

## Explanatory Notes to the Notice of AGM

(A) Mr. Ma Zehua, age 54

Mr. Ma Zehua, graduated from Shanghai Maritime University with a master's degree in International Law. He is the Party secretary and the vice president of China Shipping (Group) Company. 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 (Group) Company. Mr. Ma has accumulated extensive experience in the shipping industry.

(B) Mr. Pan Zhanyuan, age 66

Mr. Pan Zhanyuan was the senior head and the managing director for Orient Overseas Container Line (OCCL) based in New York, London and Hong Kong, respectively over his entire working life. He served the board of directors of OCCL for several terms of office and was involved in international commerce activities. During the period of service based in Europe during 1994 to 1998, he was designated by the Competition Commission of the European Union to serve for the Five-Person "Think-Tank" Commission for providing advice to the Competition Commission on shipping policies. He retired from OCCL in 2001 and earned more than 30 years of experience in the shipping industry. Since 2001, he had been the Chairman of Hong Kong Liner Shipping Association for five years. In 2006, he was a member of the Shipping Committee, the Port Development Committee and the Logistics Committee under the HKSAR Government. He also advised the Hong Kong Government on policies relating to various areas including shipping, port development and logistic, traffic and transportation of Hong Kong.

(C) Mr. Shen Kangchen, age 67

Mr. Shen Kangchen, 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. Since 2004 to present, he has served as the chief engineer of CABR Technology Co., Ltd.

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(D) Mr. Yao Guojian, age 53

Mr. Yao Guojian, graduated from East China Normal University in administrative management. 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 (Group) Company and the vice Party secretary and secretary to the disciplinary committee of China Shipping (Group) Company. 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.

(E) Reference is made to the Company's circular dated 26 August 2005 setting out, amongst others, a summary of the principal terms of the Scheme and the Methods. Pursuant to the "Trial Measures on Implementation of Share Incentive Plans in State-Controlled Companies Listed Overseas" issued by the State-owned Assets Supervision and Administration Commission of the State Council ("Measures"), amendments to the Scheme and the Methods are proposed in order to fulfill the requirements of the Measures.

In this Appendix, unless the context otherwise requires, the following expressions shall have the following meanings:

"Committee"	the management committee for the Rights set up by the Directors
"Directors"	the directors of the Company
"Lock-up Period"	the period of two years after the date on which the relevant Right was granted
"Participant"	the participants under the Scheme
"Rights"	the H share share appreciation rights to be granted under the Scheme
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisors"	the supervisors of the Company

The following is a summary of the principal amendments to the principal terms of the Scheme.

(1) Participants

The Participants under the Scheme shall be the Directors (other than independent non-executive Directors), the Supervisors (other than independent Supervisors), the senior executives of the Company, the primary person-in-charge of each of the operational and management departments of the Company and the general managers, deputy general managers etc. of the Company's subsidiaries.

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- (2) The granting of rights
- (a) The date of grant of Rights to Participants shall vary depending on whether an Participant was: (i) entitled to participate in the Scheme on the date of its implementation; (ii) became entitled to participate in the Scheme during the Lock-up Period; or (iii) held different positions entitling him to different amounts of Rights during the Lock-up Period. Further grants of Rights shall be made on 1 July 2007 and 1 July 2009, as well as within the respective Lock-up Periods following the said dates where there are new Participants.
  - (b) The amount of Rights granted during the first grant of Rights shall not be higher than 0.5% of the total issued share capital of the Company as at 22 August 2005; the amount of Rights granted during the second grant of Rights shall not be higher than 0.75% of the total issued share capital of the Company as at 22 August 2005, the amount of Rights granted during all three grants of Rights shall not be higher than 2% of the total issued share capital of the Company as at 22 August 2005.
  - (c) Each Participant (regardless of change in position, resignation, retirement or otherwise) shall enjoy all or part of the Rights granted to him proportionate to the amount of time spent in the relevant position during the Lock-up Period.
  - (d) Participants who assume a relevant position, and thereby became entitled to participate in the Scheme, during the Lock-up Period following the first grant of Rights shall be granted Rights on 1 July 2007 at the exercise price for the first grant of Rights.

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The following is a summary of the principal amendments to the principal terms of the Methods.

- (1) The exercise price

The exercise price of each unit of the Rights shall be as follows:

- (a) In respect of the first grant of Rights, equal to the average closing price of the H shares of the Company on the Stock Exchange during the period from 1 January to 30 June in the year in which such Rights are granted; and
- (b) In respect of the second and third grant of Rights, not less than: (a) the closing price of the H shares of the Company on the Stock Exchange on the date of grant; or (b) the average closing price of the H shares of the Company on the Stock Exchange 5 trading days prior to the date of grant.

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- (2) Lapse or cancellation of, or imposition of restrictions, on the rights

All or part of the Rights shall also lapse or the Committee may also decide to cancel or impose restrictions on all or part of the Rights in certain additional circumstances, including but not limited to where: (i) the relevant Participant fails to achieve certain performance targets; (ii) the relevant Participant is in material breach of duty or the relevant laws and regulations of the Company or damages the interests of the Company; (iii) the Company fails to achieve targeted results; (iv) the Company's certified accountants give a negative opinion, or are unable to reach an opinion, on the Company's annual financial statements; (v) the Committee or the Company's auditors raise significant dissent on the Company's results or annual financial statements; (vi) there is a serious breach of the articles of association of the Company or there are significant illegal or criminal offences.

*The Board as at the date of this announcement comprises of Mr. Li Shaode, Mr. Jia Hongxiang, Mr. Huang Xiaowen and Mr. Zhao Hongzhou, being executive directors, Mr. Zhang Jianhua, Mr. Wang Daxiong, Mr. Zhang Guofa, Mr. Yao Zuozhi and Mr. Xu Hui, being non-executive directors, and Mr. Hu Hanxiang, Mr. Gu Nianzu, Mr. Wang Zongxi and Mr. Lam Siu Wai, Steven, being independent non-executive directors.*

- \* *The Company is registered as an oversea 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".*