Lianyunggang Co., Ltd.	12 March, 2003	Limited liability company	RMB5,000,000	10%	90%	Cargo and liner agency

Notes to the Consolidated Financial Statements

40 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINLY CONTROLLED ENTITIES *(continued)*

(a) Subsidiaries (continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
China Shipping Container Lines (Qinghuangdao) Co., Ltd.	6 May, 2003	Limited liability company	RMB500,000	10%	90%	Cargo and liner agency
China Shipping Container Lines (Rizhao) Co., Ltd.	18 July, 2003	Limited liability company	RMB500,000	–	100%	Cargo and liner agency
China Shipping Container Lines (Zhejiang) Co., Ltd.	18 June, 2003	Limited liability company	RMB7,000,000	45%	55%	Cargo and liner agency
Dandong China Shipping Container Lines Co., Ltd.	18 April, 2003	Limited liability company	RMB500,000	–	100%	Cargo and liner agency
Dongguan China Shipping Container Lines Co., Ltd.	14 May, 2004	Limited liability company	RMB500,000	10%	90%	Cargo and liner agency
Fangchenggang China Shipping Container Lines Co., Ltd.	6 May, 2003	Limited liability company	RMB500,000	10%	90%	Cargo and liner agency
Jiangmen China Shipping Container Lines Co., Ltd.	21 August, 2003	Limited liability company	RMB500,000	10%	90%	Cargo and liner agency
Jinzhou China Shipping Container Lines Co., Ltd.	18 March, 2003	Limited liability company	RMB500,000	–	100%	Cargo and liner agency

Notes to the Consolidated Financial Statements

40 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINLY CONTROLLED ENTITIES *(continued)*

(a) Subsidiaries (continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Quanzhou China Shipping Container Lines Co., Ltd.	2 September, 2003	Limited liability company	RMB500,000	10%	90%	Cargo and liner agency
Shantou China Shipping Container Lines Co., Ltd.	18 April, 2003	Limited liability company	RMB500,000	10%	90%	Cargo and liner agency
Yingkou China Shipping Container Lines Co., Ltd.	9 January, 2003	Limited liability company	RMB1,000,000	10%	90%	Cargo and liner agency
Zhanjiang China Shipping Container Lines Co., Ltd.	23 May, 2003	Limited liability company	RMB500,000	10%	90%	Cargo and liner agency
Zhongshan China Shipping Container Lines Co., Ltd.	15 May, 2003	Limited liability company	RMB500,000	10%	90%	Cargo and liner agency
Weihai China Shipping Container Lines Co., Ltd.	8 September, 2004	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency
Yantai China Shipping Container Lines Co., Ltd.	21 December, 2006	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency
Longkou China Shipping Container Lines Co., Ltd.	23 February, 2006	Limited liability company	RMB500,000	10%	90%	Cargo and liner agency

Notes to the Consolidated Financial Statements

40 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINLY CONTROLLED ENTITIES *(continued)*

(a) Subsidiaries (continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
China Shipping Container Lines Chongqing Co., Ltd.	25 April, 2005	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency
Changsha China Shipping Container Lines Co., Ltd.	13 April, 2005	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency
China Shipping Container Lines Wuhu Co., Ltd.	29 March, 2005	Limited liability company	RMB1,500,000	–	100%	Cargo and liner agency
Nantong China Shipping Container Lines Co., Ltd.	21 June, 2005	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency
China Shipping Container Lines Wuhan Co., Ltd.	26 May, 2005	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency
Jiujiang China Shipping Container Lines Co., Ltd.	27 April, 2005	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency
Zhangjiagang China Shipping Container Lines Co., Ltd.	15 March, 2005	Limited liability company	RM5,000,000	–	100%	Cargo and liner agency

Notes to the Consolidated Financial Statements

40 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINLY CONTROLLED ENTITIES *(continued)*

(a) Subsidiaries (continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Incorporated and operate in Hong Kong						
China Shipping Container Lines (Hong Kong) Co., Ltd.	3 July, 2002	Limited liability company	HKD1,000,000	100%	–	International container shipping and liner agency
China Shipping Container Lines (HongKong) Agency Co., Ltd.	11 June, 1999	Limited liability company	HKD10,000,000	–	100%	Cargo and liner agency
Universal Shipping Co., Ltd.	11 June, 1999	Limited liability company	HKD10,000	–	100%	Provision of shipping services
Incorporated in the British Virgin Islands						
China Shipping Container Lines (Asia) Co., Ltd.	28 October, 2002	Limited liability company	USD50,000	100%	–	Sales, purchase and lease of vessels and containers
Intercontinental Computer Co., Ltd.	8 April, 2003	Limited liability company	USD50,000	–	100%	Development of information technology systems and provision of information technology services
Yangshan A Shipping Company Limited	23 December, 2003	Limited liability company	USD50,000	–	100%	Owning of vessel
Yangshan B Shipping Company Limited	23 December, 2003	Limited liability company	USD50,000	–	100%	Owning of vessel

Notes to the Consolidated Financial Statements

40 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINLY CONTROLLED ENTITIES *(continued)*

(a) Subsidiaries (continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Yangshan C Shipping Company Limited *(note)*	23 April, 2004	Limited liability company	USD50,000	–	100%	Owning of vessel
Yangshan D Shipping Company Limited *(note)*	23 April, 2004	Limited liability company	USD50,000	–	100%	Owning of vessel
Yangshan E Shipping Company Limited	11 September, 2007	Limited liability company	USD50,000	–	100%	Owning of vessel
Yangshan F Shipping Company Limited	11 September, 2007	Limited liability company	USD50,000	–	100%	Owning of vessel
Incorporated in the Republic of Cyprus						
Arisa Navigation Company Limited	18 June, 2002	Limited liability company	CYP1,000	–	100%	Owning of vessel

Note:

Shares of the subsidiaries were charged for certain long-term bank borrowings as at 31 December, 2007 (Note 19).

Notes to the Consolidated Financial Statements

40 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINLY CONTROLLED ENTITIES *(continued)*

(b) Associated companies

As of 31 December, 2007, the Group had equity interests in the following associated companies:

Name	Date of establish-ment	Type of legal entity	Place of operation	Registered capital	Attributable equity interest	Principal activities
Established in the PRC						
Shanghai HaiXin YuanCang International Logistics Co., Ltd.	18 May, 1995	Limited liability company	PRC	USD11,600,000	40%	Cargo and liner agency
China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. *(note (35 (d))*	13 December, 2001	Limited liability company	PRC	RMB6,000,000	40%	Transportation, placement and storage of containers, import and export, and supply of equipment and external technology consulting, the importations of generators used for refrigerated containers

Notes to the Consolidated Financial Statements

40 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES *(continued)*

(c) Jointly controlled entities

As of 31 December, 2007, the Group had direct equity interests in the following jointly controlled entities:

Name	Date of establishment	Type of legal entity	Place of operation	Registered capital	Attributable equity interest	Principal activities
Established in the PRC						
China Shipping Yangshan International Container Storage& Transportation Co., Ltd	8 November, 2006	Limited liability company	PRC	RMB64,000,000	50%	Placement and storage of containers, refrigeration, warehousing and storage business, the examination and repair of containers and leasing, loading and unloading, and supply of equipment and external technology consulting.
China International Ship Management Co., Ltd	18 January, 2006	Limited liability company	PRC	HKD100,000	50%	Provide monitoring, maintenance, and management services for vessels

The English names of certain subsidiaries, associated companies and jointly controlled entities referred to in these financial statements represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

41 EVENTS AFTER THE BALANCE SHEET DATE

As announced by the Company on 13 March, 2008, the Company entered into a preliminary discussion and carried out certain investigation regarding a possible acquisition from China Shipping (Group) Company of the entire equity interests in China Shipping Terminal Development Co., Ltd. As at 1 April, 2008, no agreement or material terms have been agreed regarding the above-mentioned possible acquisition.

5 Years Financial Summary

CONSOLIDATED RESULT

	2003 RMB'000	2004 RMB'000	2005 RMB'000	2006 RMB'000	**2007** **RMB'000**
Revenue	15,276,163	22,363,851	28,374,680	30,502,378	**38,825,620**
Operating profit	1,859,408	5,201,223	4,730,576	1,670,031	**4,296,016**
Finance costs	(450,917)	(512,495)	(427,273)	(533,999)	**(496,919)**
Profit before income tax	1,406,918	4,694,568	4,309,263	1,142,561	**3,806,101**
Income tax expense	(9,573)	(674,177)	(724,168)	(277,847)	**(590,452)**
Profit for the year	1,397,345	4,020,391	3,585,095	864,714	**3,215,649**
Profit for the year attributable to minority interests	(14,473)	(6,769)	(2,313)	(5,504)	**(232)**
Profit for the year attributable to equity holders of the Company	1,382,872	4,013,622	3,582,782	859,210	**3,215,417**
Dividend	–	1,686,098	723,600	241,200	**5,333,475**

CONSOLIDATED ASSETS AND LIABILITIES

	2003 RMB'000	2004 RMB'000	2005 RMB'000	2006 RMB'000	**2007** **RMB'000**
Non-current assets	9,221,749	15,250,759	20,845,376	23,604,392	**26,112,493**
Current assets	4,262,361	9,784,101	8,159,952	7,139,664	**21,422,307**
Current liabilities	4,063,178	4,352,958	4,226,798	4,593,201	**6,648,581**
Non-current liabilities	5,752,700	6,336,714	8,149,206	9,574,650	**7,942,976**
Net assets	3,668,232	14,345,188	16,629,324	16,576,205	**32,943,243**

Note: The result of the Group for the year ended 31 December 2003 and its assets and liabilities as at 31 December 2003 have been extracted from the Company's Prospectus dated 4 June 2004, which also set out the details of the basis of preparation of the consolidation. Prior year adjustments were not made for the result extracted for the year ended 31 December 2003 following the adoption of new/revised HKFRS effective from 1 January, 2005 as they are considered immaterial. The results of the Group for the year ended 31 December, 2006 and 2007 and its assets and liabilities as at 31 December, 2006 and 2007 are those set out on pages 67 to 69 of the financial statements and are presented on the basis as set out in Note 2 to the financial statements.