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

2008
Annual Report

Company Profile

China Shipping Container Lines Company Limited ("CSCL" or the "Company") is a specialized corporation affiliated to China Shipping (Group) Company ("China Shipping Group") involved in container liner services and other relative services including vessel chartering, cargo canvassing and booking, customs clearance, storage, container construction, repair and sales, operating container terminal 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 the Shanghai Stock Exchange.

CSCL has a young and modern fleet, which as at 31 December, 2008 comprised of 158 vessels with a total operating capacity of 493,016 TEU, among which the container vessels, each with a capacity of over 4,000 TEU, accounted for 81.1% of its total shipping capacity. CSCL enjoys a distinct advantage in terms of its container vessels with large shipping capacity. CSCL has inaugurated over 70 international major trade lanes and feeders, including the American, European, Mediterranean, African and Australian routes. CSCL has over 300 agency points, which are located in the main trade regions 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 top-tier global shipping company. During over 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. Yan Zhichong

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUPERVISORS

Mr. Chen Decheng *(Chairman)*
Mr. Kou Laiqi
Mr. Yao Guojian
Mr. Wang Xiuping
Mr. Hua Min
Ms. Pan Yingli

INVESTMENT STRATEGY COMMITTEE

Mr. Li Shaode *(Chairman)*
Mr. Ma Zehua
Mr. Zhang Guofa
Mr. Lin Jianqing
Mr. Wang Daxiong
Mr. Huang Xiaowen
Mr. Hu Hanxiang
Mr. Jim Poon (also known as Pan Zhanyuan)
Mr. Shen Zhongying

NOMINATION COMMITTEE

Mr. Shen Zhongying *(Chairman)*
Mr. Hu Hanxiang
Mr. Jim Poon (also known as Pan Zhanyuan)
Mr. Zhang Guofa
Mr. Wang Daxiong

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

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

SHARE APPRECIATION RIGHTS COMMITTEE

Mr. Zhang Jianhua *(Chairman)*

COMPANY SECRETARY

Mr. Ye Yumang

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

59/F, One Island East
18 Westlands Road
Island East
Hong Kong

INTERNATIONAL AUDITOR

PricewaterhouseCoopers

DOMESTIC AUDITOR

Vocation International Certified Public Accountants Co., Ltd.

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

02866

A SHARE LISTING PLACE

Shanghai Stock Exchange

LISTING DATE

12 December, 2007

NUMBER OF A SHARES IN ISSUE

7,932,125,000 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

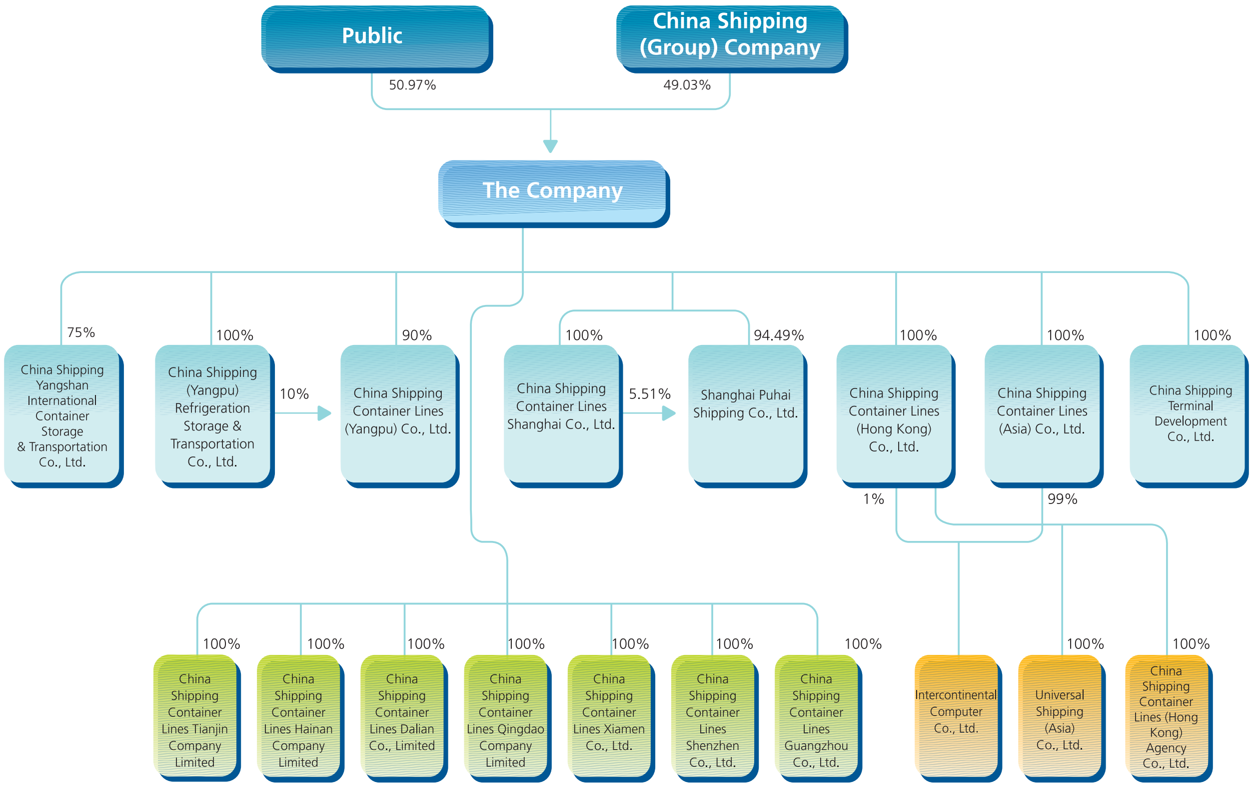
COMPARISON OF 2008 AND 2007 KEY FINANCIAL FIGURES

CONSOLIDATED RESULTS UNDER HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") For the year ended 31 December	**2008** **RMB'000**	2007 RMB'000 (Restated)	Change (%)
Revenue	**34,756,152**	39,072,489	-11.1
Operating profit	**367,428**	4,384,116	-91.6
Profit before income tax	**64,735**	3,836,455	-98.3
Profit for the year attributable to equity holders of the Company	**42,973**	3,230,338	-98.7
Basic earnings per share	**RMB0.004**	RMB0.34	-98.9
Gross profit margin	**2.9%**	12.5%	-9.6
Profit before income tax margin	**0.2%**	9.8%	-9.6
Gearing ratio	**3.4%**	-16.2%	19.6

CONSOLIDATED ASSETS AND LIABILITIES UNDER HKFRS As at 31 December	**2008** **RMB'000**	2007 RMB'000 (Restated)	Change (%)
Total assets	**49,717,220**	51,925,344	-4.3
Non-current assets	**34,921,564**	30,043,799	16.2
Current assets	**14,795,656**	21,881,545	-32.4
Total liabilities	**17,265,362**	16,257,883	6.2
Current liabilities	**9,136,809**	7,172,038	27.4
Net current assets	**5,658,847**	14,709,507	-61.5
Net assets	**32,451,858**	35,667,461	-9.0

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 entities of the Company are contained in Note 41 to the financial statements.

2008 Major Events

January

1. On 1 January, China Shipping SAP financial system was officially launched, which symbolized a significant progress in the information system construction of the Company and its subsidiaries (the "Group"), and also laid solid foundation for the Group to improve its operation management modernization.

2. At 15:00 on 9 January, the initial launch of the Sea-Rail Intermodal Transportation from China to Hamburg of Germany was a success, whereby the International Container Model Train from Beijing to Hamburg successfully departed from Beijing Dahongmen Railway Station. The successful launch of this international train represents another new breakthrough in the joint efforts of China Shipping Group and China Railway Container Transport Corporation in pushing forward their strategic co-operations.

3. On 14 January, the first meeting of the board of directors of 8 domestic regional companies of CSCL and Universal Shipping (Asia) Co., Ltd. for the year 2008 was held at conference room A on the 3rd floor of the Company's office building.

4. On 23 January, the 2008 annual working meeting and the third meeting of the third session of employees' representatives conference were held by CSCL. Mr. Li Shaode, the President of China Shipping Group, gave an important speech at the meetings, during which he highly acknowledged the achievements made by CSCL in 2007 in production safety, capital operation, operation management, team building and information-based construction etc..

February

5. On 1 February, a meeting of the board of directors of CSCL (the "Board") was held, whereby the acquisition of relevant equity interests in China Shipping (Yangpu) Cold Storage and Transportation Co., Ltd. ("CS Yangpu") and Shanghai China Shipping (Yangshan) International Container Storage and Transportation Co., Ltd. ("CS Yangshan") were approved.

6. On 21 February, the first extraordinary general meeting of CSCL for the year 2008 was held at No. 450 Fushan Road, Pudong New District, Shanghai.

7. On 26 February, "CSCL TOKYO", the first among four new vessels to be deployed in the China-Japan trade lane by CSCL, each with a capacity of 907TEU, made its maiden voyage to Tokyo Port.

March

8. On 24 March, CSCL won the honor awarded by the Port of Long Beach of the United States for its efforts in improving environmental protection for the year 2007.

April

9. On 20 April, the delivery and naming ceremony of 8530TEU container vessel "New America" built by Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. for CSCL was held at the shipyard of Hudong-Zhonghua Shipbuilding (Group) Co., Ltd..

10. On 18 April, CSCL received the Best Customer Service Award for Far East Route, which is one of the Customer Service Regional Awards, and the Nomination Award of Shipping Line of the Year, in the 2007 star performers contest held by Lloyd's Loading List, a British authoritative publication.

May

11. In May, CSCL was granted the title of honor of Nationwide Transport Civilised Industry for the Year 2006-2007 by the Ministry of Transport.

12. On 22 May, the construction of the logistics and storage project of CS Yangshan, being a company controlled by CSCL, officially commenced.

13. The "5.12 Wenchuan Earthquake" caused severe damage to the people in the affected region. CSCL donated RMB2 million in the name of the Company via Red Cross Society of China to the affected region and also appealed to its employees who donated approximately RMB2.33 million.

June

14. On 25 June, CSCL held an overseas agencies financial conference in Hotel Zhongyou International Shanghai. More than 60 people who were domestic finance staff of major holding companies, representative offices and agencies from 24 countries and regions as well as personnel (assistant manager level above) of the finance department and the checking centre of CSCL attended the conference.

July

15. On 10 July, a mid-year working conference of 2008 and a theory discussing meeting were held by CSCL at Suzhou Dongshan Hotel.

16. On 15 July, the delivery and naming ceremony of 4250TEU container vessel "New Taicang" built by Dalian Shipbuilding Industry Co., Ltd. for CSCL was successfully held in Dalian.

August

17. In the morning of 5 August, the delivery and naming ceremony of 4250TEU container vessel "New Yangpu" built by Dalian Shipbuilding Industry Co., Ltd. for CSCL was successfully held in Dalian.

18. On 6 August, CSCL announced that the Board had passed a resolution approving the acquisition of China Shipping Terminal Development Co., Ltd ("CS Terminal") and had entered into an equity transfer agreement on the same date to acquire China Shipping Group's entire equity interest in CS Terminal at a total consideration of approximately RMB2.662 billion.

19. On 6 August, the second extraordinary general meeting of 2008 and the 14th meeting of the second session of the Board were successively held at Mingxuan Hall, 1st floor, Supreme Tower Hotel, No. 600, Lao Shan Road, Pudong New District, Shanghai.

20. The 15th meeting of the second session of the Board was held on 26 August.

21. CSCL announced its interim results for the six months ended 30 June, 2008 on 26 August.

September

22. On 9 September, CSCL was awarded "Champion of China's Most Valuable Brands" (shipping industry) and "Asia Brands Top 500 in 2008" at the Third Asia Brand Ceremony held in Hong Kong. Mr. Huang Xiaowen, our director and general manager, was awarded "Asia Brand Most Influential Person".

October

23. The third extraordinary general meeting of CSCL for the year 2008 was held on 10 October, in Shanghai. The proposal regarding the acquisition of 100% equity interest in CS Terminal was approved by ordinary resolution in accordance with the articles of association of the Company.

24. On 18 October, CSCL was granted "30 Years China's Brand Achievement Award" and became the only enterprise in China's shipping industry which received this honor.

November

25. On 3 November, the delivery and naming ceremony of 4250TEU container vessel "New Wuhan" built by Dalian Shipbuilding Industry Co., Ltd. for CSCL was successfully held in Dalian.

26. CSCL received seven awards in the Sixth China Freight Industry Awards Contest, namely the Best Container Liner Shipping Company, Gold Award for China-Europe/Mediterranean Trade Lane, Gold Award for China-South America Trade Lane, Gold Award for Coastal Transportation, Silver Award for Comprehensive Service, Silver Award for China-North America Trade Lane, Silver Award for China-Africa Trade Lane and Silver Award for China-Middle East/Indian-Pakistani Trade Lane. Mr. Huang Xiaowen, the general manager and director of CSCL, was granted the "Creative Person Award".

27. On 18 November, the delivery and naming ceremony of 4250TEU container vessel "New Zhangzhou" built by Dalian Shipbuilding Industry Company Limited for CSCL was successfully held in Dalian.

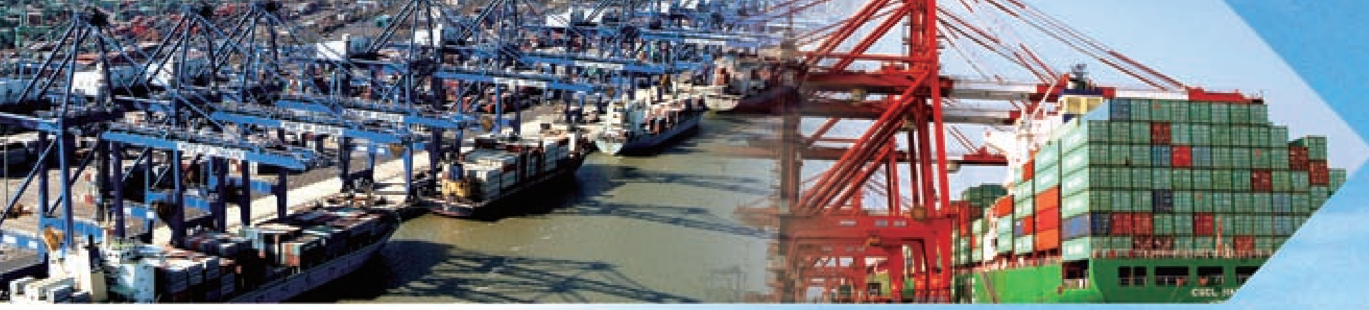
December

28. In the morning of 12 December, the delivery and naming ceremony of 8530TEU container vessel "New Africa" built as authorized by CSCL was held at Hudong-Zhonghua Shipbuilding (Group) Co., Ltd..

29. On 11 December, the shipping container deployment meeting for the year 2009 was held in Guiyang by CSCL.

30. As of 14 December, CSCL's loaded container volume exceeded 10,000,000 TEU for the first time, and the lifting ceremony of the 10 millionth container was held in Tianjin port by CSCL.

31. On 15 December, when the direct shipping lane between Taiwan and Mainland China, which attracted worldwide attention, was launched, the vessels "New Yantai" and "New Africa" of CSCL had the honor to be the first batch of vessels in the direct shipping lane between Taiwan and Mainland in Tianjin and Shanghai respectively. Mr. Li Shaode, the president, and Mr. Ma Zehua, the Party secretary, attended the celebration ceremony for direct shipping between Taiwan and Mainland China held in Tianjin and Shanghai respectively.

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Chairman's Statement

The financial crisis has adversely affected almost every company in the shipping industry since its outbreak. Adversely affected by various factors, the container shipping market is facing unprecedented challenges. With the deterioration of China's export trade, China's container through-put has dropped substantially and in addition, there has been increase in the deployment of shipping capacity. As a result, the freight rates for international trade lanes have been continuously decreasing, which caused the container shipping industry to quickly enter into recession.

In 2008, due to the significant plummet in freight rates and the shrinking demand from the European and U.S. economies, both the Group's revenue and transportation volume suffered different degrees of decrease. For the year ended 31 December, 2008, the Group's revenue was RMB34,756,152,000, representing a decrease of approximately 11.1% as compared with last year. The Group's loaded cargo volume for the year 2008 was 6,942,148 TEU, representing a decrease of approximately 4.9% as compared with last year.

Despite the tough business environment, the Group continues to respond positively and had changed its operation concept and management philosophy to strive for development during such difficult time.

OPERATION REVIEW

1. CONTINUED TO OPTIMISE THE FLEET STRUCTURE

The Group let out part of its shipping capacity at appropriate time and dismantled obsolete vessels to optimise its fleet structure. As at 31 December, 2008, the fleet of the Group comprised of 158 vessels with a total shipping capacity of 493,016 TEU, among which the container vessels, each with a capacity of over 4,000 TEU, accounted for 81.1% of its total shipping capacity.

2. OPTIMISED ROUTE DESIGN AND IMPROVED SERVICE NETWORK

The Group cut down the shipping capacity deployed to loss-making routes according to the efficiency of routes, switched capacities deployed to different routes, made every effort to constrain the sphere of adverse impact and hence minimised the loss.

3. FURTHER REFINED MANAGEMENT, BOOSTED REVENUE AND CUT COST

The Group continued to thoroughly implement the "three refinements" philosophy and to improve the refinement of the routes operation and internal management. The details included upgrading the construction of quality routes, improving "three ratios" (on-schedule ratio, container load ratio and satisfaction ratio), strengthening container management, moderately increasing the lease or sale of shipping space and detailing various cost-control measures. Owing to our effective cost control, all operating costs, except fuel cost, have dropped in different degree.

(1) Container management cost

The Group effectively controlled the container management cost through various measures such as arranging the reposition of empty containers rationally, speeding up the turnover of empty containers, taking advantage of the low seasons to meet the container manufacturing orders and container leasing orders for the entire year and controlling the container volume rationally. The container management cost amounted to approximately RMB2,720,000,000 in 2008, representing a decrease of nearly 20.6% as compared with the same period last year. The Group's current total container volume amounted to 874,438 TEU. The slot to container ratio is 1:1.93.

(2) Transhipment cost

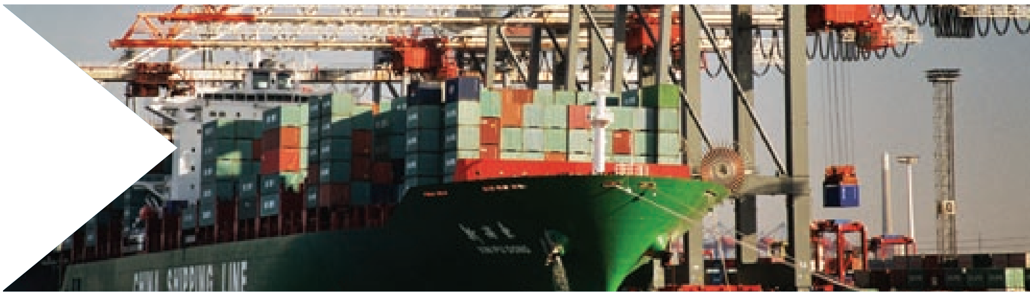
Owing to the implementation of the policy of pre-scheduling slots allocation, the efficiency of goods transhipment and connection was improved. Those transhipments with duration over 12 days were basically restricted within 1% of the total transhipments. On the other hand, transhipment routes were further optimised and transhipments of reefer containers were strictly monitored and other measures were adopted to save sub-route costs, such as choosing the transhipment ports rationally, using same vessels to transport for both domestic and foreign trades and transporting cargoes in both major trade lanes and sub-routes. Sub-route costs and other costs of the Group for the year 2008 were reduced by nearly 23.3% as compared to last year.

(3) Fuel cost

Fuel cost rose significantly in the first half of 2008. Although the shipping capacity increased slightly, the Group controlled the fuel cost efficiently through effective measures such as carrying out economic speed of vessels. The total fuel cost consumption for the entire year was controlled below 2,540,000 tons, which was lower than that of 2,780,000 tons in 2007.

(4) Port cost

Greater efforts were placed in negotiations to strictly limit the port charges contained in agreements. The Group had taken advantage of the growth in the loaded container volume and new trade lanes and reduced the port cost by using the preferential policy available to overall port charges etc.. The port charges for the year 2008 decreased by 10.5% as compared with the same period last year.



4. ENHANCED MARKETING AND IMPROVED SERVICE QUALITY

The Group further "transformed its business model, changed its concept of cargo solicitation and changed the structure of the sourcing of goods", focused on approaching FOB customers, expanded customer base and maintained market share.

5. SHARED ADVANTAGES WITH EACH OTHER BY EXTENDING EXTERNAL COOPERATION

The Group carried out extensive external cooperation in various flexible ways, shared advantages with each other and provided extended services. The Group continued to construct the sea-to-rail transportation network and created win-win situation by partnering with large customers.

6. REGULATED LISTING AFFAIRS AND STRENGTHENED CAPITAL OPERATION

Pursuant to the requirements of the standardised operation of listed companies and our undertakings given during the issuance of A shares, in order to realise synergy in the Group's development, to resist the fluctuations of the shipping cycle and to adapt to the extension and development of container industry chain, the Group had successfully completed the acquisitions of CS Terminal, CS Yangshan and CS Yangpu and also commenced the acquisitions of the assets such as Shanghai Inchon International Ferry Co., Ltd. ("Shanghai Inchon") in the year 2008. The Group had entered into an equity transfer agreement to acquire Shanghai Inchon.

FUTURE PROSPECT

The boom and bust of the shipping industry heavily depend on the upturn and downturn of the global economy. Due to the global economic recession, the growth in container trade volume had obviously slowed down. Meanwhile, the global shipping capacity is expected to grow at a high speed in the next two years. In addition, as an approximately 10% of the current shipping capacity in the market is idle, such capacity will still have a potential negative impact on the container shipping market. However, the Group is using our best endeavours, together with other liner shipping companies, to restore and stabilise the freight rates. Various plans are expected to be carried out starting from April, 2009.

To this end, first of all, the Group emphasises that we are firmly confident and strategically well prepared, focused on long-term development and seek opportunities amidst the crisis. In our future operations, the following key matters shall be emphasized:

I. REFINED MANAGEMENT AND STRINGENT COST CONTROL SHALL BE THE PRIMARY TASKS FOR THE GROUP'S DEVELOPMENT

1. Fuel cost

The Group will continue to enhance the monitoring of the economic speed of vessels and take advantage of the low oil price to purchase at lock-in price for this year.

2. Container management cost

The Group will thoroughly enhance the container management, rationally arrange the reposition of empty containers, reduce the cost of empty containers storage and the expenses of reposition of empty containers for sub-routes etc..

3. *Port charges*

The Group will continue to enhance its negotiation power, make use of the Group's overall brand name advantage and scale advantage, strive for greater preferences in relation to ports, further strengthen cooperation, take advantage of the favourable opportunities of the Group's development in the port industry, and to obtain long-term steady favourable agreements in relation to certain ports.

4. *Transhipment cost*

The Group will optimise the transhipment routes and reduce the transhipment frequencies.

II. ADHERE TO THE STRATEGY OF LARGE CUSTOMERS AND BROAD PARTNERSHIP AS THE GROUP'S DEVELOPMENT STRATEGY

Based on an accurate grasp of the market trend and a rational control over the shipping capacity, in 2009, decrease in the Group's shipping capacity as a result of the termination of leases will reach 16,000 TEU and the Group's shipping capacity will realise a negative growth for the first time. Meanwhile, the Group will continue to strengthen external cooperation in accordance with the changes in the market supply and demand, further improve the distribution of global routes network, ensure the stability of the trade routes and cargo volume, and provide quality services to customers.

Secondly, the Group will continue to adhere to the strategy of large customers, continue to change its marketing concept, strengthen long-term cooperation with high net worth customers and increase the BCO ratio. Meanwhile, the Group will perfect the construction of sea-to-rail transportation network and build four to six sea-to-rail quality logistics chains.

III. TAKE DIVERSIFIED DEVELOPMENT AS ONE OF THE IMPORTANT MEANS FOR THE GROUP'S DEVELOPMENT

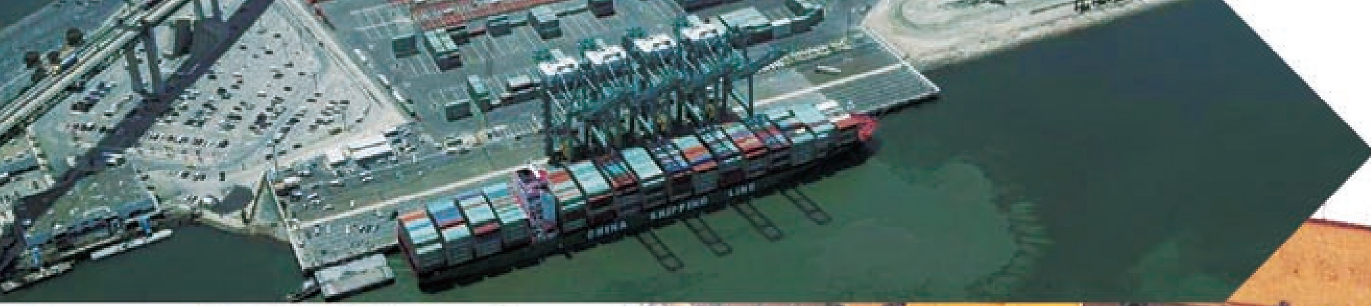
In recent years, the business model of container shipping industry has been shifted to door-to-door model. The Group will comprehensively integrate its relevant industrial resources such as container terminals and logistics to promote the formation of the Group's shipping supply chain model so as to improve the Group's competitive edge and realise the synergy as a result of such integration.

IV. STRENGTHEN THE FORMULATION AND IMPLEMENTATION OF THE GROUP'S INTERNAL CONTROL REGULATIONS

The Group will, through strengthening internal management, identify weaknesses in internal control system in time and improve its ability to prevent risk effectively. The Group will also conduct regular review and assessment on the completeness, reasonableness and effectiveness of its internal control system.

I, on behalf of the Group, would like to take this opportunity to thank all of the Company's shareholders for going through all the difficulties in 2008 with us and for supporting us to face the future challenges with firm confidence.

By Order of the Board of Directors
China Shipping Container Lines Company Limited
Li Shaode
Chairman
25 March, 2009




CHINA SHIPPIN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BUSINESS REVIEW

For the year ended 31 December, 2008, the Group recorded a revenue of RMB34,756,152,000, representing a decrease of 11.1% as compared to last year; profit before income tax was RMB64,735,000, representing a decrease of 98.3% as compared to last year; profit attributable to equity holders amounted to RMB42,973,000, representing a decrease of 98.7% as compared to last year; loaded cargo volume for the whole year amounted to 6,942,148 TEU, representing a decrease of 4.9% as compared to last year. For the year ended 31 December, 2008, the average freight rate per TEU of the Group amounted to RMB4,877, representing a decrease of approximately 8.0% as compared to 2007. The decrease was primarily due to the rapid decrease in loaded cargo volume and freight rates for international trade lanes as a result of weak consumption in various economic regions adversely affected by the financial crisis.

As at 31 December, 2008, the total shipping capacity of the Group reached 493,016 TEU. The shipping capacity in 2008 increased 10.5% as compared to 2007.

FINANCIAL REVIEW

REVENUE

The Group's revenue decreased by RMB4,316,337,000 or 11.1% from RMB39,072,489,000 for the year ended 31 December, 2007 to RMB34,756,152,000 for the year ended 31 December, 2008. The decrease in revenue was primarily due to:

- *Decreased volume of loaded cargoes*

  The volume of loaded cargoes for the year ended 31 December, 2008 amounted to 6,942,148 TEU, representing a decrease of 4.9% as compared to the year 2007 as a result of the significant decrease in cargo volume for international trade lanes, including the Pacific trade lane and Europe/Mediterranean trade lane, which were adversely affected by the global financial crisis.

ANALYSIS OF LOADED CONTAINER VOLUME BY TRADE LANES

Principal Markets	**2008 TEU**	2007 TEU	Change (%)
Pacific	**1,303,937**	1,628,059	-19.9%
Europe/Mediterranean	**1,376,178**	1,457,918	-5.6%
Asia Pacific	**1,370,933**	1,233,035	11.2%
China Domestic	**2,709,974**	2,749,120	-1.4%
Others	**181,126**	230,695	-21.5%
Total	**6,942,148**	7,298,827	-4.9%

- *Decreased freight rate*

  The Group's average freight rate per TEU for the year 2008 amounted to RMB4,877, representing a decrease of 8.0% as compared to the year 2007. Among which, the average freight rate per TEU for international trade lanes recorded a decrease of about 10.6% as compared to the year 2007 to RMB6,754. Such decrease in the average freight rate for international trade lanes was mainly due to the significant decrease in cargo volume as a result of the recession of the global economy in real terms in 2008. The decrease in the trade lanes of Europe/Mediterranean and Asia Pacific was most remarkable. On the other hand, the average freight rate per TEU for China domestic trade lanes increased by RMB378 as compared to the same period last year to RMB1,945. This was mainly due to the development of quality trade lanes for China domestic trade by the Group, which attracted a number of steady and quality customers by reason of the Group's high standard of service.

COSTS OF SERVICES

For the year ended 31 December, 2008, total costs of services amounted to RMB33,741,836,000, representing a decrease of 1.3% as compared to the year 2007. Costs of services on a per TEU basis amounted to RMB4,661, maintaining at the same level as compared to the year 2007.

The decrease in the total costs of services was mainly due to the following reasons:

- Container and cargo costs decreased by 10.3% from RMB14,994,967,000 in 2007 to RMB13,444,170,000 mainly due to the decrease in the volume of loaded cargoes. Port charges amounted to RMB2,470,111,000, representing a decrease of 10.5%, as a result of the optimisation of trade lanes and the decrease in port calling and canal passing frequency. The stevedore charges for loaded and empty containers amounted to RMB7,575,244,000, representing a decrease of 8.8%, principally due to the decrease in the volume of loaded cargoes in the international trade and in the volume of repositioning of empty containers.

- Vessel and voyage costs for the year 2008 amounted to RMB14,683,630,000, representing an increase of 18.3% as compared to the year 2007. 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 2008, the highest price of WTI crude oil on the New York Mercantile Exchange once exceeded USD145 per barrel. As such, the Group's fuel costs in 2008 amounted to RMB10,078,453,000. To cope with the pressure from the soaring oil price, the Group managed to reduce the fuel consumption by arranging voyage reasonably and exercising economic speed control. In 2008, the Group recorded a unit fuel consumption of 7.8 kilograms per thousand ton-miles, representing a decrease of 4.4% as compared to the year 2007. These measures saved approximately RMB466,000,000 fuel costs for the Group.

- Sub-route and other costs amounted to RMB5,614,036,000, representing a decrease of 17.2% as compared to the year 2007. Such significant decrease was mainly due to the optimisation of transhipment routes and reduction of transhipment costs by the Group.

GROSS PROFIT

Due to the above reasons, the Group recorded a gross profit of RMB1,014,316,000 in 2008, representing a decrease of RMB3,874,462,000 or 79.3% as compared to the year 2007.

INCOME TAX EXPENSE

For the period from 1 January, 2008 to 31 December, 2008, the corporate income tax ("CIT") rate applicable to the Company was 18%. The Company's subsidiaries incorporated in the PRC were subject to CIT at a CIT rate ranging from 18% to 25% for the period from 1 January, 2008 to 31 December, 2008. The profits derived by the Company's overseas subsidiaries are subject to CIT at a fixed rate approved by the relevant tax bureau, on the profits of the overseas subsidiaries for CIT purpose.

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

For the year ended 31 December, 2008, the Group's selling, administrative and general expenses were RMB523,847,000, representing a decrease of 31.9% as compared to the year 2007.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

Due to the above reasons, the profit attributable to the equity holders of the Company decreased by RMB3,187,365,000 or 98.7% from RMB3,230,338,000 in 2007 to RMB42,973,000 in 2008.

FINANCIAL RESOURCES AND FINANCIAL LIABILITIES

The Group's principal sources of working capital have been the cash flow from operations and bank borrowings. Cash is mainly used in financing costs of services, new vessels construction, purchase of containers, terminal construction, payment of dividends and the repayment of principal and interest for bank borrowings and finance leases.

As at 31 December, 2008, the Group's total bank borrowings were RMB8,407,198,000. The maturity profile is spread over a period between 2008 and 2018, with RMB4,175,486,000 repayable within one year, RMB2,257,159,000 in the second year, RMB352,543,000 in the third to fifth year, and RMB1,622,010,000 after the fifth year. The Group's long-term bank borrowings are mainly used for the purchase of new vessels, containers and terminal construction.

As at 31 December, 2008, the Group's long-term bank borrowings were secured by mortgages over several container vessels, vessels under construction, containers and terminal construction with a net book value of RMB2,373,710,000 (31 December, 2007: RMB2,621,242,000), and charges over shares of certain vessel owning subsidiaries.

As at 31 December, 2008, the Group had RMB borrowings at fixed interest rates in the amount of RMB1,815,500,000, USD borrowings at fixed interest rates in the amount of RMB802,792,000 and USD borrowings at floating interest rates in the amount of RMB5,788,906,000. The Group's borrowings are denominated in RMB or US dollars, and cash and cash equivalents are mainly denominated in these two currencies.

As at 31 December, 2008, the Group's obligations under finance leases amounted to RMB2,595,691,000 (31 December, 2007: RMB3,316,729,000). The maturity profile is spread as follows: the amount repayable within one year is RMB531,659,000, the amount repayable in the second year is RMB507,047,000, the amount repayable in the third to fifth year is RMB1,307,200,000 and the amount repayable after the fifth year is RMB249,785,000. Almost all of the Group's finance lease obligations payable are arranged for the lease of containers.

NET CURRENT ASSETS

As at 31 December, 2008, the Group's net current assets amounted to RMB5,658,847,000. Current assets mainly comprised bunkers of RMB470,261,000, trade and notes receivables of RMB2,262,142,000, prepayments and other receivables of RMB387,258,000 and cash and cash equivalents of RMB11,675,995,000. Current liabilities mainly comprised trade and notes payables of RMB3,271,506,000, accrual and other payables of RMB810,356,000, current income tax liabilities of RMB322,802,000, short-term bank borrowings of RMB1,553,612,000, long-term bank borrowings – current portion of RMB2,621,874,000, finance lease obligations-current portion of RMB531,659,000, and provision of RMB25,000,000.

CASH FLOWS

For the year 2008, the Group's net cash generated from operating activities was RMB3,125,367,000, denominated principally in RMB and US dollars, representing a decrease of RMB3,219,887,000 compared to the year 2007. Cash and cash equivalent balances at the end of 2008 decreased by RMB4,722,348,000 as compared to the same period last year, mainly reflecting the decrease in net cash inflow from operating activities and financing activities, and the increase in net cash outflow used in investing activities. The cash inflow from financing activities of the Group during the year mainly arose from bank borrowings. The above-mentioned fund will mainly be used for short-term business and purchase of containers and terminal construction. Net cash generated from operations, when not needed for working capital requirements or repayment of bank borrowings, is principally held as short-term and demand deposits.

The following table provides information regarding the Group's cash flows for the years ended 31 December, 2007 and 2008:

	For the year ended 31 December,	
	2008	2007
	(RMB)	(RMB)
		(Restated)
Net cash generated from operating activities	**3,125,367,000**	6,345,254,000
Net cash used in investing activities	**(8,965,103,000)**	(6,058,092,000)
Net cash generated from financing activities	**1,117,388,000**	13,006,344,000
Net (decrease)/increase in cash and cash equivalents	**(4,722,348,000)**	13,293,506,000

NET CASH GENERATED FROM OPERATING ACTIVITIES

For the year ended 31 December, 2008, the net cash generated from operating activities was RMB3,125,367,000, representing a decrease of RMB3,219,887,000 from RMB6,345,254,000 in 2007. The decrease was mainly due to the decrease in the operating turnover of liner service and the significant decline in the operating profit rate. The cash generated from operations for 2008 was RMB4,249,068,000, representing a decrease of 34.2% as compared with RMB6,455,974,000 in 2007.

NET CASH USED IN INVESTING ACTIVITIES

For the year ended 31 December, 2008, net cash used in investing activities was RMB8,965,103,000, representing an increase of RMB2,907,011,000 from RMB6,058,092,000 in 2007. The increase was mainly due to the increase in the Group's capital expenditure on vessels, containers and other construction in progress and payment for acquisition of equity interests of RMB9,392,934,000, representing an increase of RMB3,794,720,000 from RMB5,598,214,000 in 2007.

NET CASH GENERATED FROM FINANCING ACTIVITIES

For the year ended 31 December, 2008, net cash generated from financing activities was RMB1,117,388,000, representing a net decrease of RMB11,888,956,000 as compared to the net cash generated from financing activities of RMB13,006,344,000 in 2007. In 2008, the Group did not issue any shares or bonds as in 2007, and its financing activities were mainly bank borrowings and repayments. In 2008, The Group borrowed RMB4,391,559,000 from banks, and repaid bank borrowings of RMB1,520,120,000 and principal of finance leases of RMB721,038,000.

AVERAGE DEBTOR TURNOVER

As the management determined to strengthen credit control over settlement from customers, the Group implemented auto funds transfer procedures to ship-owners' accounts which are with overseas agents in 2008. As at 31 December, 2008, the balance of trade receivables of the Group decreased by RMB1,857,196,000 as compared to the same period last year, and the balance of trade receivables from the related parties decreased by RMB1,546,620,000 as compared to the same period last year. The Group's average debtor turnover days slightly dropped as compared with last year, and accordingly the Group's capital risks were reduced.

GEARING RATIO

As at 31 December, 2008, the Group's gearing ratio (i.e. the ratio of net financial debt over shareholder's equity) was 3.4%, which was higher than -16.2% in 2007. The increase in gearing ratio was mainly due to the fact that the net cash inflow from operating activities and financing activities was less than the cash outflow used in capital expenditures on construction of vessels, containers, payment of dividends and acquisition of equity interests.

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. However, due to the significant depreciation of major currencies for settlement against US dollar as a result of the outbreak of global financial crisis in the second half of 2008, the Group suffered net exchange losses of RMB599,770,000 and the exchange difference charged to equity amounted to RMB106,482,000 for the year ended 31 December, 2008. The Group continues to improve its currency structure and monitor the exchange rate fluctuation, convert net cash inflow from operating activities into RMB in a timely manner so as to minimise foreign currency risk, reduce 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.

CAPITAL EXPENDITURE

During the year ended 31 December, 2008, the capital expenditure on vessels and vessels under construction amounted to RMB5,185,724,000, development of information system amounted to RMB12,486,000, purchase and construction of containers amounted to RMB807,213,000, purchase of office equipment and motor vehicle amounted to RMB42,128,000, acquisition of equity interests amounted to RMB2,638,419,000 and berth construction amounted to RMB634,397,000.

CAPITAL COMMITMENTS

As at 31 December, 2008, the Group had contracted but not provided for capital commitments of approximately RMB9,078,989,000 (among which RMB9,022,665,000 was contracted but not provided for capital commitments 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 bonds or by bank borrowings.

ACQUISITION

On 8 May, 2008, the Company entered into an equity transfer agreement with China Shipping Logistics Co., Ltd. ("CS Logistics") to acquire its entire 25% equity interest in CS Yangshan and entered into an equity transfer agreement with CS Logistics and Suzhou China Shipping International Container Storage and Transportation Co., Ltd. ("CS Suzhou") to acquire their entire aggregate 60% equity interest in CS Yangpu. The aggregate consideration payable for the acquisitions under these two agreements was RMB38,681,000. On 6 August, 2008, the Company entered into an equity transfer agreement with China Shipping Group to acquire its 100% equity interest in CS Terminal. The consideration payable for the acquisition under this agreement was RMB2,661,837,000. In addition, on 9 December, 2008 and 23 December, 2008, Shanghai Puhai Shipping Co., Ltd. ("Shanghai Puhai"), a wholly-owned subsidiary of the Company, entered into the equity transfer agreements with Hang Lim Shipping Co., Ltd. ("Hang Lim Shipping") and China Shipping Group respectively to acquire their respective 24.5% and 51% equity interest in Shanghai Inchon. The consideration payable for the acquisitions under these two agreements was RMB11,110,701 and RMB23,128,400 respectively.

CONTINGENT LIABILITIES

As at 31 December, 2008, the Group had RMB25,000,000 contingent liabilities recorded as provision.

EMPLOYEES, TRAINING AND BENEFITS

As at 31 December, 2008, the Group had 3,863 employees. Employees benefit expenses were approximately RMB1,103,938,000 (including a reversal for the year of RMB84,283,000 in relation to the H share share appreciation rights (the "Rights") granted to the directors of the Company (the "Directors") and employees). In addition, the Group entered into contracts with a number of subsidiaries of China Shipping Group, pursuant to which those companies provided the Group with approximately 3,221 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.

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, 26 June, 2007 and 26 June, 2008, 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 change of the Rights is recognised as an expense/(income) of the Group. Employees might in the future be entitled to 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.

EXECUTIVE DIRECTORS

MR. LI SHAODE (李紹德), AGE 58

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 Group. Mr. Li is also currently the president and the vice Party secretary of China Shipping Group 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 1988, he was vice Party secretary, vice chief and chief of the Labour Department of the Oil Tanker Fleet of the Shanghai Maritime Bureau. From 1988 to 1995, he was the deputy director general of the Shanghai Maritime Bureau and the deputy general manager of Shanghai Shipping (Group) Company respectively. Form 1995 to 1997, he was the general manager of Shanghai Shipping (Group) Company. From 1997 to 2003, he was the vice president of China Shipping Group. From 2003 to June, 2006, he was the Party secretary and vice president of China Shipping Group, from June, 2006 to November, 2006, he was the Party secretary and president of China Shipping Group. From November, 2006 till now, he is the president and vice Party secretary of China Shipping Group. Mr. Li has over 40 years of experience in the shipping industry. He graduated from Shanghai Maritime University in 1983, majoring in Sea Transportation Management. In 1997, he obtained a Master's Degree in engineering, majoring in Sea Transportation. 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 52

Vice chairman and executive Director of the Company. Mr. Zhang is also the vice president and a Party member of China Shipping Group 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 Group, and the Party member of China Shipping Group 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.

MR. HUANG XIAOWEN (黃小文), AGE 46

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 a major in Vessel Piloting in 1981, and joined the Company in October, 1997.

MR. ZHAO HONGZHOU (趙宏舟), AGE 40

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 Group. 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 business operation and 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.

NON-EXECUTIVE DIRECTORS

MR. MA ZEHUA (馬澤華), AGE 55

Vice chairman and non-executive Director of the Company. Mr. Ma is the Party secretary and the vice president of China Shipping Group. 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. Mr. Ma has accumulated extensive experience in the shipping industry. Mr. Ma graduated from Shanghai Maritime University with a master's degree. He joined the Company in June, 2007.

MR. ZHANG JIANHUA (張建華), AGE 58

Non-executive Director of the Company. He is also currently the vice president and a member of the Party committee of China Shipping Group. 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 Group. 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.

MR. LIN JIANQING (林建清), AGE 54

Non-executive Director of the Company. Mr. Lin is also the vice president and Party member of China Shipping Group, 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 Group, 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 Group. From August, 2000 to April, 2005, he was the vice president of China Shipping Group. From April, 2005 till now, he is the vice president and Party member of China Shipping Group. 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 48

Non-executive Director of the Company. Mr. Wang is also the vice president and Party member of China Shipping Group, 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 Group. From 2001, he is the vice president of China Shipping Group, and Party member of China Shipping Group 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.

MR. XU HUI (徐輝), AGE 46

Non-executive Director of the Company, general manager 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. From March, 2005 to January, 2009, he was the general manager and Party secretary of Shanghai Shipping (Group) Company. From January, 2009 till now, he is the general manager 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. YAN ZHICHONG (嚴志沖), AGE 52

Non-executive Director of the Company, the chairman and general manager of Guangzhou Maritime Transport (Group) Co., Ltd., a supervisor of CSDC and a director of China Shipping Haisheng Co., Ltd.. Mr. Yan started his shipping career in 1978. From February, 1998 to July, 2001, he was the general manager of Guangzhou Branch of China Shipping Development Co., Ltd Tanker Company. Form July, 2001 to March, 2003, he was the department head of transport department of China Shipping Group. From March, 2003 to November, 2004, he was the vice president of China Shipping (Hong Kong) Holdings Co., Ltd.. From November, 2004 to January, 2007, he was the general manager of China Shipping International Ship Management Co., Ltd.. From January, 2007 till now, he is the general manager of Guangzhou Shipping (Group) Company. He is also the chairman of Guangzhou Shipping (Group) Company from August, 2007. Mr. Yan graduated from Dalian Maritime University, majoring in Maritime Vessel Piloting and obtained the Bachelor’s degree in engineering in 1981. Mr. Yan joined the Company in August, 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. HU HANXIANG (胡漢湘), AGE 68

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 1972 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 75

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.

MR. SHEN KANGCHEN (沈康辰), AGE 68

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. He has been invited to act as a visiting scholar of New Jersey Industry College from August, 1997 to January, 1998. He was the head of Network Computing Institute of Shanghai Maritime University from May, 1999 to July, 2002. From 2004 to December, 2008, he was the chief engineer of Shanghai Branch 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 68

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 OOCL 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. Mr. Poon has 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.

MR. SHEN ZHONGYING (沈重英), AGE 64

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. From March, 2003 to January, 2008, he was 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 58

Chairman of Supervisory Committee. Mr. Chen is also a member of the Party Committee and Chairman of Trade Union of China Shipping Group. 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 Group. From August, 2000 to February, 2001 he held the post of Chairman of Trade Union of China Shipping Group. From February, 2001 till now, he is a Party member and the chairman of Trade Union of China Shipping Group. He was an executive member of the 13th and 14th session of All China Federation of Trade Unions. Mr. Chen studied in Cadre Education Class, Chinese Department, East China Normal University majoring in secretarial business during September, 1982 to 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.

MR. YAO GUOJIAN (姚國建), AGE 55

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 Group and the vice Party secretary and secretary to the disciplinary committee of China Shipping Group. 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 CS Logistics. He has accumulated extensive experience in management. Mr. Yao Guojian, graduated from East China Normal University in administrative management. He joined the Company in January, 2003.

MR. KOU LAIQI (寇來起), AGE 58

Supervisor of the Company, member of Party Committee, leader of the Party Disciplinary Group of China Shipping Group, and the chairman of supervisory committee of CSDC. Mr. Kou was the deputy head of the Organizing Department and the officer of the Human Resources Department of Shanghai Marine Bureau, head of the Organization Department of China Shipping Group. From December, 1997 to August, 2000, Mr. Kou was the secretary to the disciplinary committee and a member of Party Committee of China Shipping Group. Since August, 2000, Mr. Kou has been a member of Party committee and the leader of the Party Disciplinary Group of China Shipping Group with extensive experience in management of shipping enterprises. Mr. Kou graduated from Correspondence College of the Party School of the Communist Party of China, majoring in Economic Management in 2001 and joined the Company in June, 2008.

MR. WANG XIUPING (王修平), AGE 44

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.

MR. HUA MIN (華民), AGE 58

Supervisor of the Company. Mr. Hua earned a Bachelor's 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 53

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 studied 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 42

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 became a fellow of the Hong Kong Institute of Chartered Secretaries in November, 2008. Mr. Ye joined the Company in November, 2002.

SENIOR MANAGEMENT

MR. HUANG XINMING (黃新明), AGE 54

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 Group, general manager and deputy Party secretary of CS Logistics. 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 48

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 experience 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 58

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 CSDC Tramp Co. Shanghai Branch Office. Mr. Ji has extensive experience in personnel management and administrative management. Mr. Ji graduated in 1985 from Dalian Maritime University, majoring in sociology administration. Mr. Ji joined the Company in March, 1999.

MR. ZHAO XIAOMING (趙小明), AGE 53

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 Group. He held the posts of vice CFO and CFO of CSCL 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 Group 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.

The Directors submit their report together with the audited financial statements for the year ended 31 December, 2008.

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 services and operating container terminal. The principal activities of the subsidiaries are set out in Note 41 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 65 of this annual report.

DIVIDENDS

No profit will be distributed for the year 2008 and none of the capital accumulation fund will be converted into additional share capital. The distributable profit of the year 2008 is proposed to be retained by the Company for distribution in the future and such proposal will be presented at the annual general meeting of the Company.

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 66 and page 67 of this annual report and Note 19 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 18 to the financial statements.

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, 2008, distributable reserves of the Company, calculated based on the above principles, amounted to approximately RMB848,601,000, 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 164.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December, 2008, the Group has 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 extraordinary general meeting 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, 26 June, 2007 and 26 June, 2008, the eligible grantees are: the Directors (other than independent non-executive Directors), the supervisors of the Company (the "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.

AWARDS

In 2008, the Company was awarded "Champion of China's Most Valuable Brands" (shipping industry), "Asia Brands Top 500 in 2008" and "30 Years China's Brand Achievement Award" in the Third Asia Brand Ceremony, the Best Container Liner Shipping Company in the Sixth China Freight Industry Awards – Silver Award of Overall Service, Gold Award for China-Europe/Mediterranean Trade Lane, Gold Award for China-South America Trade Lane, Silver Award for China-North America Trade Lane, Silver Award for China-Africa Trade Lane, Silver Award for China-Middle East/Indian-Pakistani Trade Lane, the Best Listed Company for Investor Relations Award granted by "2008 China Financial Fengyun Billboard" and the "IR magazine Awards 2008" granted by IR Magazine, which is an international authoritative magazine.

DONATION

The "5.12 Wenchuan Earthquake" in 2008 has caused severe damage to the people in the affected region. CSCL and its employees donated approximately RMB4.33 million in aggregate, among which RMB2 million was donated by the Company, to support the relief and rebuilding of the affected region.

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
Mr. Zhang Guofa
Mr. Huang Xiaowen
Mr. Zhao Hongzhou

NON-EXECUTIVE DIRECTORS:

Mr. Ma Zehua
Mr. Zhang Jianhua
Mr. Lin Jianqing
Mr. Wang Daxiong
Mr. Xu Hui
Mr. Yan Zhichong

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

SUPERVISORS:

Mr. Chen Decheng
Mr. Kou Laiqi
Mr. Yao Guojian
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.

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 the conclusion of the annual general meeting for the year 2009, i.e. in or around 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 22 to 33 of this annual report.

Each of Li Shaode, Ma Zehua, Zhang Jianhua, Lin Jianqing, Wang Daxiong and Zhang Guofa was as at 31 December, 2008 the president, a vice-president, a vice-president, a vice-president, a vice-president and a vice-president respectively of China Shipping Group, which was a company having, as at 31 December, 2008, 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.

DIRECTORS', SUPERVISORS' INTERESTS IN SHARES

According to the Scheme adopted on 12 October, 2005 and amended on 20 June, 2006, 26 June, 2007 and 26 June, 2008, 10 Directors and 4 Supervisors were granted the 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, 26 June, 2007 and 26 June, 2008. As at 31 December, 2008, the Directors' and Supervisors' interests in H shares of the Company were as follows:

NAME	Number of Underlying H shares	Capacity	Percentage in total H share capital
Directors:			
Li Shaode	3,382,100	Beneficial owner	0.090% (Long position)
Zhang Guofa	2,218,050	Beneficial owner	0.059% (Long position)
Huang Xiaowen	3,334,050	Beneficial owner	0.089% (Long position)
Zhao Hongzhou	2,604,000	Beneficial owner	0.069% (Long position)
Ma Zehua	1,520,550	Beneficial owner	0.041% (Long position)
Zhang Jianhua	1,240,000	Beneficial owner	0.033% (Long position)
Lin Jianqing	525,450	Beneficial owner	0.014% (Long position)
Wang Daxiong	1,240,000	Beneficial owner	0.033% (Long position)
Xu Hui	1,085,000	Beneficial owner	0.029% (Long position)
Yan Zhichong	348,750	Beneficial owner	0.009% (Long position)
Supervisors:			
Chen Decheng	948,600	Beneficial owner	0.025% (Long position)
Kou Laiqi	156,550	Beneficial owner	0.004% (Long position)
Yao Guojian	2,480,000	Beneficial owner	0.066% (Long position)
Wang Xiuping	1,395,000	Beneficial owner	0.037% (Long position)

Saved as disclosed above, as at 31 December, 2008, 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, 2008, 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%	49.03%
Hutchison International Limited	H	374,724,900 (Long position)	Beneficial owner	9.99%	3.21%

Save as disclosed above, as at 31 December, 2008, 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 and sold less than 30% of its goods and services to its 5 largest customers.

For the year ended 31 December, 2008, 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 transactions of the Group are required to be disclosed in this annual report:

On 8 May, 2008, the Company entered into an equity transfer agreement with CS Logistics to acquire its entire 25% equity interest in CS Yangshan and an equity transfer agreement with CS Logistics and CS Suzhou to acquire their entire 60% equity interest in CS Yangpu. The aggregate consideration payable for the acquisitions under the these two agreements was RMB38,681,000. The said two acquisitions were through open listing process and a subsequent commercial negotiations conducted through the Shanghai United Assets and Equity Exchange. On 23 June, 2008, the agreement in respect of the acquisition of equity interest in CS Yangshan was approved by Shanghai Government, upon which all condition precedents for these two agreements were satisfied. The said two acquisitions will strengthen the management, unify the operation, integrate and optimize the resource allocation and reduce connected transactions. China Shipping Group is the Company's controlling shareholder, CS Logistics is a direct wholly-owned subsidiary of China Shipping Group and CS Suzhou is an indirect wholly-owned subsidiary of China Shipping Group, hence both of the above-mentioned acquisitions constitute connected transactions of the Company under the Listing Rules.

On 27 June, 2008, Shanghai Puhai Shipping (Hong Kong) Company Limited, a subsidiary of the Company, entered into a master acquisition agreement and five acquisition agreements with the four wholly-owned subsidiaries of CSDC, to purchase five container vessels with capacity between 316 TEU and 514 TEU, and an aggregate capacity of 1,930 TEU at a total cash consideration of US$36,520,000. These agreements were negotiated and entered into on an arm's length basis and on normal commercial terms and the acquisition will be beneficial to the Group's stable and sustainable development. China Shipping Group is the controlling shareholder of the Company and CSDC is an associate of the controlling shareholder of the Company, hence CSDC is a connected person of the Company and the above-mentioned acquisition constitutes a connected transaction of the Company under the Listing Rules.

On 6 August, 2008, the Company entered into an equity transfer agreement with China Shipping Group to acquire its entire equity interest in CS Terminal. Such acquisition will diversify the Company's industry chain, reduce connected transactions of the Company, gradually increase the Company's profit and allow the Company to participate in the fast-growing container terminal industry in PRC and to benefit from the potential appreciation in value of container terminals. The consideration payable for the said acquisition under the agreement was RMB2,661,837,000. Upon the satisfaction of all condition precedents for the agreement to take effect, CS Terminal became a wholly-owned subsidiary of the Company. The equity interest in CS Terminal was acquired by the Company through an open listing process and a subsequent commercial negotiation conducted through the Shanghai United Assets and Equity Exchange. The consideration under the agreement was determined based on the appraised value of CS Terminal given by an independent qualified PRC valuer appointed by China Shipping Group. On 10 October, 2008, this agreement was approved by the Company's independent shareholders, upon which all condition precedents for the agreement to take effect were satisfied. China Shipping Group is the Company's controlling shareholder, hence the above-mentioned acquisition constitutes a connected transaction of the Company under the Listing Rules.

On 26 August, 2008, Shanghai Puhai, a wholly-owned subsidiary of the Company, entered into a master sale and purchase agreement and six sale and purchase agreements with China Shipping Industry Co., Ltd. ("CIC"), a wholly-owned subsidiary of China Shipping Group, pursuant which Shanghai Puhai agreed to sell and CIC agreed to purchase the 6 second-hand container vessels with an aggregate capacity of 1,260 TEU at a total cash consideration of RMB66,000,000. The master sale and purchase agreement and each of the sale and purchase agreements were negotiated and entered into on an arm's length basis and on normal commercial terms. The sale of above-mentioned vessels will reduce the Company's operating cost, optimize the structure of the Company's shipping fleet and strengthen core competitiveness and ability of enhance sustainable development. China Shipping Group is the Company's controlling shareholder, CIC is a wholly-owned subsidiary of China Shipping Group, hence the above-mentioned sale constitutes a connected transaction of the Company under the Listing Rules.

On 9 December, 2008 and 23 December, 2008, Shanghai Puhai, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Hang Lim Shipping and China Shipping Group respectively to acquire Hang Lim Shipping's 24.5% equity interest and China Shipping Group's 51% equity interest in Shanghai Inchon. The respective consideration payable for the said acquisitions was RMB11,110,701 and RMB23,128,400.00. The agreement entered into between Shanghai Puhai and Hang Lim Shipping was negotiated and entered into on an arm's length basis and on normal commercial terms. The equity interest in Shanghai Inchon will be acquired by Shanghai Puhai from China Shipping Group through open listing process and a subsequent commercial negotiations through the Shanghai United Assets and Equity Exchange. Upon the completion of the said acquisitions, Shanghai Inchon will become a subsidiary of the Company. The goal of Shanghai Puhai is to become a top-tier regional shipping company. To achieve this goal, Shanghai Puhai will further expand its regional network, focusing on the Asian market, especially the Korean market, which is one of the main targets in developing the Asian network. In view of the unique business operation conditions in the Korean market, to minimise risks and to cope with the Korean market as soon as possible, Shanghai Puhai intends to acquire Shanghai Inchon to benefit from its operational experience in the existing Korean routes and its market share, and to use it as a platform to enhance its network and eventually achieving the above goal. On the other hand, the acquisition will also help to reduce competition and connected transaction between the Group and the Company's controlling shareholder, China Shipping Group, since China Shipping Group shall cease to hold any equity interest in Shanghai Inchon upon completion of the agreement. Shanghai Puhai is a wholly-owned subsidiary of the Company. Although Hang Lim Shipping is not a connected person of the Company, the transaction between Shanghai Puhai and Hang Lim Shipping involved the Shanghai Puhai acquiring an equity interest in Shanghai Inchon, a company in which China Shipping Group, the controlling shareholder of the Company, was at that time one of the substantial shareholders, holding a 51% equity stake. As such, the transaction between Shanghai Puhai and Hang Lim Shipping constitutes a connected transaction of the Company under the Listing Rules. China Shipping Group is the Company's controlling shareholder, hence the transaction between Shanghai Puhai and China Shipping Group constitutes a connected transaction 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 general meeting of the Company held on 10 April, 2007 and the extraordinary general meeting held on 6 August, 2008. (Details of the revisions were set out in the Company's announcement dated 24 January, 2007, circular dated 16 February, 2007, announcement dated 10 April, 2007, announcement dated 2 June, 2008, circular dated 20 June, 2008 and announcement dated 6 August, 2008).

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, 2008 in relation to those continuing connected transactions. Terms used in the following tables shall have the same meanings as defined in the Company's prospectus and announcement dated 24 January, 2007.

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL

	Transactions under the	Annual cap for 2008 (RMB'000)	Actual figure for the year ended 31 December, 2008 (RMB'000)
1.	Master Provision of Chassis Agreement in respect of chassis etc. provided to the Group	40,000	26,227
2.	(i) CSDC Bareboat Charters; and (ii) Master Bareboat Charter Agreement in respect of vessels etc. provided to the Group	79,000	37,352
3.	Master Ship Repair Services Agreement in respect of services provided to the Group	159,000	86,426
4.	Master Depot Services Agreement in respect of services provided to the Group	43,000	41,442
5.	(i) First Master IT Service Agreement and (ii) Second Master IT Service Agreement in respect of:		
	(1) products and services provided by the Group	72,000	13,784
	(2) products and services provided to the Group	29,000	26,440
6.	(i) First Master Container Management Agreement; and (ii) Second Master Container Management Agreement in respect of services etc. provided by the Group	23,000	–
7.	Master Provision of Crew Members Agreement in respect of crew members etc. provided to the Group	35,000	31,376
8.	Master Time Charter Agreement in respect of vessels etc. provided by the Group	35,040	21,148

CONTINUING CONNECTED TRANSACTIONS NOT EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL

	Transactions under the	Annual cap for 2008 *(RMB'000)*	Actual figure for the year ended 31 December, 2008 *(RMB'000)*
1.	Master Supply Agreement in respect of products etc. provided to the Group	1,750,000	1,511,293
2.	(i) First Master Liner and Cargo Agency Agreement; and (ii) Second Master Liner and Cargo Agency Agreement in respect of services provided to the Group	691,000	631,623
3.	Master Liner Services Agreement in respect of services provided by the Group	2,710,000	399,249
4.	Master Ground Container Transport Agreement in respect of services provided to the Group	365,000	73,127
5.	(i) First Master Container Management Agreement and (ii) Second Master Container Management Agreement in respect of services provided to the Group	993,000	126,323
6.	Master Time Charter Agreement in respect of vessels etc. provided to the Group	411,000	–
7.	(i) First Master Loading and Unloading Agreement; and (ii) Second Master Loading and Unloading Agreement in respect of services provided to the Group	1,505,000	530,716
8.	Revised Master Provision of Containers Agreement in respect of:		
	(1) containers leased to the Group	784,000	379,121
	(2) containers built by the Group/containers purchased by and/or supplied to the Group (excluding leasing)	1,520,000	541,956

For further details regarding the above continuing connected transactions, please refer to Note 40 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 international auditor of the Company, was engaged by the Company and has performed certain agreed-upon procedures in accordance with Hong Kong Standards on Related Services 4400 "Engagement to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants on the above continuing connected transactions on a sample basis. Based on the procedures performed, the international auditor of the Company reported that the continuing connected transactions disclosed above:

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

(2) in relation to those transactions involving provisions of goods and services of the Group, 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 Company's announcements dated 24 January, 2007 and 2 June, 2008 respectively.

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.

PENSION SCHEME

Details of the Group's pension scheme for the year ended 31 December, 2008 are set out in Note 2.21(a) to the financial statements.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December, 2008, 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 (THE "CG CODE")

Please refer to the Corporate Governance Report on pages 46 to 56 for details.

AUDIT COMMITTEE

Details of the Company's Audit Committee are set out in the Corporate Governance Report on pages 50 to 51.

AUDITORS

The financial statements set out in this annual report 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

Li Shaode
Chairman

Shanghai, the People's Republic of China 25 March, 2009

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 CG Code as set out in Appendix 14 to the Listing Rules. The Board confirms that none of the Directors is aware of any information that would reasonably indicate that the Group was not, at any time during year 2008, in compliance with the code provisions of the CG Code.

A BOARD OF DIRECTORS

1. 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. As approved by the first extraordinary general meeting for year 2008, Mr. Lin Jianqing was appointed as a non-executive Director for the second session of the Board. As approved by the second extraordinary general meeting for year 2008, Mr. Yao Zuozhi resigned as a Director, and Mr. Yan Zhichong was appointed as a non-executive Director for the second session of the Board.

The Board consists of the following 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. Yan Zhichong

Independent non-executive Directors:
Mr. Hu Hanxiang
Mr. Wang Zongxi
Mr. Shen Kangchen
Mr. Jim Poon *(also known as 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 2008, the Board had at least three independent non-executive Directors in accordance with the Listing Rules, of whom one had appropriate professional qualifications or accounting or related financial management expertise.

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, the Remuneration Committee, the Investment Strategy Committee and the Nomination Committee. Please refer to the following paragraphs for the composition and duties of the Audit Committee, the Remuneration Committee, the Investment Strategy Committee and the Nomination 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 2008, Mr. Li Shaode served as the Chairman of the Company, and Mr. Huang Xiaowen was the General Manager 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".

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.

The second session of the Board held eleven meetings during 2008. The average attendance rate of the Directors was 100%. Record of attendance for each Director is set out as follows:

Executive Directors

Directors	Number of meetings attended	Attendance rate
Li Shaode	11	100%
Zhang Guofa	11	100%
Huang Xiaowen	11	100%
Zhao Hongzhou	11	100%

Non-executive Directors

Directors	Number of meetings attended	Attendance rate
Ma Zehua	11	100%
Zhang Jianhua	11	100%
Lin Jianqing	10	100%
Wang Daxiong	11	100%
Xu Hui	11	100%
Yao Zuozhi	7	100%
Yan Zhichong	4	100%

Independent non-executive Directors

Directors	Number of meetings attended	Attendance rate
Hu Hanxiang	11	100%
Wang Zongxi	11	100%
Shen Kangchen	11	100%
Jim Poon *(also known as Pan Zhanyuan)*	11	100%
Shen Zhongying	11	100%

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

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.

On 6 August, 2008, a resolution approving the establishment of the Nomination Committee was passed at the 14th meeting of the second session of the Board. In 2008, no meeting was held by the Nomination Committee. Before then, the Board itself was directly responsible for the nomination of new Directors. In 2008, one Board meeting was held 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	1	100%
Zhang Guofa	1	100%
Huang Xiaowen	1	100%
Zhao Hongzhou	1	100%

Non-executive Directors

Directors	Number of meetings attended	Attendance rate
Ma Zehua	1	100%
Zhang Jianhua	1	100%
Lin Jianqing	1	100%
Wang Daxiong	1	100%
Xu Hui	1	100%
Yao Zuozhi	1	100%

Independent non-executive Directors

Directors	Number of meetings attended	Attendance rate
Hu Hanxiang	1	100%
Wang Zongxi	1	100%
Shen Kangchen	1	100%
Jim Poon *(also known as Pan Zhanyuan)*	1	100%
Shen Zhongying	1	100%

7. BOARD COMMITTEES

(1) Audit Committee

On 26 June, 2007, a resolution was passed to elect the members of the second session of the Audit Committee at the first meeting of the second session of the Board. The Audit Committee consists of Mr. Wang Zongxi and Mr. Shen Kangchen, who are independent non-executive Directors, and Mr. Wang Daxiong, who is a non-executive Director. 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 second session of the Audit Committee of the Board held three meetings in 2008. The average attendance rate was 100%. The attendance rate of each member of the Audit Committee is set out as follows:

Directors	Number of meetings attended	Attendance rate
Wang Zongxi	3	100%
Shen Kangchen	3	100%
Wang Daxiong	3	100%

The second meeting of the second session of the Audit Committee was held on 31 March, 2008, at which the annual results and financial report for the year 2007 were reviewed and the relevant explanations from the chief accountant, finance department of the Company, PricewaterhouseCoopers and BDO Shanghai Zhonghua were heard. The Audit Committee was of the opinion that the annual results and financial report of the Company for the year 2007 had completely reflected the Company's financial situation. PricewaterhouseCoopers and BDO Shanghai Zhonghua, both then external auditors of the Company, had conducted an independent and professional audit on the Company's financial statements for the year 2007 prepared under HKFRS and PRC accounting standards and issued an unqualified audit opinion respectively. It was unanimously agreed to recommend the Board to approve the annual results and financial report of the Company for the year 2007 and internal control at the meeting.

The third meeting of the second session of the Audit Committee was held on 25 August, 2008, at which the 2008 interim results and financial report were reviewed and the relevant explanations from the chief accountant, finance department of the Company, PricewaterhouseCoopers and Vocation International Certified Public Accountants Co., Ltd. were heard. The Audit Committee was of the opinion that the interim results and the financial report for the six months ended 30 June, 2008 had completely reflected the Company's financial situation. PricewaterhouseCoopers and Vocation International Certified Public Accountants Co., Ltd. respectively issued an unqualified review report. The 2008 interim report and the financial report of the Company was unanimously approved at the meeting.

The fourth meeting of the second session of the Audit Committee was held on 31 December, 2008 by way of written resolutions. The remuneration for the auditing service for the year 2008 of PricewaterhouseCoopers and Vocation International Certified Public Accountants Co., Ltd. was passed at the meeting.

(2) Remuneration Committee

On 26 June, 2007, a resolution was passed to elect the second session of the Remuneration Committee at the first meeting of the second session of the Board. The Remuneration Committee consisted of Mr. Wang Zongxi and Mr. Shen Kangchen, who are independent non-executive Directors, and Mr. Zhang Jianhua, who is a non-executive Director. Mr. Zhang Jianhua was the chairman of the Remuneration Committee. On 8 August, 2007, a resolution was passed to change the chairman of the Remuneration Committee at the second meeting of the second session of the Board. Mr. Shen Kangchen, being an independent non-executive Director, was appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are: (1) to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (2) to have the delegated responsibility to determine the specific remuneration packages of all executive Directors 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. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the group and desirability of performance-based remuneration; (3) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; (4) to review and approve the compensation payable to executive Directors 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 issuer; (5) to review and approve compensation arrangements relating to dismissal or removal of directors 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 (6) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held one meeting in 2008. The average attendance rate was 100%. The resolutions regarding remuneration standards of the Directors and Supervisors for the year 2008 and increase of remuneration standards for the Directors and Supervisors holding positions in the Company for the year 2007 were reviewed at that meeting. During the meeting, the Remuneration Committee was of the opinion that under the proper leadership of the Board, the Company's results were significantly improved in 2007, and the Directors and Supervisors of the Company, being members of the Company's management, had made relatively substantial contribution. It recommended the Board to approve the increase of the remuneration standards of the Directors and Supervisors for the year 2007 in accordance with the actual appraised results of the members of the Company's management for the year 2007 under the responsibility system for production and operation. The attendance rate of each member of the Remuneration Committee is set out as follows:

Directors	Number of meetings attended	Attendance rate
Shen Kangchen	1	100%
Wang Zongxi	1	100%
Zhang Jianhua	1	100%

(3) Investment Strategy Committee

On 6 August, 2008, a resolution was passed to establish the Investment Strategy Committee at the 14th meeting of the second session of the Board. The Investment Strategy Committee consists of Mr. Li Shaode, Mr. Zhang Guofa and Mr. Huang Xiaowen, who are executive Directors, Mr. Ma Zehua, Mr. Lin Jianqing and Mr. Wang Daxiong, who are non-executive Directors, and Mr. Hu Hanxiang, Mr. Jim Poon (also known as Pan Zhanyuan) and Mr. Shen Zhongying, who are independent non-executive Directors. Mr. Li Shaode is the chairman of the Investment Strategy Committee.

The primary duties of the Investment Strategy Committee are: (1) to consider and make recommendations on the strategic plan for the Company's long-term development; (2) to consider and make recommendations on the material investments and financing plans, subject to the Board's approval, in accordance with the articles of association of the Company; (3) to consider and make recommendations on material capital operation and asset operating project, which are subject to the Board's approval, in accordance with the articles of association of the Company; (4) to consider and make recommendations on other material matters that will affect the development of the Company; and (5) to review the implementation of above matters.

In 2008, no meeting was held by the Investment Strategy Committee.

(4) Nomination Committee

On 6 August, 2008, a resolution was passed to establish the Nomination Committee at the 14th meeting of the second session of the Board. The Nomination Committee consists of Mr. Shen Zhongying, Mr. Hu Hanxiang and Mr. Jim Poon (also known as Pan Zhanyuan), who are independent non-executive Directors, Mr. Zhang Guofa, who is an executive Director and Mr. Wang Daxiong, who is a non-executive Director. Mr. Shen Zhongying is the chairman of the Nomination Committee.

On 26 August, 2008, a resolution was passed to adopt the working rules of the Nomination Committee at the 15th meeting of the second session of the Board. Such working rules regulated the composition, authorities and responsibilities, working procedures and rules of procedures of the Nomination Committee.

The primary duties of the Nomination Committee include: (1) to make recommendations to the Board on the head count and composition of the Board and the composition of senior management in accordance with the Company's business activities, assets size and shareholding structure; (2) to consider and make recommendations to the Board on the selection criteria and procedures of the Directors and the members of senior management; (3) to review and make recommendations on the qualifications of the candidates of the Directors and the members of senior management; and (4) to assess the independence of the independent non-executive Directors.

The nomination procedures of the Directors and the members of senior management are: (1) personnel or organisations entitled to nominate to propose the name list of the Directors, which shall be reviewed by the Nomination Committee, and then submitted by it to the Board for review, and then submitted by the Board to the general meeting for shareholders' review; and (2) personnel or organizations entitled to nominate to propose the name list of the general manager of the Company, the Board secretary and other members of senior management, which shall be reviewed by the Nomination Committee and then submitted by it to the Board for review.

The examination procedures of the candidates of the Directors and the members of senior management are: (1) to collect, or require relevant department of the Company to collect, the particulars of the occupation, education, designation, detailed work experience and all part-time jobs of the candidates and summarize the same in written materials; (2) to hold Nomination Committee meetings to examine the qualifications of the candidates in accordance with the requirements of Directors and members of senior management and to state the opinion and recommendations on appointments in the form of proposals; and (3) to carry out other relevant work according to decisions of or feedback from the Board.

In 2008, no meeting was held by the Nomination Committee.

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, 2008, 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 motivate the Directors, members of 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, 26 June, 2007 and 26 June, 2008. 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, 26 June, 2007 and 26 June, 2008.

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

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. in or around June, 2010
Zhang Jianhua	26 June, 2007	until the conclusion of the annual general meeting for the year 2009, i.e. in or around June, 2010
Lin Jianqing	21 February, 2008	until the conclusion of the annual general meeting for the year 2009, i.e. in or around June, 2010
Wang Daxiong	26 June, 2007	until the conclusion of the annual general meeting for the year 2009, i.e. in or around June, 2010
Xu Hui	26 June, 2007	until the conclusion of the annual general meeting for the year 2009, i.e. in or around June, 2010
Yao Zuozhi	26 June, 2007	6 August, 2008
Yan Zhichong	6 August, 2008	until the conclusion of the annual general meeting for the year 2009, i.e. in or around June, 2010

B. ACCOUNTABILITY AND AUDITING

1. EXTERNAL AUDITORS

PricewaterhouseCoopers was re-appointed as the international auditor of the Company at the 2007 Annual General Meeting by the shareholders until the conclusion of the next Annual General Meeting.

The Company has paid PricewaterhouseCoopers RMB8,700,000 as remuneration for its auditing service provided for 2008. During the same year, PricewaterhouseCoopers has not provided any significant non-auditing service to the Group.

Vocation International Certified Public Accountants Co., Ltd. was appointed as domestic auditor of the Company. The Company has paid Vocation International Certified Public Accountants Co., Ltd. RMB4,800,000 as remuneration for its auditing service. During the same year, Vocation International Certified Public Accountants Co., Ltd. has not provided any significant 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 accounts for the year ended 31 December, 2008.

PricewaterhouseCoopers, the international auditor of the Company, has acknowledged its reporting responsibilities in its Auditor's Report on the financial statements of the Company under HKFRS for the year ended 31 December, 2008.

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 2008, the latest general meeting was the third extraordinary general meeting for the year 2008 held on 10 October, 2008 at Mingxuan Hall, 1st Floor, Supreme Tower Hotel, No. 600, Lao Shan Road, Pudong New District, Shanghai. The following resolution was passed at that meeting and the results of the poll is as follows:

		Ordinary/	Votes by poll		
	Resolution	Special	for	against	abstain
1	Acquisition of the 100% equity interest in CS Terminal	Ordinary	534,125,940 (99.5960%)	1,969,861	196,800

Report of the Supervisory Committee

To the shareholders:

According to the articles of association of the Company, the Company's supervisory committee (the "Supervisory Committee") consists of six members, namely Mr. Chen Decheng (Chairman), Mr. Kou Laiqi (supervisor), Mr. Hua Min (supervisor), Ms. Pan Yingli (supervisor), Mr. Yao Guojian (employee representative supervisor) and Mr. Wang Xiuping (employee representative supervisor).

WORKING STATUS OF THE SUPERVISORY COMMITTEE DURING 2008

During the reporting period, pursuant to the articles of association of the Company, rules of procedures of the Supervisory Committee and the working practice, the Supervisory Committee examined the Company's business operation and financial condition, and reviewed the Company's annual financial report, half-year financial report and quarterly reports. In 2008, the Supervisory Committee held 4 meetings in total:

On 1 April, 2008, the third 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 financial report for the year 2007, the Company's profit distribution for the year 2007, the Company's annual report for the year 2007 (the full text and summary), the Supervisory Committee's report for the year 2007 and the change of Supervisor.

On 21 April, 2008, the fourth meeting of the second session of the Supervisory Committee was held in Shanghai. During the meeting, we reviewed and approved resolution regarding the Company's first quarterly report for the year 2008.

On 26 August, 2008, the fifth 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 the year 2008 and the Company's half-year report (the full text and summary) for the year 2008.

On 27 October, 2008, the sixth 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 third quarterly report for the year 2008.

During the reporting period, our members attended all the Company's board meetings and general meetings held in 2008.

INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE

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 senior management in accordance with the relevant laws and regulations of the places of listing and the articles of association of the Company. We are of the view that during the reporting period, the Company's decision-making procedures are legal and its internal control system was strictly implemented and improved. 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. 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 of association of the Company 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 2008, the Company's dividend distribution scheme for 2008 and the Company's internal and external auditors' reports for 2008. We are of the view that the Company's financial status was sound, and the Company's financial management was standard, and the Company's financial report for 2008 objectively and accurately reflected the Company's financial status and operating results for 2008. We accepted the international and domestic auditors' reports and approved the Company's dividend distribution scheme for 2008.

INDEPENDENT OPINION ON ACTUAL USE OF PROCEEDS FROM THE COMPANY'S LATEST CAPITAL RAISING EXERCISE

The latest capital raising exercise of the Company took place in December, 2007 by issue of A shares. In 2008, RMB9,440 million of the proceeds was utilized, among which RMB2,136 million was used to pay for the construction of vessels, RMB3,721 million was contributed to increase the capital of China Shipping Container Lines (Hong Kong) Co., Ltd., RMB2,023 million was used to acquire the equity interests in CS Terminal and RMB1,560 million was used to replenish working capital. The actual use of proceeds is consistent with the Company's undertakings in the prospectus and the projects as approved at general meetings.

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 2009, we will continue to perform the supervisory functions endowed on us by the relevant laws and regulations and the articles of association of the Company 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
25 March, 2009

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, 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 61 to 163, which comprise the consolidated and company balance sheets as at 31 December, 2008, 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.

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, 2008 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, 25 March, 2009

Consolidated Balance Sheet

As at 31 December, 2008

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**33,449,274**	28,732,142
Leasehold land and land use rights	*7*	**96,397**	98,506
Intangible assets	*8*	**12,968**	–
Deferred income tax assets	*23*	**86,899**	–
Available-for-sale financial assets	*9*	**163,300**	175,617
Investment in an associated company	*11*	**38,915**	47,518
Investment in jointly controlled entities	*12*	**1,073,811**	990,016
		34,921,564	30,043,799
Current assets			
Bunkers		**470,261**	917,209
Trade and notes receivables	*15*	**2,262,142**	4,132,506
Prepayments and other receivables		**387,258**	411,793
Derivative financial instruments	*16*	**–**	21,694
Cash and cash equivalents	*17*	**11,675,995**	16,398,343
		14,795,656	21,881,545
Total assets		**49,717,220**	51,925,344
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*18*	**11,683,125**	11,683,125
Other reserves	*19*	**17,701,217**	20,416,288
Retained earnings	*19*		
– Proposed final dividend		**–**	467,325
– Others		**2,354,052**	2,403,008
		31,738,394	34,969,746
Minority interests		**713,464**	697,715
Total equity		**32,451,858**	35,667,461

Consolidated Balance Sheet

As at 31 December, 2008

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*20*	**4,231,712**	4,367,493
Domestic corporate bonds	*21*	**1,779,274**	1,775,488
Finance lease obligations	*22*	**2,064,032**	2,771,329
Deferred income tax liabilities	*23*	**53,535**	171,535
		8,128,553	9,085,845
Current liabilities			
Trade and notes payables	*24*	**3,271,506**	3,281,250
Accrual and other payables		**810,356**	900,775
Short-term bank borrowings	*20*	**1,553,612**	120,000
Long-term bank borrowings – current portion	*20*	**2,621,874**	1,048,266
Finance lease obligations – current portion	*22*	**531,659**	545,400
Current income tax liabilities		**322,802**	1,244,489
Provision	*25*	**25,000**	25,000
Derivative financial instruments	*16*	**–**	6,858
		9,136,809	7,172,038
Total liabilities		**17,265,362**	16,257,883
Total equity and liabilities		**49,717,220**	51,925,344
Net current assets		**5,658,847**	14,709,507
Total assets less current liabilities		**40,580,411**	44,753,306

Li Shaode
Director

Huang Xiaowen
Director

The notes on pages 69 to 163 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December, 2008

	Note	As at 31 December 2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**17,417,503**	17,898,481
Leasehold land and land use rights	*7*	**12,274**	12,622
Intangible assets	*8*	**4,890**	–
Deferred income tax assets	*23*	**6,250**	–
Interests in subsidiaries	*10*	**9,360,027**	1,124,121
Investment in an associated company	*11*	**38,530**	40,930
Investments in joint controlled entities	*12*	**53,000**	32,000
		26,892,474	19,108,154
Current assets			
Bunkers		**87,513**	209,883
Trade and notes receivables	*15*	**964,334**	2,423,482
Prepayments and other receivables		**358,641**	129,294
Dividend receivable from subsidiaries		**4,719,408**	5,759,802
Derivative financial instruments	*16*	**–**	21,694
Cash and cash equivalents	*17*	**6,931,543**	14,357,901
		13,061,439	22,902,056
Total assets		**39,953,913**	42,010,210
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*18*	**11,683,125**	11,683,125
Other reserves	*19*	**18,953,983**	18,862,054
Retained earnings	*19*		
– Proposed final dividend		**–**	467,325
– Others		**1,033,262**	638,870
Total equity		**31,670,370**	31,651,374

Balance Sheet

As at 31 December, 2008

	Note	As at 31 December 2008 RMB'000	2007 RMB'000
LIABILITIES			
Non-current liabilities			
Domestic corporate bonds	*21*	**1,779,274**	1,775,488
Deferred income tax liabilities	*23*	**–**	52,478
		1,779,274	1,827,966
Current liabilities			
Trade and notes payables	*24*	**5,537,422**	6,928,389
Accrual and other payables		**292,132**	358,451
Short-term bank borrowings	*20*	**136,692**	–
Long-term bank borrowings – current portion	*20*	**205,038**	–
Current income tax liabilities		**307,985**	1,219,030
Provision	*25*	**25,000**	25,000
		6,504,269	8,530,870
Total liabilities		**8,283,543**	10,358,836
Total equity and liabilities		**39,953,913**	42,010,210
Net current assets		**6,557,170**	14,371,186
Total assets less current liabilities		**33,449,644**	33,479,340

Li Shaode
Director

Huang Xiaowen
Director

The notes on pages 69 to 163 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December, 2008

	Note	Year ended 31 December 2008 RMB'000	2007 RMB'000 (Restated)
Revenue	5	**34,756,152**	39,072,489
Costs of services	26	**(33,741,836)**	(34,183,711)
Gross profit		**1,014,316**	4,888,778
Other (losses)/gains, net	27	**(569,658)**	85,347
Other income	28	**446,617**	179,510
Selling, administrative and general expenses	26	**(523,847)**	(769,519)
Operating profit		**367,428**	4,384,116
Finance costs	31	**(331,483)**	(561,492)
Share of (loss)/profit of an associated company	11	**(4,426)**	4,668
Share of profits of jointly controlled entities	12	**33,216**	9,163
Profit before income tax		**64,735**	3,836,455
Income tax credit/(expense)	32	**2,885**	(601,820)
Profit for the year		**67,620**	3,234,635
Attributable to:			
Equity holders of the Company		**42,973**	3,230,338
Minority interest		**24,647**	4,297
		67,620	3,234,635
Dividends	34	**–**	5,333,475
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)	35		
– basic		**RMB0.004**	RMB0.34
– diluted		**RMB0.004**	RMB0.34

The notes on pages 69 to 163 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December, 2008

	Note	Attributable to equity holders of the Company					
		Share capital	Other reserves	Retained earnings	Total	Minority interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January, 2007							
As previously reported		6,030,000	5,998,515	4,504,726	16,533,241	42,964	16,576,205
Change of accounting policies	*2.2*	–	(46,427)	–	(46,427)	–	(46,427)
Adoption of merger accounting	*2.3(a)*	–	2,223,409	10,330	2,233,739	550,870	2,784,609
As restated		6,030,000	8,175,497	4,515,056	18,720,553	593,834	19,314,387
Currency translation differences		–	(238,356)	–	(238,356)	–	(238,356)
Profit for the year		–	–	3,230,338	3,230,338	4,297	3,234,635
Total recognised income and expense for 2007		–	(238,356)	3,230,338	2,991,982	4,297	2,996,279
Transfer of reserves to retained earnings	*19*	–	(794,953)	794,953	–	–	–
Profit appropriation to statutory reserves	*19*	–	560,864	(560,864)	–	–	–
Issue of domestic public shares ("A Share")	*18*	2,336,625	12,885,239	–	15,221,864	–	15,221,864
Capital injection from the minority shareholders of certain subsidiaries		–	–	–	–	135,000	135,000
Deemed distribution to the controlling shareholder and its subsidiaries	*19*	–	(161,474)	–	(161,474)	–	(161,474)
Acquisition of minority interests of certain subsidiaries		–	(10,529)	–	(10,529)	(30,426)	(40,955)
Dividend to the then shareholder of certain subsidiary		–	–	(1,800)	(1,800)	(4,990)	(6,790)
Special dividend paid	*34(a)*	3,316,500	–	(4,866,150)	(1,549,650)	–	(1,549,650)
Dividend of the Company relating to 2006		–	–	(241,200)	(241,200)	–	(241,200)
Balance at 31 December, 2007, as restated		11,683,125	20,416,288	2,870,333	34,969,746	697,715	35,667,461

The notes on pages 69 to 163 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December, 2008

	Note	Attributable to equity holders of the Company					
		Share capital	Other reserves	Retained earnings	Total	Minority interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January, 2008							
As previously reported		11,683,125	18,411,309	2,846,882	32,941,316	1,927	32,943,243
Change of accounting policies	*2.2*	–	(56,956)	–	(56,956)	–	(56,956)
Adoption of merger accounting	*37*	–	2,061,935	23,451	2,085,386	695,788	2,781,174
As restated		11,683,125	20,416,288	2,870,333	34,969,746	697,715	35,667,461
Currency translation differences, net of tax		–	(106,482)	–	(106,482)	–	(106,482)
Profit for the year		–	–	42,973	42,973	24,647	67,620
Total recognised income and expense for 2008		–	(106,482)	42,973	(63,509)	24,647	(38,862)
Profit appropriation to statutory reserves	*19*	–	91,929	(91,929)	–	–	–
Deemed distributions relating to business combinations under common control	*37*	–	(2,700,518)	–	(2,700,518)	–	(2,700,518)
Dividend to minority shareholders of certain subsidiaries		–	–	–	–	(8,898)	(8,898)
Dividend of the Company relating to 2007		–	–	(467,325)	(467,325)	–	(467,325)
Balance at 31 December, 2008		11,683,125	17,701,217	2,354,052	31,738,394	713,464	32,451,858

The notes on pages 69 to 163 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December, 2008

	Note	Year ended 31 December 2008 RMB'000	2007 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	*36(a)*	**4,249,068**	6,455,974
Income tax paid		**(1,123,701)**	(110,720)
Net cash generated from operating activities		**3,125,367**	6,345,254
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6,754,515)**	(5,598,214)
Cash paid for business combination under common control	*36(c)*	**(2,638,419)**	–
Investment in jointly controlled entities		**(53,000)**	(548,800)
Investment in available-for-sale financial assets		**–**	(2,100)
Acquisition of minority interests of certain subsidiaries		**–**	(40,955)
Deemed distribution to the controlling shareholder's subsidiaries		**(138,898)**	–
Proceeds from disposal of property, plant and equipment	*36(b)*	**266,514**	4,945
Disposal of available-for-sale financial assets		**22,272**	–
Dividend received from an associated company	*11*	**4,177**	5,876
Dividend received from jointly controlled entities	*12*	**2,421**	1,578
Dividend received from available-for-sale financial assets		**32,491**	12,008
Interest received		**291,854**	107,570
Net cash used in investing activities		**(8,965,103)**	(6,058,092)
Cash flows from financing activities			
Interest paid		**(412,654)**	(409,846)
Net proceeds from issuance of A Share		**–**	15,221,864
Capital injection from the minority shareholders		**–**	135,000
Net proceeds from issuance of domestic corporate bonds		**–**	1,775,488
Proceeds from short-term and long-term bank borrowings		**4,391,559**	2,599,886
Repayments of short-term and long-term bank borrowings		**(1,520,120)**	(4,680,887)
Proceeds from sale and lease back of containers		**–**	1,014,288
Capital element of finance lease payments		**(721,038)**	(647,159)
Interest element of finance lease payments		**(146,626)**	(204,190)
Dividend paid to the minority interests of the subsidiaries		**(6,408)**	(7,250)
Dividend paid to Company's shareholders		**(467,325)**	(1,790,850)
Net cash generated from financing activities		**1,117,388**	13,006,344
Net (decrease)/increase in cash and cash equivalents		**(4,722,348)**	13,293,506
Cash and cash equivalents at beginning of the year		**16,398,343**	3,104,837
Cash and cash equivalents at end of the year		**11,675,995**	16,398,343

The notes on pages 69 to 163 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

China Shipping Container Lines Company Limited (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 overseas public shares ("H Share") which were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") on 16 June, 2004. In December 2007, the Company issued A Share which were listed on the Shanghai Stock Exchange on 12 December, 2007.

In May 2008, the Company and its subsidiaries (together, the "Group") acquired from the subsidiaries of China Shipping (Group) Company ("China Shipping Group", the ultimate holding company) 60% equity interests in China Shipping (Yangpu) Cold Storage & Transportation Co., Ltd. ("CS Yangpu", a then associated company of the Group) and 25% equity interests in Shanghai China Shipping Yangshan International Container Storage & Transportation Co., Ltd. ("CS Yangshan", a then jointly controlled entity of the Group) at total cash considerations of RMB38,681,000. After the acquisition, CS Yangpu and CS Yangshan became subsidiaries of the Group.

In October 2008, the Group acquired from China Shipping Group the 100% equity interests in China Shipping Terminal Development Co., Ltd. ("CS Terminal") at a cash consideration of RMB2,661,837,000.

CS Yangpu, CS Yangshan and CS Terminal are collectively referred to as the "Acquired Subsidiaries". The Group and the Acquired Subsidiaries are under common control of China Shipping Group. The Group has applied merger accounting to account for the purchase of the equity interests in the Acquired Subsidiaries during the year, as if the acquisitions had been occurred and the Acquired Subsidiaries had been combined from 1 January, 2007, the beginning of the earliest financial period presented.

As at 31 December, 2008, the Group is principally engaged in owning, chartering and operating container vessels for the provision of international and domestic container marine transportation service and operating container terminal.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 25 March, 2009.

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 except as set out in Note 2.2 below.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They 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.

(a) Amendments and interpretations effective in 2008

Relevant to the Group's operations:

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and Treasury Share Transactions', 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 accounts of the parent and group companies. This interpretation does not have an impact on the Group's consolidated financial statements, but is applied to the separate financial statements of the Company and its subsidiaries where relevant.

Not relevant to the Group's operations:

- The HKAS 39, 'Financial Instruments: Recognition and Measurement'.
- HK(IFRIC) – Int 12, 'Service Concession Arrangements'.
- HK(IFRIC) – Int 14, 'HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

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

2.1 BASIS OF PREPARATION *(continued)*

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January, 2009 or later periods, but the Group has not early adopted them:

Relevant to the Group's operations:

- HKFRS 2 (Amendment), 'Share-based Payment' (effective from 1 January, 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

- HKFRS 3 (Revised), 'Business Combinations' (effective from 1 July, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

- HKFRS 8, 'Operating Segments', (effective from 1 January, 2009). HKFRS 8 replaces HKAS 14, 'Segment Reporting', 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. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. It is not expected to have a material impact on the Group's financial statements as the present segments information has been identified on the basis of internal reports reviewed by the decision-maker.

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

2.1 BASIS OF PREPARATION *(continued)*

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

Relevant to the Group's operations *(continued)*:

- HKAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1 January, 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

- HKAS 23 (Revised), '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 those 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.

- HKAS 27 (Revised), 'Consolidated and Separate Financial Statements' (effective from 1 July, 2009).The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.

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

2.1 BASIS OF PREPARATION *(continued)*

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- HKICPA's improvements to HKFRS published in October 2008:

  – HKAS 1 (Amendment), 'Presentation of Financial Statements' (effective from 1 January, 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, 'Financial Instruments: Recognition and Measurement' are examples of current assets and liabilities respectively.

  – HKAS 23 (Amendment), 'Borrowing Costs' (effective from 1 January, 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 'Financial Instruments: Recognition and Measurement'. This eliminates the inconsistency of terms between HKAS 39 and HKAS 23.

  – HKAS 28 (Amendment), 'Investments in Associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial Instruments: Disclosures') (effective from 1 January, 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases.

  – HKAS 36 (Amendment), 'Impairment of Assets' (effective from 1 January, 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

  – There are a number of minor amendments to HKFRS 7, 'Financial Instruments: Disclosures', HKAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', HKAS 10, 'Events after the Balance Sheet Date', HKAS 18, 'Revenue' and HKAS 34, 'Interim Financial Reporting' which are not addressed above.

The Group will apply the above standards, amendments and interpretations from 1 January, 2009 or late period, where applicable. The Group is currently assessing the impact of these standards, amendments and interpretations on the Group's financial statements.

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

2.1 BASIS OF PREPARATION *(continued)*

(b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)*

Not relevant to the Group's operations:

- HKFRS 1 (Amendment), 'First time Adoption of HKFRS' and HKAS 27 'Consolidated and Separate Financial Statements' (effective from 1 July, 2009).
- HKAS 32 (Amendment), 'Financial Instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of Financial Statements' – 'Puttable Financial Instruments and Obligations Arising on Liquidation' (effective from 1 January, 2009).
- HKAS 39 (Amendment) 'Financial Instruments: Recognition and Measurement' – 'Eligible Hedged Items' (effective from 1 July, 2009).
- HK(IFRIC) – Int 13, 'Customer Loyalty Programmes' (effective from 1 July, 2008).
- HK(IFRIC) – Int 15, 'Agreements for Construction of Real Estates' (effective from 1 January, 2009).
- HK(IFRIC) – Int 16, 'Hedges of a Net Investment in a Foreign Operation' (effective from 1 October, 2008).
- HK(IFRIC) – Int 17, 'Distributions of Non-cash Assets to Owners' (effective from 1 July, 2009).
- HK(IFRIC) – Int 18, 'Transfers of Assets from Customers' (effective for transfers on or after 1 July, 2009).
- HKICPA's improvements to HKFRS published in October 2008:
  - HKFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations' (and consequential amendment to HKFRS 1, 'First-time Adoption') (effective from 1 July, 2009).
  - HKAS 19 (Amendment), 'Employee Benefits' (effective from 1 January, 2009).
  - HKAS 38 (Amendment), 'Intangible Assets' (effective from 1 January, 2009).
  - HKAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' (effective from 1 January, 2009).

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

2.1 BASIS OF PREPARATION *(continued)*

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

Not relevant to the Group's operations *(continued)*:

- HKICPA's improvements to HKFRS published in October 2008 *(continued)*:

  – HKAS 16 (Amendment), 'Property, Plant and Equipment' (and consequential amendment to HKAS 7, 'Statement of Cash Flows') (effective from 1 January, 2009).

  – HKAS 20 (Amendment), 'Accounting for Government Grants and Disclosure of Government Assistance' (effective from 1 January, 2009).

  – HKAS 27 (Amendment), 'Consolidated and Separate Financial Statements' (effective from 1 January, 2009).

  – HKAS 28 (Amendment), 'Investments in Associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial Instruments: Disclosures') (effective from 1 January, 2009).

  – HKAS 29 (Amendment), 'Financial Reporting in Hyperinflationary Economies' (effective from 1 January, 2009).

  – HKAS 31 (Amendment), 'Interests in Joint Ventures (and consequential amendments to HKAS 32 and HKFRS 7) (effective from 1 January, 2009).

  – HKAS 38 (Amendment), 'Intangible Assets'(effective from 1 January, 2009).

  – HKAS 40 (Amendment), 'Investment Property' (and consequential amendments to HKAS 16) (effective from 1 January, 2009).

  – HKAS 41 (Amendment), 'Agriculture' (effective from 1 January, 2009).

  – The minor amendments to HKAS 20 'Accounting for Government Grants and Disclosure of Government Assistance', HKAS 29, 'Financial Reporting in Hyperinflationary Economies', HKAS 40, 'Investment Property' and HKAS 41, 'Agriculture', which are not addressed above.

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

2.2 CHANGE IN ACCOUNTING POLICIES

In the previous years, the Group adopted HKFRS 3 "Business Combination" to account for the business combinations under common control and resulted in goodwill amounting to approximately RMB46,427,000 as at 31 December, 2007. In the current year, the Group decided to change its accounting policy for business combination under common control and adopt "merger accounting" as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") (Note 2.3(a)).

In the previous years, the Group applied a policy of treating transactions on minority interests as transactions with parties external to the Group. As at 31 December, 2007, the purchases from minority interests resulted in goodwill amounting to approximately RMB10,529,000, being the difference between considerations paid and the relevant share of the carrying values of net assets of the subsidiaries based on the percentage of the interests acquired. In the current year, the Group decided to change its accounting policy for transactions on minority interests and apply a policy of treating transactions on minority interests as transactions with equity owners of the Group as allowed by HKFRS. For purchases of minority interests, the difference between considerations paid and the relevant share of the carrying value of net assets of the subsidiaries is deducted from equity.

The Company's shares are dual-listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. The Company's Directors are of the view that applying the new accounting policies as described above can minimise the differences between the financial statements prepared under the China Accounting Standards and HKFRS, and can provide more comparable and relevant information to the readers of the financial statements in the PRC and overseas. These changes in accounting policies have been accounted for retrospectively and the financial statements for the year ended 31 December, 2007 have been restated in order to comply with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The effect on the consolidated financial statements arising from the aforementioned changes in accounting policies is as follows:

	31 December, 2008 RMB'000	31 December, 2007 RMB'000	1 January, 2007 RMB'000
Decrease in goodwill	**(56,956)**	(56,956)	(46,427)
Decrease in equity	**(56,956)**	(56,956)	(46,427)

There is no material impact on the income statement and basic and diluted earnings per share of the Group arising from the aforementioned change in accounting policies.

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

2.3 CONSOLIDATION

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

(a) Merger accounting for business combination under common control

The Group and the Acquired Subsidiaries are under common control of China Shipping Group. The Group has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" to account for the purchase of the equity interests in the Acquired Subsidiaries during the year, as if the acquisitions had been occurred and the Acquired Subsidiaries had been combined from 1 January, 2007, the beginning of the earliest financial period presented.

The net assets of the Group and the Acquired Subsidiaries are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of the Group's interest in the net fair value of the Acquired Subsidiaries' identifiable assets, liabilities and contingent liabilities over cost of acquisition at the time of the business combinations under common control. The consolidated income statement includes the results of the Group and the Acquired Subsidiaries from 1 January, 2007, the earliest date presented, regardless of the date of the business combinations under common control.

The comparative amounts in the consolidated financial statements are restated and presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, such as professional fees, registration fees, or costs of furnishing information to shareholders, incurred in relation to business combinations under common control that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

(b) 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.

Other than the Acquired Subsidiaries as disclosed in Note 2.3(a) above, 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.

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

2.3 CONSOLIDATION *(continued)*

(b) *Subsidiaries* *(continued)*

Other than the business combination under common control as disclosed in Note 2.3(a) above, 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. 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 consolidated 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 2.10). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(c) *Transactions and minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases of minority interests, the difference between considerations paid and the relevant share of the carrying value of net assets of the subsidiaries is deducted from equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

(d) *Associated companies*

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill identified on acquisition, net of any accumulated impairment loss. See Note 2.10 for the impairment of non-financial assets including goodwill.

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

2.3 CONSOLIDATION *(continued)*

(d) Associated companies (continued)

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 an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

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

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses (Note 2.10). The results of the associated companies are accounted for by the Company on the basis of dividend received and receivable.

(e) 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 2.10). 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 2.10). The results of jointly controlled entity are accounted for by the Company on the basis of dividend received and receivable.

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

2.4 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.

2.5 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 currency and the Company and the Group's 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 consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated income statement within 'other (losses)/gains, net'.

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.

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

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

2.5 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 consolidated 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.

2.6 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.

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

2.6 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

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

2.6 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
Port and depot infrastructure	25 to 50 years
Loading machineries	10 to 25 years
Motor vehicles, computer, office equipment and furniture	3 to 8 years

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 2.10).

(e) Gain or loss on disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other (losses)/gains, net', in the consolidated income statement.

2.7 LEASEHOLD LAND AND 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 leasehold land and land use rights, which are amortised over the lease period using the straight-line method.

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

2.8 INTANGIBLE ASSETS

(i) Port line use rights

Port line use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the port lines for periods of 50 years. Amortisation of port line use rights are calculated on the straight-line method over the period of the port line use rights.

(ii) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the software product so that it will be available for use;

– management intends to complete the software product and use or sell it;

– there is an ability to use or sell the software product;

– it can be demonstrated how the software product will generate probable future economic benefits;

– adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

– the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed eight years.

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

2.9 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 2.6 above. Rental income, net of any incentives given to lessees, is recognised on a straight line basis over the period of lease.

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

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

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

2.11 FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) 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.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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

2.11 FINANCIAL ASSETS *(continued)*

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated 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. Available-for-sale financial assets of the Group are investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less provision for impairment, if any.

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 consolidated income statement within 'other (losses)/gains, net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets in impaired. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.14.

2.12 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 consolidated income statement within 'other (losses)/gains, net'.

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

2.14 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 the 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 receivable is 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 a 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.

2.15 CASH AND CASH EQUIVALENTS

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

2.16 SHARE CAPITAL

Ordinary shares are classified as equity.

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

2.17 TRADE PAYABLES

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

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

2.19 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

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, associated companies and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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, associated companies and jointly controlled entities, 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.

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

2.21 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.

(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 29).

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

2.22 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.

2.23 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.

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

2.23 REVENUE RECOGNITION *(continued)*

(iii) Container terminal operations

Revenue from container terminal operations are recognised when the services are rendered.

(iv) Interest income

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

(v) Dividend income

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

2.24 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.

2.25 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.

2.26 GOVERNMENT GRANT

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

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

2.26 GOVERNMENT GRANT *(continued)*

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

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 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.

At 31 December, 2008, 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 RMB303,187,000 (2007: RMB350,369,000) 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 the Group's income and operating cash flows from changes in market interest rates is low.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 FINANCIAL RISK FACTORS *(continued)*

(a) *Market risk (continued)*

(ii) Cash flow and fair value interest rate risk *(continued)*

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, 2008 and 2007, over 55% and 69% of the Group's borrowings, domestic corporate bonds, and finance lease obligations were at fixed rates respectively. During 2008 and 2007, 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 20.

At 31 December, 2008, 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 RMB47,469,000 (2007: RMB27,142,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(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 20) and cash and cash equivalents (Note 17)) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cashflows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 FINANCIAL RISK FACTORS *(continued)*

(c) Liquidity risk *(continued)*

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.

	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
At 31 December, 2008				
Bank borrowings *(Note 20)*	**4,175,486**	**2,257,159**	**352,543**	**1,622,010**
Domestic corporate bonds *(Note 21)*	**81,180**	**81,180**	**243,540**	**2,124,720**
Finance lease obligations *(Note 22)*	**592,440**	**552,428**	**1,354,726**	**249,785**
Trade and notes payables *(Note 24)*	**3,271,506**	**–**	**–**	**–**
Accrual and other payables	**810,356**	**–**	**–**	**–**
At 31 December, 2007				
Bank borrowings *(Note 20)*	1,168,266	2,563,094	601,757	1,202,642
Domestic corporate bonds *(Note 21)*	81,180	81,180	243,540	2,205,900
Finance lease obligations *(Note 22)*	626,219	631,255	1,673,561	630,369
Trade and notes payables *(Note 24)*	3,281,250	–	–	–
Accrual and other payables	900,775	–	–	–
Derivative financial instruments	6,858	–	–	–

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. Net 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. Total capital is calculated as 'equity', as shown in the consolidated balance sheet, plus net debt.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 CAPITAL RISK MANAGEMENT *(continued)*

The gearing ratios of the Group at 31 December, 2008 and 2007 were as follows:

	2008 **RMB'000**	2007 RMB'000 (Restated)
Bank borrowings *(Note 20)*	**8,407,198**	5,535,759
Domestic corporate bonds *(Note 21)*	**1,779,274**	1,775,488
Finance lease obligations *(Note 22)*	**2,595,691**	3,316,729
Less: Cash and cash equivalents *(Note 17)*	**(11,675,995)**	(16,398,343)
Net debt	**1,106,168**	(5,770,367)
Total equity	**32,451,858**	35,667,461
Gearing ratio	**3.4%**	(16.2%)

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.

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:

(a) Estimated impairment of property, plant and equipment

The Group assesses whether property, plant and equipment have any indication of impairment, in accordance with the accounting policy stated in Note 2.10. If any indication exists, the Group estimate the recoverable amount of the property, plant and equipment. The recoverable amounts of property, plant and equipment have been determined based on fair value less costs to sell. If there is no binding sale agreement but an asset is traded in an active market, fair value less costs to sell is the asset's market price which is with reference to the most recent transaction less the costs of disposal. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to management to reflect the amount that an entity could obtain, at the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

(b) 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 from previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(d) Provision of costs of services

Costs 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 2.23. Invoices in relation to these expenses are normally received several months after the expenses have been incurred. Consequently, recognition of costs 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 costs 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 and operating container terminal. Revenue represents gross income from container shipping and container terminal operations, net of discounts allowed, where applicable.

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Revenue from		
– Container shipping and related business	**34,483,395**	38,847,883
– Container terminal and related business	**272,757**	224,606
	34,756,152	39,072,489

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

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

The Group's business is organised on a worldwide basis into two business segments: container shipping and related business, and container terminal and related business.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS *(continued)*

The segment information for the year ended 31 December, 2008 is as follows:

	Container shipping and related business RMB'000	Container terminal and related business RMB'000	Inter-segment elimination RMB'000	Group RMB'000
Income statement				
Revenue from external customers	34,483,395	272,757	–	34,756,152
Inter-segment revenue	–	164,508	(164,508)	–
Total segment revenue	34,483,395	437,265	(164,508)	34,756,152
Segment results	526,680	128,297	(164,508)	490,469
Other losses, net				(569,658)
Other income				446,617
Operating profit				367,428
Finance costs				(331,483)
Share of (losses)/profits of				
– an associated company	(4,426)	–	–	(4,426)
– jointly controlled entities	7,014	26,202	–	33,216
Profit before income tax				64,735
Income tax credit				2,885
Profit for the year				67,620
Balance sheet				
Segment assets	44,555,332	3,703,529	(14,720)	48,244,141
Jointly controlled entities	60,253	1,013,558	–	1,073,811
An associated company	38,915	–	–	38,915
Available-for-sale financial assets	–	163,300	–	163,300
Unallocated assets				197,053
Total assets				49,717,220
Segment liabilities	3,783,866	231,463	(14,720)	4,000,609
Unallocated liabilities				13,264,753
Total liabilities				17,265,362
Other items				
Depreciation and amortisation	1,272,403	80,661	–	1,353,064
Capital expenditure	6,332,431	644,705	–	6,977,136

5. REVENUE AND SEGMENT INFORMATION *(continued)*

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS *(continued)*

The segment information for the year ended 31 December, 2007 is as follows:

	Container shipping and related business RMB'000	Container terminal and related business RMB'000	Inter-segment elimination RMB'000	Group RMB'000
Income statement				
Revenue from external customers	38,847,883	224,606	–	39,072,489
Inter-segment revenue	–	125,225	(125,225)	–
Total segment revenue	38,847,883	349,831	(125,225)	39,072,489
Segment results	4,173,756	70,728	(125,225)	4,119,259
Other gains, net				85,347
Other income				179,510
Operating profit				4,384,116
Finance costs				(561,492)
Share of profits of				
– an associated company	4,668	–	–	4,668
– jointly controlled entities	959	8,204	–	9,163
Profit before income tax				3,836,455
Income tax expenses				(601,820)
Profit for the year				3,234,635
Balance sheet				
Segment assets	47,488,552	3,194,117	–	50,682,669
Jointly controlled entities	959	989,057	–	990,016
An associated company	47,518	–	–	47,518
Available-for-sale financial assets	–	175,617	–	175,617
Unallocated assets				29,524
Total assets			–	51,925,344
Segment liabilities	3,796,899	301,373	–	4,098,272
Unallocated liabilities				12,159,611
Total liabilities			–	16,257,883
Other items				
Depreciation and amortisation	1,282,711	78,847	–	1,361,558
Capital expenditure	4,709,207	990,404	–	5,699,611

5. REVENUE AND SEGMENT INFORMATION *(continued)*

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

The Group's container shipping businesses is managed on a worldwide basis. The revenue of the Group is generated from the world's major trade lanes including Pacific, Europe/Mediterranean, Asia Pacific, China Domestic and Others.

In respect of container terminals, revenue is based on the geographical locations in which the business operations are located. All of the Group's container terminals are located in the PRC.

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:

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Pacific	**11,289,550**	14,060,086
Europe/Mediterranean	**10,681,324**	12,811,876
Asia Pacific	**4,972,501**	5,540,157
China Domestic	**5,544,189**	4,533,876
Others	**2,268,588**	2,126,494
	34,756,152	39,072,489

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	Port and depot infrastructure RMB'000	Loading machineries RMB'000	Motor vehicles, computer, office equipment and furniture RMB'000	Total RMB'000
At 1 January, 2007 (Restated)										
Cost	16,975,344	250,950	2,816,688	257,288	183,097	6,847,243	1,001,964	872,560	363,279	29,568,413
Accumulated depreciation and impairment losses	(1,862,246)	(8,223)	–	–	(130,527)	(1,687,231)	(20,853)	(70,899)	(194,364)	(3,974,343)
Net book amount	15,113,098	242,727	2,816,688	257,288	52,570	5,160,012	981,111	801,661	168,915	25,594,070
Year ended 31 December, 2007 (Restated)										
Opening net book amount	15,113,098	242,727	2,816,688	257,288	52,570	5,160,012	981,111	801,661	168,915	25,594,070
Exchange difference	(26,046)	–	(24,967)	–	–	(309,760)	–	–	(1,071)	(361,844)
Transfers	2,905,329	–	(2,905,329)	(46,436)	–	–	45,741	695	–	–
Additions	100,989	243	3,751,307	740,473	9,796	1,069,232	67	1,918	25,586	5,699,611
De-recognition of containers under finance lease *(Note (h))*	–	–	–	–	–	(830,301)	–	–	–	(830,301)
Disposals *(Note 36(b))*	–	–	–	–	(5,827)	(3,426)	–	(29)	(976)	(10,258)
Depreciation *(Notes 26, 36(a))*	(730,618)	(8,190)	–	–	(30,190)	(475,754)	(22,200)	(46,859)	(45,325)	(1,359,136)
Closing net book amount	17,362,752	234,780	3,637,699	951,325	26,349	4,610,003	1,004,719	757,386	147,129	28,732,142
At 31 December, 2007 (Restated)										
Cost	19,873,908	251,193	3,637,699	951,325	164,978	5,467,303	1,035,727	873,562	377,431	32,633,126
Accumulated depreciation and impairment losses	(2,511,156)	(16,413)	–	–	(138,629)	(857,300)	(31,008)	(116,176)	(230,302)	(3,900,984)
Net book amount	17,362,752	234,780	3,637,699	951,325	26,349	4,610,003	1,004,719	757,386	147,129	28,732,142
Year ended 31 December, 2008										
Opening net book amount, restated	**17,362,752**	**234,780**	**3,637,699**	**951,325**	**26,349**	**4,610,003**	**1,004,719**	**757,386**	**147,129**	**28,732,142**
Exchange difference	**(194,529)**	**–**	**(159,981)**	**(18,900)**	**–**	**(290,506)**	**–**	**–**	**(857)**	**(664,773)**
Transfers	**3,501,658**	**5,847**	**(3,501,658)**	**(565,163)**	**–**	**542,763**	**–**	**–**	**16,553**	**–**
Additions	**282,923**	**27**	**5,125,422**	**1,238,669**	**20,419**	**264,450**	**–**	**5,112**	**25,575**	**6,962,597**
Disposals *(Note 36(b))*	**(222,954)**	**–**	**(2,376)**	**(727)**	**(1,195)**	**(3,005)**	**–**	**(4)**	**(1,047)**	**(231,308)**
Depreciation *(Notes 26, 36(a))*	**(734,196)**	**(8,369)**	**–**	**–**	**(12,789)**	**(481,630)**	**(22,804)**	**(47,454)**	**(42,142)**	**(1,349,384)**
Closing net book amount	**19,995,654**	**232,285**	**5,099,106**	**1,605,204**	**32,784**	**4,642,075**	**981,915**	**715,040**	**145,211**	**33,449,274**
At 31 December, 2008										
Cost	**23,010,906**	**257,077**	**5,099,106**	**1,605,204**	**182,721**	**5,910,131**	**1,035,727**	**878,670**	**363,164**	**38,342,706**
Accumulated depreciation and impairment losses	**(3,015,252)**	**(24,792)**	**–**	**–**	**(149,937)**	**(1,268,056)**	**(53,812)**	**(163,630)**	**(217,953)**	**(4,893,432)**
Net book amount	**19,995,654**	**232,285**	**5,099,106**	**1,605,204**	**32,784**	**4,642,075**	**981,915**	**715,040**	**145,211**	**33,449,274**

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	Motor vehicles, computer, office equipment and furniture RMB'000	Total RMB'000
At 1 January, 2007							
Cost	14,812,456	195,797	1,608,998	9,786	128,329	180,737	16,936,103
Accumulated depreciation and impairment losses	(1,749,964)	(6,849)	–	–	(99,220)	(108,579)	(1,964,612)
Net book amount	13,062,492	188,948	1,608,998	9,786	29,109	72,158	14,971,491
Year ended 31 December, 2007							
Opening net book amount	13,062,492	188,948	1,608,998	9,786	29,109	72,158	14,971,491
Transfers	1,567,415	–	(1,567,415)	–	–	–	–
Additions	12,399	–	3,562,570	25,161	–	3,054	3,603,184
Disposals	(60,879)	–	–	–	(5,758)	(20)	(66,657)
Depreciation	(561,932)	(6,526)	–	–	(23,351)	(17,728)	(609,537)
Closing net book amount	14,019,495	182,422	3,604,153	34,947	–	57,464	17,898,481
At 31 December, 2007							
Cost	16,263,739	195,797	3,604,153	34,947	100,508	183,401	20,382,545
Accumulated depreciation and impairment losses	(2,244,244)	(13,375)	–	–	(100,508)	(125,937)	(2,484,064)
Net book amount	14,019,495	182,422	3,604,153	34,947	–	57,464	17,898,481
Year ended 31 December, 2008							
Opening net book amount	**14,019,495**	**182,422**	**3,604,153**	**34,947**	**–**	**57,464**	**17,898,481**
Transfers	**3,436,846**	**–**	**(3,436,846)**	**(16,206)**	**–**	**16,206**	**–**
Additions	**442**	**74**	**2,261,789**	**5,026**	**–**	**563**	**2,267,894**
Transfer to a subsidiary *(Note (g))*	**–**	**–**	**(1,988,993)**	**–**	**–**	**–**	**(1,988,993)**
Disposals	**(163,844)**	**–**	**–**	**(227)**	**–**	**(193)**	**(164,264)**
Depreciation	**(573,466)**	**(6,642)**	**–**	**–**	**–**	**(15,507)**	**(595,615)**
Closing net book amount	**16,719,473**	**175,854**	**440,103**	**23,540**	**–**	**58,533**	**17,417,503**
At 31 December, 2008							
Cost	**19,322,530**	**195,881**	**440,103**	**23,540**	**–**	**158,231**	**20,140,285**
Accumulated depreciation and impairment losses	**(2,603,057)**	**(20,027)**	**–**	**–**	**–**	**(99,698)**	**(2,722,782)**
Net book amount	**16,719,473**	**175,854**	**440,103**	**23,540**	**–**	**58,533**	**17,417,503**

6. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) As at 31 December, 2008, the net book value of the Group's containers held under finance lease amounted to approximately RMB2,883,786,000 (2007: RMB3,420,080,000).

(b) As at 31 December, 2008, the net book value of container vessels, vessels under construction, containers and port and depot infrastructure of the Group pledged as securities for the borrowings amounted to approximately RMB2,373,710,000 (2007: RMB2,621,242,000) (Note 20).

(c) As at 31 December, 2008, the net book value of the assets leased out under operating leases, where the Group is the lessor, comprised vessels under chartering arrangements amounting to RMB42,801,000 (2007: RMB195,944,000).

(d) In the year ended 31 December, 2008, the capitalised borrowing costs of the Group and the Company included in vessels under construction and construction in progress amounted to approximately RMB222,621,000 and RMB67,336,000 (2007: RMB101,397,000 and RMB88,212,000) respectively.

(e) As at 31 December, 2008, the accumulated impairment losses of the container vessels of the Group and the Company included under "accumulated depreciation and impairment losses" amounted to RMB26,363,000 (2007: RMB59,279,000).

(f) Depreciation expenses of RMB1,317,364,000 (2007: RMB1,331,097,000) has been charged to consolidated income statement within costs of services, and RMB32,020,000 (2007: RMB28,039,000) has been charged to consolidated income statement within selling, administrative and general expenses (Note 26).

(g) In 2008, the Company transferred certain vessels under construction to its subsidiary with book value of approximately RMB1,988,993,000.

(h) 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 RMB127,384,000 (Note 27) was recognised in the income statement for the year ended 31 December, 2007.

7. LEASEHOLD LAND AND LAND USE RIGHTS

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

	The Group RMB'000	The Company RMB'000
Year ended 31 December, 2007, restated		
Opening net book value	100,928	13,356
Amortisation charge for the year	(2,422)	(734)
Closing net book amount	98,506	12,622
At 31 December, 2007, restated		
Cost	101,923	13,918
Accumulated amortisation	(3,417)	(1,296)
Net book amount	98,506	12,622
Year ended 31 December, 2008		
Opening net book value	**98,506**	**12,622**
Amortisation charge for the year	**(2,109)**	**(348)**
Closing net book amount	**96,397**	**12,274**
At 31 December, 2008		
Cost	**101,923**	**13,918**
Accumulated amortisation	**(5,526)**	**(1,644)**
Net book amount	**96,397**	**12,274**

The Group's leasehold land and land use rights are located in the PRC, and are held on lease periods ranging from 30 to 50 years. The amortisation of leasehold land and land use rights has been charged to "Selling, administrative and general expenses".

8. INTANGIBLE ASSETS

	The Group			The Company
	Port line use rights RMB'000	Computer Software RMB'000	Total RMB'000	Computer Software RMB'000
Year ended 31 December, 2008				
Opening net book value	–	–	–	–
Additions	2,053	12,486	14,539	5,589
Amortisation charge for the year	(10)	(1,561)	(1,571)	(699)
Closing net book amount	2,043	10,925	12,968	4,890
At 31 December, 2008				
Cost	2,053	12,486	14,539	5,589
Accumulated amortisation	(10)	(1,561)	(1,571)	(699)
Net book amount	2,043	10,925	12,968	4,890

The Group's port line use rights are located in Lianyungang, the PRC and can be used for 50 years from year 2008.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP

	As at 31 December	
	2008 RMB'000	2007 RMB'000 (Restated)
Unlisted equity securities	163,300	175,617

The available-for-sale financial assets represent investments in unlisted equity securities in the PRC that offer the Group the opportunity for return through dividend income. They included a 14% equity interest in Tianjin Universal International Port Co., Ltd. of RMB160,300,000 (2007: RMB160,300,000) and a 15% equity interest in Lianyungang Electronic Port Information Development Co., Ltd. of RMB3,000,000 (2007: RMB3,000,000). In the opinion of the directors of the Company, the Group cannot exercise any significant influence on these companies and hence has classified these companies as available-for-sale financial assets of the Group.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP *(continued)*

In the year 2008, the Group disposed of all of it's investment in Ninbo Port Beilun Company Limited. The details of the disposal are as below:

	RMB'000
Investment cost	12,317
Disposal income *(Note 28)*	9,955
Proceeds from the disposal	22,272

As the investments did not have a quoted market price in an active market, the range of reasonable fair value estimate is so significant and the probabilities of the various estimates cannot be reasonably assessed, the directors of the Company are of the opinion that their fair values cannot be reliably measured.

10. INTERESTS IN SUBSIDIARIES – THE COMPANY

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Investments in subsidiaries – unlisted shares, at cost	**8,750,347**	471,532
Loan to a subsidiary	**609,680**	652,589
	9,360,027	1,124,121

The increase in investments in subsidiaries during the year comprised mainly the followings:

(a) In May 2008, the Company acquired 60% equity interests in CS Yangpu and 25% equity interests in CS Yangshan from the subsidiaries of China Shipping Group at cash considerations amounting to RMB38,681,000 (Note 1). After the acquisition, CS Yangpu and CS Yangshan became subsidiaries of the Group,

(b) In October 2008, the Company acquired the 100% equity interests in CS Terminal from China Shipping Group at a cash consideration amounting to RMB2,661,837,000 (Note 1), and

(c) In August 2008, the Company increased its capital investment in a subsidiary, China Shipping Container Lines (Hong Kong) Co., Ltd. by RMB5,576,297,000.

The loan to a subsidiary is unsecured, interest bearing at LIBOR plus 0.05% per annum, denominated in USD and repayable from year 2005 to 2009.

The particulars of subsidiaries of the Group as at 31 December, 2008 are set out in Note 41(a).

11. INVESTMENT IN AN ASSOCIATED COMPANY

THE GROUP

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Beginning of the year	**47,518**	48,726
Share of result of an associated company		
– (loss)/profit before income tax	**(4,426)**	6,213
– income tax expense	**–**	(1,545)
	(4,426)	4,668
Dividend received	**(4,177)**	(5,876)
End of the year	**38,915**	47,518

The Group's share of the result of its associated company, which is unlisted, and the aggregated assets and liabilities, are as follows:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Total assets	**49,252**	54,851
Total liabilities	**10,337**	7,333
Revenue	**808**	35,380
Net (loss)/profit	**(4,426)**	4,668
Percentage of interest held	**40%**	40%

11. INVESTMENT IN AN ASSOCIATED COMPANY *(continued)*

THE COMPANY

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Unlisted investment, at cost	**38,530**	40,930

The details of the associated company of the Group and the Company as at 31 December, 2008 are set out in Note 41(b).

12. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

THE GROUP

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Beginning of the year	**990,016**	433,631
Increase in investments in jointly controlled entities	**53,000**	548,800
Share of results of jointly controlled entities		
– profit before income tax	**37,906**	10,759
– income tax expense	**(4,690)**	(1,596)
	33,216	9,163
Dividend received	**(2,421)**	(1,578)
End of the year	**1,073,811**	990,016

The investments in jointly controlled entities as at 31 December, 2008 included goodwill of RMB31,959,000 (2007: RMB31,959,000).

In the year ended 31 December, 2008, the Group increased its capital investment in Yingkou New Century Container Terminal Co., Ltd. and Dalian Vanguard International Logistics Co., Ltd. (2007: Guangzhou Nansha Port Stevedoring Corporation Limited, Qinhuangdao Port New Harbour Container Terminal Co., Ltd. and Dalian International Container Terminal Co., Ltd.) by cash injections of RMB16,000,000 and 37,000,000 (2007: RMB200,800,000, 96,000,000 and 252,000,000), respectively.

12. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

THE GROUP *(continued)*

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

	As at and for the year ended 31 December							
	2008				2007			
	Nansha Stevedoring Corporation Limited of Port of Guangzhou	Dalian International Container Terminal Co., Ltd.	Others	Total	Nansha Stevedoring Corporation Limited of Port of Guangzhou	Dalian International Container Terminal Co., Ltd.	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	1,448,857	768,417	502,682	2,719,956	1,373,187	268,131	399,270	2,040,588
Total liabilities	913,445	530,945	201,755	1,646,145	863,272	23,501	163,799	1,050,572
Revenues	235,088	23	166,614	401,725	181,307	–	90,153	271,460
Net profits/(losses)	25,497	(7,159)	14,788	33,126	7,566	(7,369)	8,966	9,163
Percentage of interest held	40%	30%	30%-50%		40%	30%	30%-50%	

The details of the jointly controlled entities as at 31 December, 2008 are set out in Note 41(c).

THE COMPANY

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Unlisted investments, at cost	53,000	32,000

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

13. FINANCIAL INSTRUMENTS BY CATEGORY

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

	The Group As at 31 December		The Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Assets per consolidated/company balance sheet:				
Assets at fair value through profit and loss – Derivative financial instruments *(Note 16)*	**–**	21,694	**–**	21,694
Available-for-sale financial assets *(Note 9)*	**163,300**	175,617	**–**	–
Loans and receivables				
– Trade and notes receivables *(Note 15)*	**2,262,142**	4,132,506	**964,334**	2,423,482
– Other receivables	**218,725**	395,547	**355,292**	129,294
– Cash and cash equivalents *(Note 17)*	**11,675,995**	16,398,343	**6,931,543**	14,357,901
	14,320,162	21,123,707	**8,251,169**	16,932,371
Liabilities per consolidated/company balance sheet:				
Liabilities at fair value through profit and loss – Derivative financial instruments *(Note 16)*	**–**	6,858	**–**	–
Other financial liabilities				
– Trade and notes payables *(Note 24)*	**3,271,506**	3,281,250	**5,537,422**	6,928,389
– Accrual and other payables	**810,356**	900,775	**292,132**	358,451
– Bank borrowings *(Note 20)*	**8,407,198**	5,535,759	**341,730**	–
– Domestic corporate bonds *(Note 21)*	**1,779,274**	1,775,488	**1,779,274**	1,775,488
– Finance lease obligations *(Note 22)*	**2,595,691**	3,316,729	**–**	–
	16,864,025	14,816,859	**7,950,558**	9,062,328

14. 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, 2008, the Group's trade receivables of RMB2,054,556,000 (2007: RMB3,409,104,000) and the Company's trade receivables of RMB891,584,000 (2007: RMB2,272,562,000) 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 15.

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

(B) CASH AND CASH EQUIVALENTS

The Group categorise 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		**The Company**	
	As at 31 December		**As at 31 December**	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Group 1	**74,843**	1,328,926	**10,114**	64,518
Group 2	**2,487,484**	7,481,379	**835,557**	7,141,397
Group 3	**9,113,668**	7,588,038	**6,085,872**	7,151,986
	11,675,995	16,398,343	**6,931,543**	14,357,901

15. TRADE AND NOTES RECEIVABLES

	The Group As at 31 December		The Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Trade receivables				
– Subsidiaries	**–**	–	**482,842**	1,464,004
– Fellow subsidiaries *(Note 40(b))*	**489,494**	2,036,114	**152,681**	429,944
– Third parties	**1,539,251**	1,849,827	**202,533**	343,299
	2,028,745	3,885,941	**838,056**	2,237,247
Notes receivables	**233,397**	246,565	**126,278**	186,235
	2,262,142	4,132,506	**964,334**	2,423,482

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

	The Group As at 31 December		The Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Within 3 months	**2,054,556**	3,409,104	**891,584**	2,272,562
4 to 6 months	**124,381**	581,023	**38,952**	118,248
7 to 9 months	**63,278**	244,239	**34,245**	47,348
10 to 12 months	**52,254**	4,265	**10,556**	2,323
Over 1 year	**49,961**	8,810	**–**	7,454
	2,344,430	4,247,441	**975,337**	2,447,935
Less: provision for impairment of receivables	**(82,288)**	(114,935)	**(11,003)**	(24,453)
	2,262,142	4,132,506	**964,334**	2,423,482

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

15. TRADE AND NOTES RECEIVABLES *(continued)*

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

	The Group As at 31 December		The Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
RMB	**597,760**	1,296,770	**196,370**	335,686
HKD	**6,723**	204,761	**23,803**	–
USD	**1,563,079**	2,355,854	**664,496**	1,905,018
Other currencies	**94,580**	275,121	**79,665**	182,778
	2,262,142	4,132,506	**964,334**	2,423,482

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.

As at 31 December, 2008, trade receivables of the Group and the Company that were aged over 3 months amounting to RMB289,874,000 and RMB83,753,000 respectively (2007: RMB838,337,000 and RMB175,373,000 respectively) are regarded as over-due and impaired, the related amounts of provisions were RMB82,288,000 and RMB11,003,000 (2007: RMB114,935,000 and RMB24,453,000), respectively.

The movements in the provision for impairment of trade and notes receivables are as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
At 1 January	**114,935**	113,950	**24,453**	22,331
(Reversal of)/provision for impairment of receivables *(Note 26)*	**(32,647)**	985	**(13,450)**	2,122
At 31 December	**82,288**	114,935	**11,003**	24,453

The creation and release of provision for impaired receivables have been included in 'selling, administrative and general expenses' in the income statement (Note 26).

16. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group		The Company	
	As at 31 December		As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Forward foreign exchange contracts				
Assets	**–**	21,694	**–**	21,694
Liabilities	**–**	6,858	**–**	–

The fair values of the assets and liabilities related to the forward foreign exchange contracts were determined using forward foreign exchange rates at the balance sheet date. The Group did not have outstanding forward foreign exchange contracts at 31 December, 2008 (2007: USD100,000,000).

17. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	As at 31 December		As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Cash at bank and in hand	**3,341,041**	1,264,576	**1,186,943**	474,945
Short-term bank deposits	**8,334,954**	15,133,767	**5,744,600**	13,882,956
	11,675,995	16,398,343	**6,931,543**	14,357,901

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	As at 31 December		As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
RMB	**6,938,788**	14,251,550	**6,217,470**	13,874,616
HKD	**54,982**	143,372	**49**	41,345
USD	**4,450,772**	1,672,378	**713,850**	437,338
Other currencies	**231,453**	331,043	**174**	4,602
	11,675,995	16,398,343	**6,931,543**	14,357,901

18. SHARE CAPITAL

	The Group and the Company			
	Number of shares (thousand)	**Domestic Share/ A Share of RMB1 each** RMB'000	**H Share of RMB1 each** RMB'000	**Total** RMB'000
At 1 January, 2007	6,030,000	3,610,000	2,420,000	6,030,000
Issue of bonus shares	3,316,500	1,985,500	1,331,000	3,316,500
Issue of A Share	2,336,625	2,336,625	–	2,336,625
At 31 December, 2008 and 31 December, 2007	11,683,125	7,932,125	3,751,000	11,683,125

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 then shareholders of the Company on the basis of 5.5 bonus shares for every 10 existing shares owned by such shareholders. This bonus issue was approved at the extraordinary general meeting of the Company ("EGM") held on 29 September, 2007.

Pursuant to the resolution of a 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 net proceeds, after deducting related expenses, from the issue of A Share amounted to approximately RMB15,221,864,000, of which RMB2,336,625,000 was credited to share capital and the remaining RMB12,885,239,000 was share premium which was recorded as capital surplus (Note 19).

As at 31 December, 2008, all issued shares are registered, fully paid and divided into 11,683,125,000 shares (2007: 11,683,125,000 shares) of RMB1.00 each, comprising 7,932,125,000 A Share and 3,751,000,000 H Share (2007: 7,932,125,000 A Share and 3,751,000,000 H Share).

19. OTHER RESERVES AND RETAINED EARNINGS

(A) OTHER RESERVES

	The Group				The Company		
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Translation reserve RMB'000	Total RMB'000	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Total RMB'000
Balance at 1 January, 2007							
As previously reported	4,851,488	1,439,017	(291,990)	5,998,515	4,771,887	1,398,388	6,170,275
Change of accounting policies *(Note 2.2)*	(46,427)	–	–	(46,427)	–	–	–
Adoption of merger accounting *(Note 2.3(a))*	2,223,409	–	–	2,223,409	–	–	–
As restated	7,028,470	1,439,017	(291,990)	8,175,497	4,771,887	1,398,388	6,170,275
Currency translation difference	–	–	(238,356)	(238,356)	–	–	–
Transfer of reserves to retained earnings *(Note (i))*	–	(794,953)	–	(794,953)	–	(754,324)	(754,324)
Profit appropriation to statutory reserves *(Note (ii))*	–	560,864	–	560,864	–	560,864	560,864
Issue of A Share *(Note 18)*	12,885,239	–	–	12,885,239	12,885,239	–	12,885,239
Deemed distribution to the controlling shareholder and its subsidiaries *(Note (iii))*	(161,474)	–	–	(161,474)	–	–	–
Acquisition of minority interests of certain subsidiaries	(10,529)	–	–	(10,529)	–	–	–
Balance at 31 December, 2007 (Restated)	19,741,706	1,204,928	(530,346)	20,416,288	17,657,126	1,204,928	18,862,054
Balance at 1 January, 2008							
As previously reported	**17,736,727**	**1,204,928**	**(530,346)**	**18,411,309**	**–**	**–**	**–**
Change of accounting policies *(Note 2.2)*	**(56,956)**	**–**	**–**	**(56,956)**	**–**	**–**	**–**
Adoption of merger accounting *(Note 37)*	**2,061,935**	**–**	**–**	**2,061,935**	**–**	**–**	**–**
As restated	**19,741,706**	**1,204,928**	**(530,346)**	**20,416,288**	**17,657,126**	**1,204,928**	**18,862,054**
Currency translation difference, net off tax	**–**	**–**	**(106,482)**	**(106,482)**	**–**	**–**	**–**
Profit appropriation to statutory reserves *(Note (i))*	**–**	**91,929**	**–**	**91,929**	**–**	**91,929**	**91,929**
Deemed distributions relating to business combinations under common control *(Note 37)*	**(2,700,518)**	**–**	**–**	**(2,700,518)**	**–**	**–**	**–**
Balance at 31 December, 2008	**17,041,188**	**1,296,857**	**(636,828)**	**17,701,217**	**17,657,126**	**1,296,857**	**18,953,983**

19. OTHER RESERVES AND RETAINED EARNINGS *(continued)*

(B) RETAINED EARNINGS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
At 1 January	**2,870,333**	4,515,056	**1,106,195**	266,006
Profit for the year	**42,973**	3,230,338	**486,321**	5,754,079
Dividends relating to 2007 and 2006	**(467,325)**	(241,200)	**(467,325)**	(241,200)
Special dividend *(Note 34)*	**–**	(4,866,150)	**–**	(4,866,150)
Transfer of reserves to retained earnings *(Note(i))*	**–**	794,953	**–**	754,324
Profit appropriation to statutory reserves *(Note(ii))*	**(91,929)**	(560,864)	**(91,929)**	(560,864)
Dividend of a subsidiary	**–**	(1,800)	**–**	–
	2,354,052	2,870,333	**1,033,262**	1,106,195

Notes:

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

(ii) In accordance with the PRC regulations and the articles of association of the companies of 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.

(iii) During the year ended 31 December, 2007, according to the resolution of the then shareholders, CS Terminal's paid-in capital and other equity were decreased and distributed to China Shipping Group and its subsidiaries, which was account for as deemed distribution to the controlling shareholder and its subsidiaries in the consolidated financial statements of the Group.

20. BANK BORROWINGS

	The Group As at 31 December		The Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Non-Current				
Long-term bank borrowings	**4,231,712**	4,367,493	**–**	–
Current				
Short-term bank borrowings	**1,553,612**	120,000	**136,692**	–
Long-term bank borrowings				
– current portion	**2,621,874**	1,048,266	**205,038**	–
	4,175,486	1,168,266	**341,730**	–
	8,407,198	5,535,759	**341,730**	–
Representing:				
– unsecured	**6,321,349**	3,205,748	**341,730**	–
– secured	**2,085,849**	2,330,011	**–**	–
	8,407,198	5,535,759	**341,730**	–

The maturity periods of the bank borrowings are as follows:

	The Group As at 31 December		The Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Within one year	**4,175,486**	1,168,266	**341,730**	–
In the second year	**2,257,159**	2,563,094	**–**	–
In the third to fifth year	**352,543**	601,757	**–**	–
After fifth year	**1,622,010**	1,202,642	**–**	–
	8,407,198	5,535,759	**341,730**	–

20. 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 As at 31 December		The Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Within 6 months	**6,285,906**	3,588,547	**341,730**	–
6-12 months	**1,318,500**	1,007,500	**–**	–
After 5 year	**802,792**	939,712	**–**	–
	8,407,198	5,535,759	**341,730**	–

As at 31 December, 2008, the secured long-term bank borrowings of the Group were secured by the following collaterals:

(i) Legal mortgage over certain container vessels, vessels under construction, containers and port and depot infrastructure of the Group with net book value of approximately RMB2,373,710,000 (2007: RMB2,621,242,000) (Note 6(b)), and

(ii) Charges over shares of certain vessels owning subsidiaries of the Group.

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

	The Group As at 31 December		The Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
RMB				
– at fixed rates	**1,815,500**	1,345,500	**–**	–
USD				
– at fixed rates	**802,792**	939,712	**–**	–
– at floating rates	**5,788,906**	3,250,547	**341,730**	–
	8,407,198	5,535,759	**341,730**	–

20. BANK BORROWINGS *(continued)*

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

	The Group As at 31 December		The Company As at 31 December	
	2008	2007 (Restated)	**2008**	2007
Bank borrowing				
– RMB	**6.62%**	6.18%	**–**	–
– USD	**2.47%**	5.10%	**2.95%**	–

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 As at 31 December		The Company As at 31 December	
	2008 RMB'000	2007 RMB'000 (Restated)	**2008 RMB'000**	2007 RMB'000
Carrying amounts	**6,853,586**	5,415,759	**205,038**	–
Fair values	**6,798,425**	5,360,860	**205,038**	–

21. DOMESTIC CORPORATE BONDS

	The Group and The Company As at 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Non-current domestic corporate bonds	**1,779,274**	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 Bank of China, Shanghai branch, and have been listed on the interbank bond market in the PRC.

The bonds were initially recognised at 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, 2008, the estimated fair value of the bonds is approximately RMB1,675,589,000 (2007: RMB1,453,580,000). The fair value is calculated based on the 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 5.94% (2007: 7.83%) per annum.

22. FINANCE LEASE OBLIGATIONS – THE GROUP

	As at 31 December, 2008			As at 31 December, 2007		
	Minimum lease payment RMB'000	**Finance charges RMB'000**	**Net present value of minimum lease payment RMB'000**	Minimum lease payment RMB'000 (Restated)	Finance charges RMB'000 (Restated)	Net present value of minimum lease payment RMB'000 (Restated)
Finance lease obligations						
Within one year	**592,440**	**60,781**	**531,659**	626,219	80,819	545,400
In the second year	**552,428**	**45,381**	**507,047**	631,255	65,534	565,721
In the third to fifth year	**1,354,726**	**47,526**	**1,307,200**	1,673,561	95,620	1,577,941
After fifth year	**249,785**	**–**	**249,785**	630,369	2,702	627,667
	2,749,379	**153,688**	**2,595,691**	3,561,404	244,675	3,316,729
Less: within one year (current portion)	**(592,440)**	**(60,781)**	**(531,659)**	(626,219)	(80,819)	(545,400)
	2,156,939	**92,907**	**2,064,032**	2,935,185	163,856	2,771,329

The average effective interest rate of finance lease obligations of the Group is 4.61% per annum (2007: 6.15%).

The carrying amounts of finance lease obligations approximated their fair value. The fair values were determined based on discounted cash flow using average borrowing rates.

All finance lease obligations are dominated in USD.

23. 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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Deferred tax assets:				
– Deferred tax assets to be recovered within 12 months	**12,501**	–	**6,250**	–
– Deferred tax assets to be settled after more than 12 months	**74,398**	–	**–**	–
	86,899	–	**6,250**	–
Deferred tax liabilities:				
– Deferred tax liabilities to be recovered within 12 months	**(88)**	–	**–**	–
– Deferred tax liabilities to be settled after more than 12 months	**(53,447)**	(171,535)	**–**	(52,478)
	(53,535)	(171,535)	**–**	(52,478)
	33,364	(171,535)	**6,250**	(52,478)

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Beginning of the year	**(171,535)**	(837,028)	**(52,478)**	(48,497)
Deferred taxation charged/(credit) to income statement *(Note 32)*	**183,788**	665,493	**58,728**	(3,981)
Deferred taxation credit directly to equity	**21,111**	–	**–**	–
End of the year	**33,364**	(171,535)	**6,250**	(52,478)

23. DEFERRED INCOME TAX *(continued)*

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

Deferred tax liabilities:

	Profits of subsidiaries RMB'000	Residual value difference RMB'000	Other RMB'000	Total RMB'000
The Group				
At 1 January, 2007 (restated)	(793,697)	(79,396)	–	(873,093)
Charged/(credit) to consolidated income statement	669,204	(8,104)	(5,423)	655,677
At 31 December, 2007 (restated)	(124,493)	(87,500)	(5,423)	(217,416)
Charged to consolidated income statement	64,761	87,500	5,335	157,596
Charged directly to equity	6,285	–	–	6,285
At 31 December, 2008	**(53,447)**	**–**	**(88)**	**(53,535)**
The Company				
At 1 January, 2007	–	(79,396)	–	(79,396)
Credit to income statement	–	(8,104)	(5,423)	(13,527)
At 31 December, 2007	–	(87,500)	(5,423)	(92,923)
Charged to income statement	–	87,500	5,423	92,923
At 31 December, 2008	**–**	**–**	**–**	**–**

The deferred tax liabilities on profits of subsidiaries are provided at a fixed rate approved by the PRC tax authority on the profit of overseas subsidiaries which are subject to PRC income tax and payable upon profit remittance to the Company.

23. DEFERRED INCOME TAX *(continued)*

Deferred tax assets:

	Losses of subsidiaries RMB'000	Capitalised dry docking expense RMB'000	Tax losses RMB'000	Share-based payment RMB'000	Other RMB'000	Total RMB'000
The Group						
At 1 January, 2007 (Restated)	–	10,942	24,902	–	221	36,065
Charged/(credited) to consolidated income statement	–	(1,864)	(19,957)	25,117	6,520	9,816
At 31 December, 2007 (Restated)	–	9,078	4,945	25,117	6,741	45,881
Charged/(credited) to consolidated income statement	55,520	(9,078)	(893)	(25,117)	5,760	26,192
Charged directly to equity	14,826	–	–	–	–	14,826
At 31 December, 2008	**70,346**	**–**	**4,052**	**–**	**12,501**	**86,899**
The company						
At 1 January, 2007		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
Credited to income statement		(9,078)	–	(25,117)	–	(34,195)
At 31 December, 2008		**–**	**–**	**–**	**6,250**	**6,250**

The deferred tax assets on losses of subsidiaries are recognised at a fixed rate approved by the PRC tax authority on the losses of overseas subsidiaries which can be utilised in the future as the realisation of the related tax benefit through the future profit is probable.

24. TRADE AND NOTES PAYABLES

	The Group As at 31 December		The Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Trade payables				
– Subsidiaries	**–**	–	**4,478,944**	5,855,844
– Fellow subsidiaries *(Note 40(b))*	**763,421**	385,319	**95,062**	334,083
– Third parties	**2,487,829**	2,881,097	**963,416**	678,462
	3,251,250	3,266,416	**5,537,422**	6,868,389
Notes payables	**20,256**	14,834	**–**	60,000
	3,271,506	3,281,250	**5,537,422**	6,928,389

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

	The Group As at 31 December		The Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Within 3 months	**3,229,209**	3,203,425	**5,521,598**	6,831,613
4 to 6 months	**24,034**	77,825	**15,709**	24,000
7 to 9 months	**18,263**	–	**115**	72,776
	3,271,506	3,281,250	**5,537,422**	6,928,389

24. TRADE AND NOTES PAYABLES *(continued)*

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

	The Group As at 31 December		The Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
RMB	**1,256,977**	1,475,625	**894,835**	498,050
HKD	**13,883**	–	**–**	–
USD	**1,772,831**	1,799,079	**4,632,306**	6,397,324
Other currencies	**227,815**	6,546	**10,281**	33,015
	3,271,506	3,281,250	**5,537,422**	6,928,389

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

25. PROVISIONS

The amounts of RMB25,000,000 represent a provision for a legal claim brought against the Company by the customers. The provision charge was recognised in the income statement within selling, administrative and general expenses for the year ended 31 December, 2007. In the opinion of the Company's directors, 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 as at 31 December, 2008.

26. COSTS AND EXPENSES BY NATURE

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

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000 (Restated)
Costs of services		
Container repositioning and management	**10,246,539**	10,851,187
Bunkers consumed	**10,078,453**	7,559,827
Operating lease rentals	**3,390,265**	3,736,582
Port charges	**2,470,111**	2,761,217
Depreciation of property, plant and equipment	**1,317,364**	1,331,097
Employee benefit expenses	**808,509**	661,614
Sub-route and others	**5,430,595**	7,282,187
	33,741,836	34,183,711
Selling, administrative and general expenses		
Employee benefit expenses	**295,429**	421,584
Rental expenses	**49,727**	47,397
Telecommunication and utilities expenses	**20,618**	29,567
Depreciation of property, plant and equipment	**32,020**	28,039
Amortisation of leasehold land and land use rights and intangible assets	**3,680**	2,422
Repair and maintenance expenses	**4,245**	9,524
Auditors' remuneration	**13,350**	8,250
(Reversal of)/provision for impairment of receivables	**(32,647)**	985
Office expenses and others	**137,425**	221,751
	523,847	769,519
	34,265,683	34,953,230

27. OTHER (LOSSES)/GAINS, NET

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
(Losses)/gains on forward foreign exchange contracts, net	**(5,094)**	21,024
Gains/(losses) on disposal of property, plant and equipment	**35,206**	(5,313)
Gains on de-recognition of container assets under finance leases and the related finance lease liabilities *(Note 6(h))*	**–**	127,384
Net foreign exchange losses	**(599,770)**	(57,748)
	(569,658)	85,347

28. OTHER INCOME

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Interest income	**394,178**	115,441
Dividend income from available-for-sale financial assets	**32,491**	12,008
Gains on disposal of available-for-sale financial assets *(Note 9)*	**9,955**	–
Information technology services fees	**9,993**	52,061
	446,617	179,510

29. EMPLOYEE BENEFIT EXPENSES

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

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Staff salaries and hiring of crews	**918,871**	764,249
Social welfare benefits	**269,350**	218,480
Change in fair value of share-based compensation liability	**(84,283)**	100,469
	1,103,938	1,083,198

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 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, which was adopted by the shareholders of the Company on 12 October, 2005, and amended by the shareholders on 20 June, 2006, 26 June, 2007 and 26 June, 2008, 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 from the Company in RMB, subject to any applicable withholding tax, translated from the Hong Kong dollar ("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, representing the market price in excess of 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.

Until the liability relating to the Rights is settled, the Group re-measures the fair value of the liability at each balance sheet date by using the Binomial option valuation models. Changes in fair value of the liability are recognised in the income statement.

29. EMPLOYEE BENEFIT EXPENSES *(continued)*

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

	For the year ended 31 December, 2008		For the year ended 31 December, 2007	
	Average exercise price (HKD per share)	**Unit of Rights (thousands)**	Average exercise price (HKD per share)	Unit of Rights (thousands)
At 1 January	**2.79**	**111,149**	3.41	30,150
Granted	**3.34**	**417**	4.86	45,273
Adjusted*	**–**	**–**	(1.53)	35,726
At 31 December	**2.79**	**111,566**	2.79	111,149

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

During the year ended 31 December, 2008, no Rights granted was exercised or expired (2007: Nil). As at 31 December, 2008, the expiry dates of the outstanding Rights were between 4th and 7th year.

The fair value of the Rights is estimated on each balance sheet date by using the Binomial option valuation models based on the expected volatility from 55% to 60%, exercise price shown above, an expected dividend yield of 2% and risk-free interest rates from 1.11% to 1.19%. 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.

During the year ended 31 December, 2008, the Group recognised a gain of approximately RMB84,283,000 (2007: recognised cost of RMB100,469,000) from the decrease in fair value of the share-based compensation liability related to the Rights. As at 31 December, 2008, the liability related to the Rights was approximately RMB19,050,000 (2007: RMB103,330,000). As at 31 December, 2008, the unrecognised compensation cost of the outstanding Rights was approximately RMB9,739,000 (2007: RMB158,330,000) which was expected to be recognised within the next 4 years.

30. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(A) DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The remuneration of every director and supervisor is set out below:

Name of Director and Supervisor	Fees RMB'000	Salary RMB'000	Pension and other social welfare RMB'000	Total RMB'000	Unit of the Rights granted *(Note 29)*
For the year ended 31 December, 2008					
Directors					
Mr. Li Shaode	–	–	–	–	3,381,973
Mr. Zhang Guofa	–	–	–	–	2,053,729
Mr. Huang Xiaowen	–	720	169	889	2,869,368
Mr. Zhao Hongzhou	–	576	146	722	2,232,000
Mr. Ma Zehua	–	–	–	–	1,519,934
Mr. Zhang Jianhua	–	–	–	–	1,240,000
Mr. Wang Daxiong	–	–	–	–	1,240,000
Mr. Xu Hui	–	–	–	–	1,085,000
Mr. Yan Zhichong	–	–	–	–	348,750
Mr. Lin Jianqing	–	–	–	–	525,450
Mr. Hu Hanxiang	100	–	–	100	–
Mr. Wang Zongxi	100	–	–	100	–
Mr. Shen Kangchen	100	–	–	100	–
Mr. Jim Poon	300	–	–	300	–
Mr. Shen Zhongying	100	–	–	100	–
Supervisors					
Mr. Chen Decheng	–	–	–	–	949,110
Mr. Kou Laiqi	–	–	–	–	156,550
Mr. Hua Min	100	–	–	100	–
Ms. Pan Yingli	100	–	–	100	–
Mr. Wang Xiuping	–	428	115	543	1,395,000
Mr. Yao Guojian	–	576	146	722	2,108,000
	900	2,300	576	3,776	21,104,864

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

(A) DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(continued)*

Name of Director and Supervisor	Fees RMB'000	Salary RMB'000	Pension and other social welfare RMB'000	Total RMB'000	Unit of the Rights granted *(Note 29)*
For the year ended 31 December, 2007					
Directors					
Mr. Li Shaode	–	–	–	–	1,940,000
Mr. Zhang Guofa	–	–	–	–	1,326,000
Mr. Huang Xiaowen	–	742	156	898	2,030,000
Mr. Zhao Hongzhou	–	593	140	733	1,680,000
Mr. Ma Zehua	–	–	–	–	980,000
Mr. Zhang Jianhua	–	–	–	–	800,000
Mr. Wang Daxiong	–	–	–	–	800,000
Mr. Xu Hui	–	–	–	–	700,000
Mr. Yao Zuozhi	–	–	–	–	612,000
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	–
Supervisors					
Mr. Chen Decheng	–	–	–	–	610,000
Mr. Tu Shiming	–	–	–	–	260,000
Mr. Hua Min	100	–	–	100	–
Ms. Pan Yingli	100	–	–	100	–
Mr. Wang Xiuping	–	427	110	537	900,000
Mr. Yao Guojian	–	593	140	733	1,600,000
	625	2,355	546	3,526	14,238,000

No directors or supervisors of the Company waived any emoluments during the year (2007: Nil). No discretionary bonus was paid to any of the directors or supervisors of the Company during the year (2007: Nil).

In the year 2008, fair value of the Rights granted to the directors and supervisors of the Company decreased by approximately RMB10,952,000 (2007: increased by approximately RMB21,889,000).

30. 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 one director (2007: three) and one supervisor (2007: one). The emoluments payable to the remaining three (2007: one) individuals during the year are as follows:

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Basic salaries and allowances	**1,872**	741
Pension and others welfare	**495**	167
Total	**2,367**	908

The emoluments (excluding change in fair value of the Rights) of the above three (2007: one) individuals fall within the following bands:

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Nil to HKD1,000,000 (equivalent to approximately RMB880,000)	**3**	1

(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 (2007: Nil).

31. FINANCE COSTS

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Interest expenses:		
– bank borrowings	**407,478**	458,699
– finance lease obligations	**146,626**	204,190
Total interest expenses	**554,104**	662,889
Less: amount capitalised in vessels under construction and construction in progress	**(222,621)**	(101,397)
	331,483	561,492

The capitalisation rate applied to funds borrowed generally and utilised for the vessels under construction and construction in progress is 4.16% (2007: 5.32%) per annum for the year ended 31 December, 2008.

32. INCOME TAX (CREDIT)/EXPENSE

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Current income tax		
– Hong Kong profits tax *(note (a))*	**–**	16,399
– PRC enterprise income tax *(note (b))*	**180,903**	1,250,914
Deferred taxation *(Note 23)*	**(183,788)**	(665,493)
	(2,885)	601,820

32. INCOME TAX (CREDIT)/EXPENSE *(continued)*

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax is provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for year ended 31 December, 2008. The Hong Kong profit tax for the year ended 31 December, 2008 is nil as there are no estimated assessable profits.

(b) PRC corporate income tax ("CIT")

On 16 March, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which was effective from 1 January, 2008.

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 original CIT rate applicable to the Company was 15%. Under the new CIT Law, the CIT rate applicable to the Company will increase gradually to 25% within 5 years from 2008 to 2012. This year the applicable income tax rate is 18%.

The original CIT rates applicable to the Company's subsidiaries incorporated in the PRC range from 15% to 33%. Under the new CIT Law, except for certain subsidiaries whose CIT rates will increase gradually to 25% within 5 years from 2008 to 2012, the CIT rates for other subsidiaries are changed to 25% from 1 January, 2008.

Pursuant to relevant CIT regulations, the profits derived by the Company's overseas subsidiaries are subject to CIT. The Company uses a fixed rate approval by the PRC tax authority on the profits of the overseas subsidiaries for CIT purposes.

32. INCOME TAX (CREDIT)/EXPENSE *(continued)*

Notes: (continued)

(c) The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate applicable to the Company as follows:

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Profit before income tax	**64,735**	3,836,455
Less: Share of (loss)/profit of an associated company	**4,426**	(4,668)
Share of profit of jointly controlled entities	**(33,216)**	(9,163)
Dividend income and gain on disposal of available-for-sale financial assets included in other income	**(42,446)**	(12,008)
	(6,501)	3,810,616
Tax calculated at an income tax rate of 18% (2007:15%)	**1,170**	(571,592)
Effect of different tax rate or tax base of subsidiaries	**1,715**	(30,228)
	2,885	(601,820)

33. 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 RMB486,321,000 (2007: RMB5,754,079,000).

34. DIVIDENDS

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Special dividend, paid *(note (a))*	**–**	4,866,150
Final dividend, proposed *(note (b))*	**–**	467,325
	–	5,333,475

Notes:

(a) As mentioned in Note 18, the Company distributed part of the Group's distributable profits as at 30 June, 2007, amounting to RMB3,316,500,000, as bonus shares each at par value to the then shareholders of the Company 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 in the shareholders meeting held on 29 September, 2007.

(b) The board of the Company does not recommend the payment of a final dividend for the year ended 31 December, 2008 (2007: RMB467,325,000, representing RMB0.04 per ordinary share).

35. 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.

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Profit attributable to equity holders of the Company	**42,973**	3,230,338
Weighted average number of ordinary shares in issue (thousands)	**11,683,125**	9,461,731
Basic earnings per share (RMB per share)	**RMB0.004**	RMB0.34

Diluted earnings per share is the same as the basic earnings per share, as the Company does not have any potential dilutive ordinary shares during the year ended 31 December, 2008 (2007: Nil).

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(A) RECONCILIATION OF THE PROFIT BEFORE INCOME TAX TO NET CASH GENERATED FROM OPERATIONS

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Profit before income tax	**64,735**	3,836,455
Depreciation *(Notes 6, 26)*	**1,349,384**	1,359,136
Amortisation *(Notes 7, 8, 26)*	**3,680**	2,422
Dividend income from available-for-sale financial assets *(Note 28)*	**(32,491)**	(12,008)
Gains on disposal of available-for-sale financial assets *(Note 28)*	**(9,955)**	–
Share of (loss)/profit of an associated company	**4,426**	(4,668)
Share of profit of jointly controlled entities	**(33,216)**	(9,163)
Interest expense *(Note 31)*	**184,857**	357,302
Finance charge of finance lease obligations	**146,626**	204,190
Interest income *(Note 28)*	**(394,178)**	(115,441)
Change in fair value of share-based compensation liability *(Note 29)*	**(84,283)**	100,469
(Reversal of)/provision for impairment of receivables *(Note 26)*	**(32,647)**	985
Losses/(gains) on the forward foreign exchange contracts, net *(Note 27)*	**5,094**	(21,024)
(Gains)/losses on disposal of property, plant and equipment *(Note 27)*	**(35,206)**	5,313
Gain on de-recognise of finance lease obligation *(Note 27)*	**–**	(127,383)
Provisions	**–**	25,000
Operating profit before working capital changes	**1,136,826**	5,601,585
Decrease/(increase) in bunkers	**446,948**	(272,391)
Decrease/(increase) in trade and notes receivables	**1,903,011**	(568,761)
Decrease in prepayments and other receivables	**126,859**	627,137
(Decrease)/increase in trade and notes payables	**(9,744)**	940,518
Increase in accruals and other payables	**645,168**	127,886
Net cash generated from operations	**4,249,068**	6,455,974

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(continued)*

(B) PROCEEDS FROM DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT COMPRISE

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Net book amount *(Note 6)*	**231,308**	10,258
Gains/(losses) on disposal of property, plant and equipment *(Note 27)*	**35,206**	(5,313)
Proceeds from disposal of property, plant and equipment	**266,514**	4,945

(C) BUSINESS COMBINATION UNDER COMMON CONTROL

In May 2008, the Company acquired from the subsidiaries of China Shipping Group 60% equity interests in CS Yangpu and 25% equity interests in CS Yangshan. In October 2008, the Company acquired from China Shipping Group 100% equity interests in CS Terminal. The total considerations of above-mentioned business combination under common control amounted to RMB2,700,518,000. As at 31 December, 2008, RMB2,638,419,000 has been paid and the remaining part was accounted for as payables to China Shipping Group.

37. BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in Notes 1, 2.2 and 2.3(a) above, in May and October 2008, the Group acquired the Acquired Subsidiaries from China Shipping Group and its subsidiaries. Total considerations for the acquisitions amounted to RMB2,700,518,000.

No significant adjustments were made to the net assets and net profit or loss of any entities or businesses as a result of the common control combination to achieve consistency of accounting policies.

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheet as at 31 December, 2008 and 2007.

37. BUSINESS COMBINATION UNDER COMMON CONTROL *(continued)*

As at 31 December, 2008

	The Group excluding the Acquired Subsidiaries (Restated) RMB'000	Acquired Subsidiaries RMB'000	Adjustments RMB'000	Consolidated RMB'000
ASSETS				
Investment in an associated company	38,915	–	–	38,915
Investment in joint controlled entities	60,253	1,013,558	–	1,073,811
Investment in subsidiaries of the Company	2,744,374	3,800	(2,748,174)	–
Available-for-sales financial assets	–	163,300	–	163,300
Other non-current assets	30,190,688	3,454,850	–	33,645,538
Current assets	14,430,761	379,615	(14,720)	14,795,656
Total assets	47,464,991	5,015,123	(2,762,894)	49,717,220
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	11,683,125	2,109,705	(2,109,705)	11,683,125
Other reserves	18,316,695	13,575	(629,053)	17,701,217
Retained earnings				
– Proposed final dividends	–	–	–	–
– Others	2,261,890	101,578	(9,416)	2,354,052
Minority interests	14,847	698,617	–	713,464
Total equity	32,276,557	2,923,475	(2,748,174)	32,451,858
LIABILITIES				
Non-current liabilities	7,490,616	637,937	–	8,128,553
Current liabilities	7,697,818	1,453,711	(14,720)	9,136,809
Total liabilities	15,188,434	2,091,648	(14,720)	17,265,362
Total equity and liabilities	47,464,991	5,015,123	(2,762,894)	49,717,220

37. BUSINESS COMBINATION UNDER COMMON CONTROL *(continued)*

As at 31 December, 2007

	The Group excluding the Acquired Subsidiaries (Restated) *(Note 2.2)* RMB'000	Acquired Subsidiaries RMB'000	Adjustments RMB'000	Consolidated RMB'000
ASSETS				
Investment in associated companies	54,932	–	(7,414)	47,518
Investment in joint controlled entities	32,959	989,057	(32,000)	990,016
Investment in subsidiaries of the Company	–	3,800	(3,800)	–
Available-for-sales financial assets	–	175,617	–	175,617
Other non-current assets	25,967,646	2,863,002	–	28,830,648
Current assets	21,422,307	459,238	–	21,881,545
Total assets	47,477,844	4,490,714	(43,214)	51,925,344
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	11,683,125	2,109,705	(2,109,705)	11,683,125
Other reserves	18,354,353	10,031	2,051,904	20,416,288
Retained earnings				
– Proposed final dividends	467,325	–	–	467,325
– Others	2,379,557	22,937	514	2,403,008
Minority interests	1,927	681,715	14,073	697,715
Total equity	32,886,287	2,824,388	(43,214)	35,667,461
LIABILITIES				
Non-current liabilities	7,942,976	1,142,869	–	9,085,845
Current liabilities	6,648,581	523,457	–	7,172,038
Total liabilities	14,591,557	1,666,326	–	16,257,883
Total equity and liabilities	47,477,844	4,490,714	(43,214)	51,925,344

37. BUSINESS COMBINATION UNDER COMMON CONTROL *(continued)*

The above adjustments represent adjustments to eliminate the share capital of the Acquired Subsidiaries against the investment cost and the relevant interests in associated companies and jointly controlled entities of the Group attributable to the Acquired Subsidiaries as at 31 December, 2007. The difference of approximately RMB2,051,904,000 was made to the other reserve in the consolidated financial statements.

38. COMMITMENTS

(A) CAPITAL COMMITMENTS

As at 31 December, 2008 and 2007, the Group and the Company had the following significant capital commitments which were not provided for in the balance sheets:

	The Group		**The Company**	
	As at 31 December		**As at 31 December**	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Contracted but not provided for:				
– Plant under construction	**56,324**	76,498	**–**	–
– Vessels under construction	**9,022,665**	10,451,693	**385,262**	10,443,863
	9,078,989	10,528,191	**385,262**	10,443,863

38. COMMITMENTS *(continued)*

(B) LEASE COMMITMENTS – THE GROUP IS THE LESSEE

As at 31 December, 2008 and 2007, 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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Land and buildings:				
– Within one year	**41,057**	43,683	**7,031**	6,112
– In the second to fifth year	**57,442**	57,110	**20,997**	18,288
– After fifth year	**26,218**	33,006	**–**	3,639
	124,717	133,799	**28,028**	28,039
Vessels chartered-in and containers under operating leases:				
– Within one year	**2,741,690**	2,734,286	**415,292**	520,923
– In the second to fifth year	**6,648,714**	6,000,668	**719,537**	453,071
– After fifth year	**5,395,810**	3,884,338	**1,135,880**	–
	14,786,214	12,619,292	**2,270,709**	973,994
	14,910,931	12,753,091	**2,298,737**	1,002,033

38. COMMITMENTS *(continued)*

(C) FUTURE OPERATING LEASE ARRANGEMENTS – THE GROUP IS THE LESSOR

As at 31 December, 2008 and 2007, the Group and the Company had future aggregate minimum lease receipts under non-cancellable operating leases, where the Group is the lessor as follows:

	The Group As at 31 December		The Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Vessels chartered-out under operating leases:				
– Within one year	**507,333**	210,854	**1,678,769**	1,332,177
– In the second to fifth year	**327,241**	152,247	**1,641,773**	1,947,544
– After fifth year	**–**	–	**1,412,838**	704,025
	834,574	363,101	**4,733,380**	3,983,746

(D) OTHER COMMITMENTS

As at 31 December, 2008 and 2007, the Group had the following significant commitments which were not provided for in the balance sheets:

	The Group As at 31 December	
	2008	2007
	RMB'000	RMB'000
Contracted but not provided for:		
– Investment	**34,239**	–

On 9 December, 2008 and 23 December, 2008, Shanghai Puhai Shipping Co., Ltd., a wholly-owned subsidiary of the Company, entered into the equity transfer agreements with Hang Lim Shipping Co., Ltd. and China Shipping Group to acquire 24.5% and 51% equity interest in Shanghai Inchon International Ferry Co., Ltd. ("Shanghai Inchon") respectively. The consideration for the acquisitions under the two agreements were RMB11,110,701 and RMB23,128,400 respectively. Upon the completion of the two agreements, Shanghai Inchon will become a subsidiary of the Company.

39. CONTINGENT LIABILITIES

As at 31 December, 2008, the Group and the Company have no significant contingent liabilities.

40. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The Group is part of a larger group of companies under China Shipping Group has extensive transactions and relationships with members of the China Shipping Group incorporated in the PRC. China Shipping Group 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, 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 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.

40. SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

For the years ended 31 December, 2008 and 2007, 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
Guangzhou Marine Transport (Group) Co., Ltd.	Fellow subsidiary
China Shipping Development Co., Ltd.	Fellow subsidiary
Shanghai INCHON International Ferry 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 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 (Hong Kong) Holdings Co., Ltd.	Fellow subsidiary
China Shipping (North America) Holding Co., Ltd.	Fellow subsidiary
China Shipping (Western Asia) Holdings Co., Ltd.	Fellow subsidiary
China Shipping (South Eastern Asia) Holding Co., Ltd.	Fellow subsidiary
Los Angeles West Basin Container Terminal, LLC	Fellow subsidiary
Shanghai Universal Logistics Equipment Co., Ltd.	Fellow subsidiary
China Shipping International Ship Management Co., Ltd.	Fellow subsidiary
China Shipping & Sinopec Suppliers Co., Ltd.	Fellow subsidiary
DongFang International Container (Lianyungang) Co., Ltd.	Fellow subsidiary
DongFang International Container (Jinzhou) Co., Ltd.	Fellow subsidiary
DongFang International Container (Guangzhou) Co., Ltd.	Fellow subsidiary
China Shipping (Turkey) Agency Co., Ltd.	Fellow subsidiary
China Shipping (Group) Mediterranean Shipping Rep. Office	Fellow subsidiary
China Shipping (Group) Africa Rep. Office	Fellow subsidiary

In addition to the related party information disclosed elsewhere in the financial statements, 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 year and balances arising for the year ended 31 December, 2008.

40. SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(A) TRANSACTIONS WITH RELATED PARTIES

The following significant transactions were carried out with related parties:

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Transactions with fellow subsidiaries		
Revenue:		
Information technology services	**13,784**	52,061
Liner services	**399,249**	1,565,099
Lease of vessels	**21,148**	31,656
Sales of ship	**66,000**	–
Expenditure:		
Lease of containers	**379,121**	410,300
Lease of chassis	**26,227**	35,376
Cargo and liner agency services	**631,623**	545,732
Container management services	**126,323**	880,800
Time charter services	**–**	18,096
Bareboat charter services	**37,352**	77,382
Ship repair services	**86,426**	27,697
Supply of fresh water, vessel fuel, lubricants, spare parts and other materials	**1,511,293**	796,050
Depot services	**41,442**	35,266
Information technology services	**26,440**	11,203
Provision of crew members	**31,376**	27,394
Loading and unloading services	**530,716**	851,060
Ground container transport costs	**73,127**	228,680
Purchase of containers	**541,956**	724,904
Purchase of ship	**253,712**	28,000

40. SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(A) TRANSACTIONS WITH RELATED PARTIES *(continued)*

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000 (Restated)
Transactions with other state-owned enterprises		
Revenue:		
Interest income from bank deposits	**293,370**	27,868
Expense:		
Loading and unloading services and port charges	**3,307,935**	2,561,306
Purchase of bunkers and spare parts	**1,706,182**	962,471
Interest expenses	**20,845**	228,049
Vessel maintenance costs	**167,203**	57,292
Other transactions:		
Progress payment made on construction of vessels	**5,202,165**	3,809,118

(B) BALANCES WITH RELATED PARTIES

	As at 31 December	
	2008	2007
	RMB'000	RMB'000 (Restated)
Balances with fellow subsidiaries		
Trade receivables	**523,601**	2,094,053
Less: provisions	**(34,107)**	(57,939)
	489,494	2,036,114
Other receivables	**35,963**	255,261
Trade payables	**(763,421)**	(385,319)
Other payables	**(62,099)**	(138,898)

The balances are unsecured and interest free.

40. SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(B) BALANCES WITH RELATED PARTIES *(continued)*

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Balances with other state-owned enterprises		
Bank deposits *(note (i))*	**11,601,152**	15,069,417
Bank borrowings *(note (ii))*	**5,548,199**	4,081,248
Other payables *(note (iii))*	**359,201**	247,911

Notes:

(i) Interests on bank deposits are at market rates ranging from 0.72% to 3.78% per annum (2007: from 0.72% to 3.78%).

(ii) Interests on bank borrowings are at market rates ranging from approximately LIBOR plus 0.31% to LIBOR plus 0.5% per annum (2007: LOBOR plus 0.23% to LIBOR plus 0.375%).

(iii) These balances are unsecured and interest free.

(C) KEY MANAGEMENT COMPENSATION

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Basic salaries and allowances	**6,629**	6,491
Pension and others welfare	**1,470**	1,396
Change in fair value of share-based compensation liability *(Note 29)*	**(17,699)**	33,739
	(9,600)	41,626

41. PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

(A) SUBSIDIARIES

As at 31 December, 2008, 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		Principal activities
				Directly held	Indirectly held	
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

41. PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY 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 Xiamen Co., Ltd.	6 January, 2003	Limited liability company	RMB10,000,000	100%	–	Cargo and liner agency
China Shipping Container Lines (Yangpu) Co., Ltd.	5 December, 2002	Limited liability company	RMB38,000,000	90%	10%	Cargo and liner agency
Shanghai Puhai Shipping Co., Ltd.	19 November, 1992	Limited liability company	RMB222,911,111	94.49%	5.51%	International container shipping
China Shipping Container Lines (Fuzhou) Co., Ltd.	20 May, 2003	Limited liability company	RMB1,500,000	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

41. PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY 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		Principal activities
				Directly held	Indirectly held	
China Shipping Container Lines Lianyunggang Co., Ltd.	12 March, 2003	Limited liability company	RMB5,000,000	10%	90%	Cargo and liner agency
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

41. PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY 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		Principal activities
				Directly held	Indirectly held	
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	RMB1,550,000	–	100%	Cargo and liner agency
Quanzhou China Shipping Container Lines Co., Ltd.	2 September, 2003	Limited liability company	RMB1,550,000	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

41. PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY 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		Principal activities
				Directly held	Indirectly held	
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
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

41. PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY 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		Principal activities
				Directly held	Indirectly held	
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	RM5,500,000	–	100%	Cargo and liner agency
China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. *(note 1)*	13 December, 2001	Limited liability company	RMB6,000,000	100%	–	Transportation, storage and other services
China Shipping Yangshan International Container Storage & Transportation Co., Ltd. *(note 1)*	8 November, 2006	Limited liability company	RMB64,000,000	75%	–	Placement, storage and other services for refrigerated containers
China Shipping Terminal Development Co., Ltd. *(note 1)*	18 April, 2001	Limited liability company	RMB2,039,705,065	100%	–	Operation of container terminal

41. PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY 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		Principal activities
				Directly held	Indirectly held	
China Shipping Container Lines (Shenzhen) Agency Co., Ltd.	15 June, 2006	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency
Universal Logistics (China Shipping, Shenzhen) Co., Ltd.	25 July, 2006	Limited liability company	RMB5,000,000	–	100%	Provision of shipping services
Shenzhen China Shipping Refrigeration Storage & Transportation Co., Ltd.	27 October, 2006	Limited liability company	RMB2,000,000	–	100%	Transportation, placement, storage and other services for refrigerated containers
China Shipping Container Lines Wenzhou Co., Ltd.	26 March, 2008	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency
Jinzhou New Age Container Terminal Co., Ltd.	29 September, 2001	Limited liability company	RMB320,843,634	–	51%	Operation of container terminal
Lianyungang China Shipping Container Terminal Co., Ltd.	27 April, 2000	Limited liability company	RMB600,000,000	–	55%	Operation of container terminal
Lianyungang New Oriental International Terminal Co., Ltd.	11 July, 2007	Limited liability company	RMB470,000,000	–	55%	Operation of container terminal

41. PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY 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
Lianyungang Xinsanli Container Service Co., Ltd.	17 June, 2003	Limited liability company	RMB1,000,000	–	40%	Debugging services for containers
Lianyungang Sea-railway Multi-modal Transportation Co., Ltd	24 February, 1998	Limited liability company	RMB1,000,000	–	51%	Cargo and liner agency
China Shipping Container Terminal (Shanghai) Co., Ltd.	18 February, 2008	Limited liability company	RMB1,000,000	–	100%	Operation of container terminal
Shanghai China Shipping Container Terminal Co., Ltd.	16 March, 2000	Limited liability company	RMB40,000,000	–	50%	Operation of container terminal
Incorporated and operate in Hong Kong						
China Shipping Container Lines (Hong Kong) Co., Ltd.	3 July, 2002	Limited liability company	HKD1,000,000 and USD815,904,000	100%	–	International container shipping and liner services
China Shipping Container Lines (Hong Kong) Agency Co., Ltd.	11 June, 1999	Limited liability company	HKD10,000,000	–	100%	Cargo and liner agency
Universal Shipping (Asia) Co., Ltd.	11 June,1999	Limited liability company	HKD10,000	–	100%	Provision of shipping services
Shanghai Puhai Shipping (Hong Kong) Co., Ltd.	4 July, 2007	Limited liability company	HKD1,000,000	–	100%	International container shipping and liner services

41. PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY 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		Principal activities
				Directly held	Indirectly held	
Incorporated in Panama						
PH. Xiang Zhu Shipping S.A.	8 August, 2008	Limited liability company	USD2	–	100%	International container shipping and liner services
PH. Xiang Da Shipping S.A.	8 August, 2008	Limited liability company	USD2	–	100%	International container shipping and liner services
PH. Xiang Xiu Shipping S.A.	8 August, 2008	Limited liability company	USD2	–	100%	International container shipping and liner services
PH. Xiang Wang Shipping S.A.	8 August, 2008	Limited liability company	USD2	–	100%	International container shipping and liner services
PH. Xiang Xing Shipping S.A.	8 August, 2008	Limited liability company	USD2	–	100%	International container shipping and liner services

41. PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY 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 in the British Virgin Islands						
China Shipping Container Lines (Asia) Co., Ltd.	28 October, 2002	Limited liability company	USD50,050,000	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 related 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
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
Incorporated in the Marshall Island						
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 certain subsidiaries were charged for certain bank borrowings as at 31 December, 2008 *(Note 20)*.

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

(B) ASSOCIATED COMPANY

As at 31 December, 2008, the Group has equity interests in the following associated company:

Name	Date of establishment	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

(C) JOINTLY CONTROLLED ENTITIES

As at 31 December, 2008, the Group has 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 International Ship Management Co., Ltd	18 January, 2006	Limited liability company	PRC	HKD100,000	50%	Provide monitoring, maintenance, and management services for vessels
China Shipping Zhanjian Container Terminal Co., Ltd.	24 November, 1999	Limited liability company	PRC	RMB10,000,000	50%	Operation of container terminal
Dalian Vanguard International Logistics Co., Ltd.	8 Octorber, 2008	Limited liability company	PRC	RMB74,000,000	50%	Logistics
Yingkou New Century Container Terminal Co., Ltd.	24 December, 2007	Limited liability company	PRC	RMB40,000,000	40%	Operation of container terminal
CSX World Terminal Yan Tai Co., Ltd.	30 September, 2003	Limited liability company	PRC	RMB290,000,000	35%	Operation of container terminal

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

(C) JOINTLY CONTROLLED ENTITIES *(continued)*

Name	Date of establishment	Type of legal entity	Place of operation	Registered capital	Attributable equity interest	Principal activities
Dalian Dagang Container Terminal Co., Ltd.	7 July, 1999	Limited liability company	PRC	RMB30,000,000	35%	Operation of container terminal
Guangzhou Nansha Port Stevedoring Corporation Limited	17 March, 2003	Limited liability company	PRC	RMB1,260,000,000	40%	Operation of container terminal
Qinhuangdao Port New Harbour Container Terminal Co., Ltd.	30 October, 2007	Limited liability company	PRC	RMB400,000,000	30%	Operation of container terminal
Dalian International Container Terminal Co., Ltd.	17 October, 2007	Limited liability company	PRC	RMB1,400,000,000	30%	Operation of container terminal

The English names of certain subsidiaries, associated company 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.

42. EVENTS AFTER THE BALANCE SHEET DATE

As announced by the Company, on 13 February, 2009, the Company entered into an investment agreement with China Shipping Group, China Shipping Development Company Limited, China Shipping (Hainan) Haisheng Shipping and Enterprise Co., Ltd. and Guangzhou Maritime Transport (Group) Co. Ltd. for the establishment of China Shipping Finance Company Limited ("CS Finance Company") in Shanghai, the PRC. The total registered capital of CS Finance Company is proposed to be RMB300,000,000, of which 25% shall be contributed by the Company.

Five Years Financial Summary

CONSOLIDATED RESULTS

	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000 (Restated)	**2008** **RMB'000**
Revenue	22,363,851	28,374,680	30,502,378	39,072,489	**34,756,152**
Operating profit	5,201,223	4,730,576	1,670,031	4,384,116	**367,428**
Finance costs	(512,495)	(427,273)	(533,999)	(561,492)	**(331,483)**
Profit before income tax	4,694,568	4,309,263	1,142,561	3,836,455	**64,735**
Income tax (expense)/credit	(674,177)	(724,168)	(277,847)	(601,820)	**2,885**
Profit for the year	4,020,391	3,585,095	864,714	3,234,635	**67,620**
Profit for the year attributable to minority interests	(6,769)	(2,313)	(5,504)	(4,297)	**(24,647)**
Profit for the year attributable to equity holders of the Company	4,013,622	3,582,782	859,210	3,230,338	**42,973**
Dividend	1,686,098	723,600	241,200	5,333,475	**–**

CONSOLIDATED ASSETS AND LIABILITIES

	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000 (Restated)	**2008** **RMB'000**
Non-current assets	15,250,759	20,845,376	23,604,392	30,043,799	**34,921,564**
Current assets	9,784,101	8,159,952	7,139,664	21,881,545	**14,795,656**
Current liabilities	4,352,958	4,226,798	4,593,201	7,172,038	**9,136,809**
Non-current liabilities	6,336,714	8,149,206	9,574,650	9,085,845	**8,128,553**
Net assets	14,345,188	16,629,324	16,576,205	35,667,461	**32,451,858**

Notes:

(a) The financial figures for the year 2007 and 2008 were extracted from the financial statements as set out in this Annual Report.

(b) The financial figures for year 2004 to 2006 were extracted from the 2007 Annual Report, which have also been reclassified to conform with the current year's presentation format. No retrospective adjustments for the business combinations under common control and the change in accounting policies during the year were made on the financial figures for year 2004 to 2006.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting for the year 2008 ("**AGM**") of China Shipping Container Lines Company Limited (the "**Company**") will be held at 2:00 p.m. on Thursday, 25 June, 2009 at Mingxuan Hall, 1st Floor, Supreme Tower Hotel, 600 Lao Shan Road, Pudong New District, Shanghai, the People's Republic of China ("**PRC**") for the following purposes:

by way of ordinary resolutions:

1. to consider and approve the audited financial statements and the auditors' report of the Company as at and for the year ended 31 December, 2008;

2. to consider and approve the proposed profit distribution plan of the Company for the year ended 31 December, 2008;

3. to consider and approve the report of the board of directors of the Company (the "**Board**") for the year ended 31 December, 2008;

4. to consider and approve the report of the supervisory committee of the Company for the year ended 31 December, 2008;

5. to consider and approve the annual reports of the Company prepared under the requirements of the places of listing of the Company for the year ended 31 December, 2008;

6. to consider and approve the appointment of PricewaterhouseCoopers, Hong Kong, Certified Public Accountants as the Company's international auditor, to hold office for the year 2009, and to authorise the audit committee of the Board to determine its remuneration;

7. to consider and approve the appointment of Vocation International Certified Public Accountants Co., Ltd. as the Company's PRC auditor, to hold office for the year 2009, and to authorise the audit committee of the Board to determine its remuneration;

8. to consider and determine the remuneration of the directors and supervisors of the Company for the year ending 31 December, 2009; and

9. to consider and approve the regulations governing the independent non-executive directors of the Company.

By order of the Board of
China Shipping Container Lines Company Limited
Ye Yumang
Company Secretary

Shanghai, the People's Republic of China
17 April, 2009

Notes:

(A) For the purpose of holding the AGM, the register of H shares members of the Company ("**Register of Members**") will be closed from Tuesday, 26 May, 2009 to Thursday, 25 June, 2009 (both days inclusive), during which period no transfer of H shares of the Company will be registered. Holders of H shares whose names appear on the Register of Members at the close of business on Thursday, 25 June, 2009 are entitled to attend and vote at the AGM.

In order to attend the AGM, holders of the Company's H shares shall lodge all transfer documents together with the relevant share certificates to Computershare Hong Kong Investor Services Limited, the Company's H shares registrar, ("**Computershare**") not later than 4:30 p.m. on Monday, 25 May, 2009.

The address of Computershare is as follows:

Room 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

(B) Holders of H shares, who intend to attend the AGM, must complete the reply slips and return them to the Directorate Secretary Office of the Company not later than 20 days before the date of the AGM, i.e. no later than Friday, 5 June, 2009.

Details of the Directorate Secretary Office of the Company are as follows:

3rd Floor
450 Fu Shan Road
Pudong New District
Shanghai 200122
the People's Republic of China

Tel: (86) 21 6596 6666
Fax: (86) 21 6596 6813

(C) Each holder of H shares who has the right to attend and vote at the AGM is entitled to appoint in writing one or more proxies, whether a shareholder of the Company ("**Shareholder**") or not, to attend and vote on his behalf at the AGM. A proxy of a Shareholder who has appointed more than one proxy may only vote on a poll.

(D) The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified.

(E) To be valid, for holders of H shares, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority, must be delivered to Computershare at Room 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time for holding the AGM or any adjournment thereof in order for such documents to be valid.

(F) If a proxy attends the AGM on behalf of a Shareholder, he should produce his identity card and the form of proxy signed by the Shareholder or his legal representative or his duly authorised attorney, and specifying the date of its issuance. If a legal person Shareholder appoints its corporate representative to attend the AGM, such representative should produce his/her identity card and the notarised copy of the resolution passed by the Board or other authorities or other notarised copy of the licence issued by such legal person Shareholder.

(G) Pursuant to Articles 8.25 to 8.27 of the articles of association of the Company, at the AGM, a resolution shall be decided on a show of hands unless a poll is (before or after any vote by show of hands) demanded:

(1) by the chairman of the meeting;

(2) by at least two Shareholders entitled to vote present in person or by proxy;

(3) by one or more Shareholders present in person or by proxy and representing 10% or more of all shares carrying the right to vote at the meeting.

The demand for a poll may be withdrawn by the person who makes such demand. A poll demanded on the election of the chairman of the meeting, or on a question of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded. On a poll taken at the meeting, a Shareholder (including proxy) entitled to two or more votes need not cast all his or her votes in the same way.

(H) The AGM is expected to last for half a day. Shareholders attending the AGM are responsible for their own transportation and accommodation expenses.