



# Chairman's Statement



Following the down cycle of the industry during the first half of 2006, the container shipping market began to recover since the beginning of the second half of 2006. The Company and its subsidiaries (the "Group") has achieved remarkable growth in its results as compared with the first half of the year by capturing business opportunities created by market recovery, making internal structural adjustments, carrying out meticulous management and transforming sales strategies. However, the results were still lower as compared with the results for 2004 and 2005 when the shipping industry peaked.

I am pleased to report that for the year ended 31 December, 2006, the Group recorded a turnover of RMB30,502,378,000, achieving an increase of 7.5% as compared with the same period last year. However, profit attributable to equity holders decreased by 76.0% as compared with the same period last year to RMB859,210,000 due to factors such as rising fuel price and falling average freight rate.

The Board recommends the payment of a final dividend of RMB0.04 per share.

## OPERATION REVIEW

From the end of 2005 to the first quarter of 2006, market anxiety regarding additional shipping capacity resulted in intensified competition, generally lower freight rates of trade lanes (especially the European/ Mediterranean trade lanes), the continuous rise in fuel price and the increase in operation costs of feeder and inland transportation. These, amongst other factors, caused the profit of the Group for 2006 to be depressed.

Under such operating circumstances, the Group adjusted its operating strategy and implemented meticulous management. As a result, the Group's results for the whole year was maintained at a comparatively high level.

In 2006, the Group first adjusted the proportion of shipping capacity in several trade lanes according to market demand. As a result, the economic benefits of the Group's trade lanes were optimised and the Group's competitiveness was further enhanced.

Secondly, the Group strengthened the range and depth of its external cooperation. The Group inaugurated trade lanes in succession with other liner shipping companies, such as the 7th



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European trade lane, the Far East to west coast of South America trade lane, the Europe to east coast of America trade lane, the Europe to America Gulf trade lane, and the Africa/West Africa trade lane, etc. As a result, operating costs were decreased, pressure on sales was alleviated to a certain extent and the coverage of our trade lane network was further expanded.

Thirdly, the Group implemented the strategy of improving the quality of its trade lanes. The Group inaugurated domestic quality trade lanes since the beginning of August 2006. Through the operation of quality trade lanes, the operation and sales of trade lanes was refined, the quality and level of service was improved, competitiveness was enhanced and economic benefit was greatly increased.

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In addition, the Group devoted itself to improving the current imbalance in backhaul cargo through measures such as increasing the number of overseas agencies and enlarging its overseas sales force. The Group also stabilised shipping volume and revenue by measures such as entering into long-term service contracts with major customers.

## OUTLOOK

In 2007, world economy and trade is still expected to continue growing. However, there are still numerous uncertain factors such as fuel and steel price trends, the American economy and regional trade friction. In addition, the successive delivery of new additional shipping capacity into the global shipping market will still bring pressure to the operation of each liner shipping company. Thus, although the operation during the beginning of year 2007 is better than that of the same period last year, the Group remains cautious about the container shipping market in 2007.



The Group plans to continue carrying out various measures in 2007 and believes that these strategic adjustments will be reflected to a full extent in the future results of the Group.

Firstly, the Group will continue to strengthen the construction of the branding of its trade lanes and spread the successful experience in its quality trade lanes for domestic trade. By developing the quality of services of all its trade lanes in compliance with the requirements of quality trade lanes, such as the rate of on-schedule arrival, logistic distribution, etc., the Group intends to build up reputable brand identity in the market for its quality trade lanes.

Secondly, the Group will continue to strengthen the scope of cooperation and enhance its resource integration ability. Such measures will not only decrease operating costs and alleviate pressure in cargo solicitation, but will also enlarge its service coverage and increase the voyage frequency of its trade lanes, and therefore better satisfy customers' needs. Such cooperation will not be limited to the maritime transportation business,

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but will also expand to related businesses such as railway transportation, so as to achieve full business connection between shipping transportation networks and railway container transportation networks, and develop comprehensive multi-channel services. What is worth mentioning is that the cooperation between the Group and the railway transportation companies as well as the in-depth development of waterway transportation of the Yangtze River are expected to fully intensify during the year 2007.

Thirdly, the Group will put emphasis on the development of regional trade lanes abroad while maintaining its competitiveness in domestic trade lanes. Due to changing world economic patterns and emerging opportunities in regional markets, the Group will strengthen its exploitation of new emerging regional markets in a timely manner so as to capture business opportunities.

Fourthly, the Group will continue to devote itself to improving the current transportation imbalance, strengthening the solicitation of backhaul cargo and enlarging the proportion of long-term customers. In this respect, the Group has specially set up a global sales team so as to carry forward this work.

Fifthly, the Group will continue to adjust its fleet structure. As at 31 December, 2006, the Group's shipping capacity amounted to 398,974 TEU and is expected to reach approximately 450,000 TEU by the end of 2007. At that time, the aggregate shipping capacity of large scale container vessels, each with a capacity of over 4,000 TEU, will account for approximately 80% of the total shipping capacity. The fleet structure will thus be further optimised.

Sixthly, the Group will deeply exploit the potential of cost savings, such as optimising its trade lanes, minimising port calls, extending sub-route services, paying close attention to the fuel market, locking in fuel prices in a timely manner and controlling fuel cost. These measures have always been the core of the meticulous management policy of the Group.

In addition, the Group will continue to strengthen talent development, establish information technology systems, and promote its corporate culture and service concept, etc., all of which have always been the Group's emphasis.

The year 2007 happens to be the 10th anniversary of the Group's establishment. During the past ten years, we have created achievements one after another. Regarding the future, I have full confidence that through the efforts of all Group staff and the support from all our shareholders, the Group will open up a new phase in its development.

By Order of the Board of Directors

**China Shipping Container Lines Company Limited**  
**Li Shaode**  
*Chairman*

10 April, 2007