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

FROM CHINA TO THE WORLD

Annual Report 2009

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 related 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, 2009 comprised of 128 vessels with a total operating capacity of 497,000TEU, among which the container vessels, each with a capacity of over 4,000TEU, accounted for 87.3% 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. Wu Daqi
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. Wu Daqi
Mr. Zhang Jianhua

AUDIT COMMITTEE

Mr. Wu Daqi *(Chairman)*
Mr. Shen Kangchen
Mr. Wang Daxiong

SHARE APPRECIATION RIGHTS COMMITTEE

Mr. Zhang Jianhua *(Chairman)*

COMPANY SECRETARY

Mr. Ye Yumang

CHIEF ACCOUNTANT

Mr. Zhao Xiaoming

AUTHORISED REPRESENTATIVES

Mr. Li Shaode
Mr. Huang Xiaowen

LEGAL ADDRESS IN THE PRC

Room A-538, Yangshan International Trade Center
No. 188 Ye Sheng Road
Yangshan Free Trade Port Area
Shanghai
The PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

Corporate Information

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
Shanghai Pudong Development Bank
Bank of Communications

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

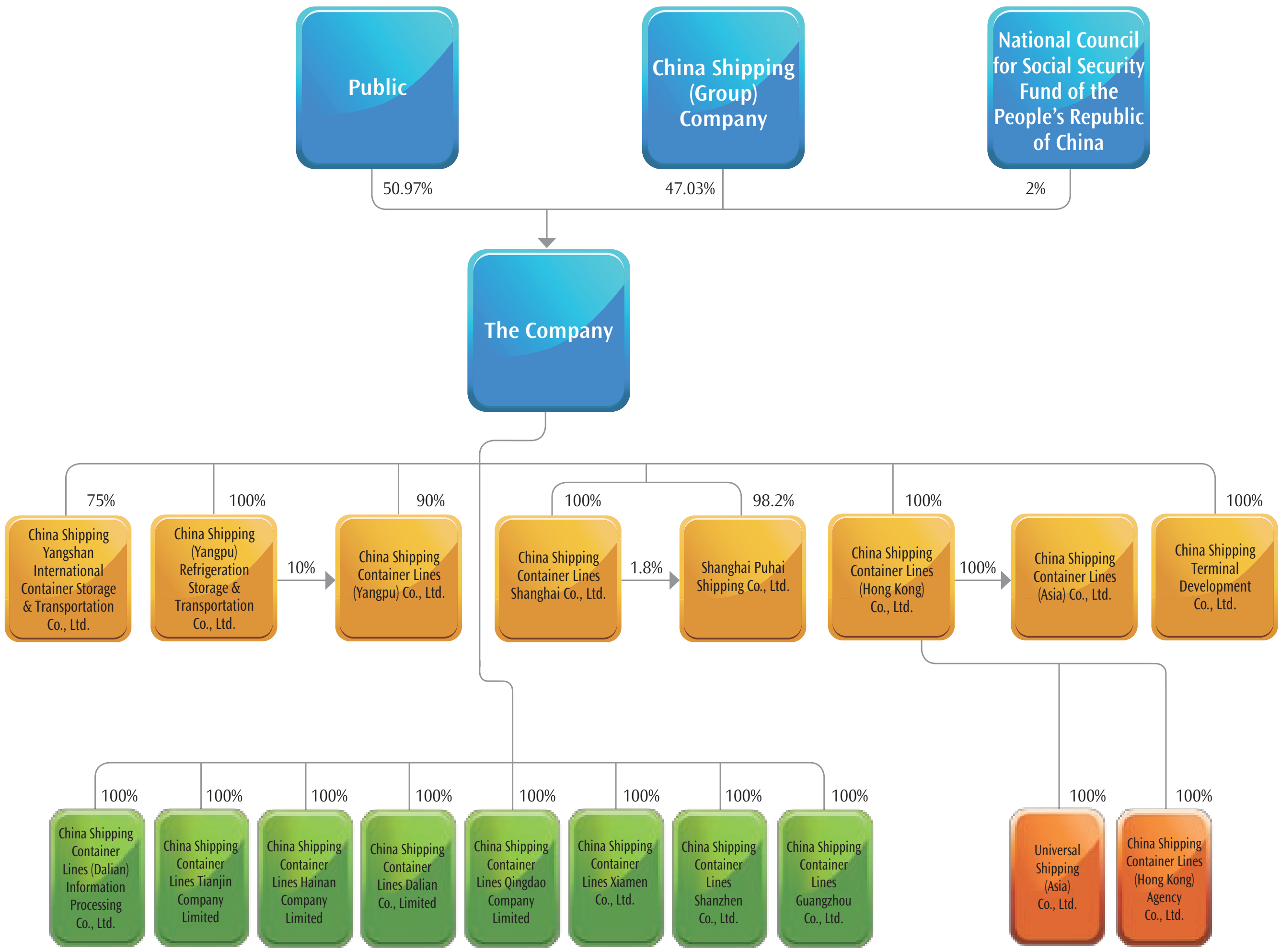
COMPARISON OF 2009 AND 2008 KEY FINANCIAL FIGURES

Consolidated Results Under Hong Kong Financial Reporting Standards ("HKFRS") For the year ended 31 December	**2009** **RMB'000**	2008 RMB'000 (Restated)	Change (%)
Revenue	**19,740,331**	34,888,595	(43.4)
Operating (loss)/profit	**(6,231,995)**	376,690	(1,754.4)
(Loss)/profit before income tax	**(6,449,276)**	73,997	(8,815.6)
(Loss)/profit for the year attributable to equity holders	**(6,489,048)**	47,084	(13,881.9)
Basic (loss)/earnings per share	**RMB(0.555)**	RMB0.004	(13,975.0)
Gross profit margin	**(29.1)%**	2.9%	(1,103.4)
Profit before income tax margin	**(32.7)%**	0.2%	(16,450.0)
Gearing ratio	**24.8%**	3.4%	629.4

Consolidated Assets and Liabilities Under HKFRS For the year ended 31 December	**2009** **RMB'000**	2008 RMB'000 (Restated)	Change (%)
Total assets	**44,292,302**	49,774,547	(11.0)
Non-current assets	**34,779,624**	34,921,991	(0.4)
Current assets	**9,512,678**	14,852,556	(36.0)
Total liabilities	**18,314,104**	17,278,636	6.0
Current liabilities	**7,608,711**	9,150,083	(16.8)
Net current assets	**1,903,967**	5,702,473	(66.6)
Net assets	**25,978,198**	32,495,911	(20.1)

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 companies and jointly controlled entities of the Company are contained in Note 40 to the financial statements.

2009 Major Events

JANUARY

On 8 January, "China Financial Fengyun Billboard" Awarding Ceremony was held in Beijing and CSCL won the Best Listed Company for Investor Relationship Award.

On 13 January, CSCL won the "IR magazine Awards 2008" presented by IR Magazine, an international authoritative magazine.

On 14 January, the first meeting of the board (the "Board") of directors (the "Directors") of the Company of 8 domestic regional companies of CSCL, China Shipping Container Lines (Hong Kong) Agency Company Limited, and Universal Shipping (Asia) Company Limited for the year 2009 was held in conference room A of the Company and General Manager Mr. Huang Xiaowen chaired the meeting.
Mr. Huang Xinming, Mr. Yao Guojian, Mr. Zhao Xiaoming, senior management of the Company, Mr. Han Juan, the Vice Chairman of Universal Shipping (Asia) Company Limited, and about 30 general managers and financial managers of 8 domestic regional companies of CSCL, China Shipping Container Lines (Hong Kong) Agency Company Limited, and Universal Shipping (Asia) Company Limited attended the meeting.

On 21 January, the "CSCL's 2009 Annual Working Meeting and the Fourth meeting of the Third Session of Employees' Representatives" were held in conference room A of the Company. Mr. Li Shaode, the President of China Shipping Group and Chairman of CSCL, and Mr. Chen Decheng, the Chairman of the Trade Union of China Shipping Group and Chairman of the supervisory committee of CSCL (the "Supervisory Committee") attended the meeting. Other participants in the meeting included the Company's General Manager Mr. Huang Xiaowen, Party Secretary Mr. Huang Xinming, Deputy General Manager Mr. Zhao Hongzhou, Deputy General Manager Mr. Li Xueqiang, Deputy General Manager Mr. Ji Tao, Vice Party Secretary Mr. Yao Guojian, Chief Accountant Mr. Zhao Xiaoming and the Company's officials with a rank not lower than sectional level and employee representatives; moreover, the relevant staff from 8 domestic regional companies of CSCL, China Shipping Container Lines (Hong Kong) Agency Company Limited, and Universal Shipping (Asia) Company Limited also attended this meeting by way of video conference. The meeting was chaired by Mr. Zhao Hongzhou, the Deputy General Manager of the Company.

FEBRUARY

On 25 February, the first meeting of China Shipping Container Industry Management Committee was held in conference room A of CSCL. President of China Shipping Group Mr. Li Shaode, CSCL's General Manager Mr. Huang Xiaowen, Party Secretary and Deputy General Manager Mr. Huang Xinming, Deputy General Manager Mr. Zhao Hongzhou, and the persons in charge and relevant staff from China Shipping Air Cargo Company Limited, China Shipping Terminal Development Company Limited, China Shipping Logistics Company Limited, Universal Shipping (Asia) Company Limited, Shanghai Puhai Shipping Company Limited ("Shanghai Puhai") and Shanghai Inchon International Ferry Company Limited ("Shanghai Inchon") attended the meeting.

MARCH

On 13 March, CSCL held a meeting regarding the deepening of the study on the implementation of scientific development. The Company's Party Secretary Mr. Huang Xinming, Vice Party Secretary and Secretary of the Disciplinary Committee Mr. Yao Guojian, relevant staff of the working group, Party Secretary (main sections) and the persons in charge of the Party-masses Department of each regional company (including Universal Shipping (Asia) Company Limited) attended the meeting, which was chaired by Vice Party Secretary Mr. Yao Guojian.

On 25 March, the 20th meeting of the second session of the Board was held, and it was chaired by Chairman Mr. Li Shaode. A series of resolutions including the Company's work report by General Manager for the year 2008, the financial report, the work report of the Board, the internal control self-evaluation report and the enterprise social responsibility report were presented and passed.

2009 Major Events

On 26 March, CSCL announced its annual results for the year 2008. The Company's Chairman Mr. Li Shaode, General Manager Mr. Huang Xiaowen and others attended the press conference and investor promotion conference held at Hong Kong Conrad Hotel.

MAY

On 15 May, CSCL held the delivery and naming ceremony of a 8,530TEU container vessel, the "New Oceania" at the premise of Hudong-Zhonghua Shipbuilding Factory. The "New Oceania" was the last of the five 8,530TEU container vessels, which CSCL ordered from Hudong-Zhonghua Shipbuilding (Group) Company Limited.

On 15 May, the 10th anniversary celebration ceremony of China Shipping Australian trade lanes and China Shipping (Australia) Agency Company was held at the dining hall of Sydney Opera House. CSCL's Party Secretary Mr. Huang Xinming and Deputy General Manager Mr. Ji Tao and others went to Australia to attend the celebration ceremony.

On 25 May, China Shipping held the mid-year financial working conference of 2009 in Shanghai. Participants at the conference included over fifty senior heads of the financial departments of 8 domestic regional companies of CSCL, China Shipping Container Lines (Asia) Company Limited, Shanghai Puhai, Universal Shipping (Asia) Company Limited, subsidiaries of China Shipping Terminal Development Company Limited, Hainan Refrigeration Storage Company Limited. General Manager Mr. Huang Xiaowen, Vice Party secretary Mr. Yao Guojian, Chief Accountant Mr. Zhao Xiaoming, Director of Accounting Division of the Company and its subsidiaries (the "Group") Finance Department Mr. Yu Jianzhong, and Chief Financial Officer of China Shipping Terminal Development Company Limited Mr. Li Guorong and others attended the meeting.

On 27 May, China Shipping Group and Evergreen Group held the signing ceremony for their cooperation regarding trade lanes of container liner shipping vessels at Shanghai Purple Mountain Hotel, where President of China Shipping Group Mr. Li Shaode and Chief Vice-President of Evergreen Group Mr. Lin Shengsan signed the cooperation framework agreement.

JUNE

On 6 June, the unveiling ceremony of a cooperation project between China Shipping Group and Dalian Maritime University, the "CSCL Dalian Documents Center and Dalian Maritime University Students Training Base", was held at Dalian Maritime University. Vice Mayor of Dalian Municipal People's Government Mr. Dai Yulin, Vice Director of Water Transport Administration of the Ministry of Transport Mr. Yang Zan, President of China Shipping Group Mr. Li Shaode, Principal of Dalian Maritime University Mr. Wang Zuwen jointly unveiled the nameplate for the center.

On 17 June, the Qingdao Port inauguration ceremony of the European and US direct trade lanes of China Shipping Group and Evergreen Group was held at the Qianwan Container Terminal of Qingdao Port. Two super large container vessels, namely the "New Hong Kong" of 9,600TEU and the "New Europe" of 8,500TEU, berthed at the port side by side. President of China Shipping Group Mr. Li Shaode, Vice Mayor of Qingdao Mr. Hu Shaojun, leaders from the Qingdao Port Management Authority and Qingdao Port Group, representatives of Evergreen Marine Corp., leaders and staff of CSCL and China Shipping Container Lines Qingdao Company Limited, and cargo owner representatives participated in the celebration ceremony.

On 18 June, China Shipping Group held a grand inauguration ceremony of the western United States trade lanes cooperation at Shenzhou Hotel in the city of Lianyungang. Vice Governor of Jiangsu Province Mr. Xu Ming came to the city of Lianyungang specially to attend and made a speech at the ceremony. President of China Shipping

2009 Major Events

Group Mr. Li Shaode, Mayor of the city of Lianyungang Mr. Xu Yiping, Chairman of Lianyungang Port Group Mr. Yu Xiangyang and others also gave passionate speeches at the ceremony. Director and General Manager of CSCL Mr. Huang Xiaowen, and General Manger of China Shipping Terminal Development Company Limited Mr. Fang Meng and others also attended the ceremony.

On 25 June, the annual general meeting of CSCL for the year 2008 was held at Mingxuan Hall, 1st Floor, Supreme Tower Hotel, No. 600, Lao Shan Road, Shanghai. The meeting was convened by the Board, and chaired by the Vice Chairman Mr. Ma Zehua as delegated by the Chairman of the Company Mr. Li Shaode.

On 26 June, the signing ceremony of "Two Ports One Trade Lane" strategic cooperation agreement between Hainan Ganghang Holding Inn Company Limited, Yingkou Port Group Company Limited and CSCL was held at Shanghai Pudong Holiday Hotel. About 50 people participated in the signing ceremony, including Assistant Mayor of Haikou and Chairman of Hainan Ganghang Holding Company Limited Mr. Li Xiangyang, Director of State-owned Assets Supervision and Administration Commission of Haikou Mr. Xu Wei, President of Hainan Ganghang Holding Company Limited Mr. Lin Yi, Chairman and President of Yingkou Port Group Company Limited Mr. Gao Baoyu, President of China Shipping Group and Chairman of CSCL Mr. Li Shaode, General Manager of CSCL Mr. Huang Xiaowen, Party Secretary of CSCL Mr. Huang Xinming, General Manager of China Shipping Terminal Development Company Limited Mr. Fang Meng, Deputy General Manager of China Shipping Logistics Company Limited Mr. Huang Yu, the persons in charge from the relevant departments of CSCL, and representatives of other relevant units.

JULY

On 3 July, the 102nd session of Council of International Maritime Organization (IMO) passed the report given by the Expert Appraisal Group, and the nominated "New Europe" of CSCL gained ample recognition from the IMO and the international shipping industry due to its outstanding performance in maritime search and rescue, and was finally granted the "2009 IMO Maritime Search and Rescue Special Bravery Award".

AUGUST

On 1 August, CSCL held the mid-year working conference of 2009 and theory discussion meeting in Taicang. The participants included all the leaders of CSCL, assistant to general manager, the persons in charge of each department/center, and the persons in charge from the 8 domestic regional companies of CSCL, Universal Shipping (Asia) Company Limited, China Shipping (Yangpu) Cold Storage and Transportation Company Limited, Shanghai China Shipping (Yangshan) International Container Storage and Transportation Company Limited ("CS Yangshan"), Shanghai Puhai and China Shipping Terminal Development Company Limited.

On 6 August, China Shipping Group and Tianjin Port Group held the grand 3rd anniversary celebration ceremony of the opening of CSCL "Tianjin-Nansha" domestic quality trade lanes at Tianjin Binhai New District. Over 200 people were invited to attend the activity including Tianjin municipal government and the relevant port units, Guangzhou Port Group, client representatives and the media.

In early August, Number 30 container terminal at Seattle (US) Port, the joint venture of China Shipping Group and the US SSA Port Company Limited, officially started its operation and it welcomed the first container vessel "China Shipping Jakarta" on 8 August, and smoothly completed its stevedoring work.

On 25 August, CSCL was granted the "2010 Year Annual Carrier Award" at the annual CEO meeting of Michaels Stores.

On 27 August, the 24th meeting of the second session of the Board was held and Chairman Mr. Li Shaode chaired this Board meeting.

2009 Major Events

On 28 August, CSCL announced its interim results for the six months ended 30 June, 2009. Chairman of the Company Mr. Li Shaode, General Manager Mr. Huang Xiaowen and others attended the press release conference and investor promotion conference held at the Hong Kong Shangri-La Hotel.

NOVEMBER

On 18 November, China Shipping "Haikou-Yingkou" container green quality trade lanes officially started its operation.

DECEMBER

On 3 December, the grand 10th anniversary celebration ceremony of the inauguration of the China Shipping container trade lanes to the US, organised by China Shipping Group and co-organised by the Los Angeles Port Bureau, Seattle Port Bureau, Ports America, Inc. and SSA Port Company Limited, was held at China Shipping terminal in Los Angeles Port in the US.

On 15 December, the first extraordinary general meeting of CSCL for the year 2009 was held at Mingxuan Hall, 1st Floor, Supreme Tower Hotel, No. 600, Lao Shan Road, Shanghai.

On 26 December, the 27th meeting of the second session of the Board and the first meeting of Investment Strategy Committee of CSCL ("Investment Strategy Committee") was held at the Company's principal place of business, namely 450 Fushan Road, Shanghai.

From 18 December to 19 December, China Shipping held "China Shipping Group Deployment Meeting" for the year 2010 in Guilin. 17 custom authorities, 10 port management administrations and 45 port groups, and more than 210 representatives from China Shipping Terminal Development Company Limited, Shanghai Puhai, China Shipping Logistics Company Limited, Universal Shipping (Asia) Company Limited, Shanghai Inchon, 8 domestic regional companies of CSCL, and the relevant departments of CSCL attended the meeting. Vice Director of Water Transport Administration of the Ministry of Transport Mr. Zhang Shouguo also attended the meeting and gave a speech.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Chairman's Statement

The financial tsunami starting from 2007 has worsened deeply in 2009 with such unprecedented, broad and deep adverse impact. Despite the adoption of a number of counter-measures, the Group has failed to reverse its state of making losses continuously.

For the year 2009, the Group's revenue was RMB19,740,331,000, representing a decrease of 43.4% as compared with the year 2008. The Group's loaded container volume was 6,741,790 TEU, representing a decrease of approximately 3.7% as compared with last year.

Chairman's Statement

OPERATION REVIEW

In light of difficult operating environment, the Group vigorously respond to it, strictly controlled its costs, remained closely tied with market changes, and implemented comprehensive measures in various ways in response to the market:

1. REORGANISING THE FLEET STRUCTURE, OPTIMISING THE TRADE LANE DESIGN

As at the end of December 2009, the fleet of the Company comprised 128 vessels with a total shipping capacity of 497,000 TEU. In light of the difficult environment of excess shipping capacity, the Group promptly let out part of its shipping capacity and terminated the fleet leases with high rental, leased the fleet that matched the Group's development of trade lanes, and speeded up the disposal of obsolete vessels. Meanwhile, the Group was keen on developing trade lanes cooperation, made active and flexible adjustment to the overall arrangement of trade lanes, optimised its overall arrangement of trade lanes, and carried out cooperation in various forms with a number of shipping companies concerning a few trade lanes.

Chairman's Statement

2. DEEPENED THE "THREE REFINEMENT" PHILOSOPHY AND INCREASED EFFICIENCY

The Group not only achieved quality trade lanes and quality services, but also quality thinking process and quality philosophy through 3 years of great effort since the Group requested the implementation of refined management.

(1) Strengthened the establishment of quality trade lanes and continuously improved service quality of each trade lane;

(2) Took efforts to increase the "Three Ratios" (on-schedule ratio, container load ratio and satisfaction ratio);

(3) Refined the specifics of cost control

(a) Controlled fuel cost

The Group controlled fuel cost through implementing economic voyage speed generally and fixing fuel price periodically. The annual consumption of fixed price fuel in 2009 amounted to 420,000 tons, representing the saving of USD31,907,000 as compared to the market price during the same period.

(b) Controlled container management cost

To strictly control container management cost, the Group implemented measures such as speeding up the turnaround of containers, reducing the number of empty containers, strengthening the management of overdue containers and adopting the policy of "terminating high and renting low". This led to a decrease in total container management costs of 34.3% as compared with the year 2008, which amounted to RMB1,790,000,000. The container management cost of single container decreased of 31.8%.

(c) Controlled port cost

Relying on the overall advantages of the Group and the advantage of the brand of China Shipping, making full use of the decrease in port operation cost and the intensified competition, the negotiation of port cost rate achieved good results and thus reduced port charges by approximately RMB100,000,000. The port charges averaged to single container decreased of 26.7% and stevedore charges averaged to single container decreased of 21.7%.

(d) *Controlled transhipment cost*

The Group strengthened its trade lanes cooperation, increased the shipping space of direct voyage, and reduced transhipment volume. Total annual transhipment loaded container volume of international trade lanes for the year 2009 was 1,468,000 TEU, representing a decrease of 376,000 TEU as compared with last year.

(4) Refined the specifics of freight rate management and adjusted the freight rate policy flexibly

(5) Strengthened its effort regarding the lease of shipping space and stabilised revenues generated from trade lanes

3. ENHANCED MARKETING AND OPTIMISED CARGO STRUCTURE

In 2009, the Group further comprehensively explored several markets including "Global BCO", "global freight logistics companies" by relying on the operating platform of the global clients. It strengthened communication and interaction with oversea agencies and meanwhile enhanced the development of project clients and direct clients, optimised the cargo structure and increased the volume of fundamental sources of cargo.

4. STRENGTHENED EXTERNAL COOPERATION AND FACED THE CRISIS TOGETHER

The Group implemented the strategy of "Large Clients, Large Cooperation", carried out external cooperation extensively, shared advantages with each other, provided extended services, constructed the sea-to-rail transportation network and created a win-win situation by partnering with large customers.

5. IMPROVED INTERNAL CONTROL MECHANISM AND PREVENTED RISKS IN OPERATION

The Group deepened the establishment of the internal control project and comprehensive risk management system project, thus promoting the consistent and healthy development of the Group.

6. REASONABLY CONDUCTED FINANCIAL MANAGEMENT

Based on the need for financial management, the Group repaid part of its borrowings in advance, procured working capital loans, continuously reduced RMB loans by considering the trend of the continuous appreciation of RMB, increased debts in foreign currencies, and reasonably avoided exchange rate risk. By carrying out a reasonable financial management, the Group's liquidity sufficiency in 2009, 2010 or even a longer term in the future has been guaranteed.

Chairman's Statement

FUTURE PROSPECT

Currently, although approximately 7% of the shipping capacity in the market is idle and predictably, there will be approximately 9% of new shipping capacity in the whole year of 2010, the increase in container trade volume is expected to be more than 10% in 2010. Additionally, with the obvious acceleration in the speed of vessel dismantlement and the universal application of ultra-slow voyage speed in the industry, the gap between effective shipping capacity and freight volume will be reduced further.

Owing to the recovery of the market freight rates recently, the freight rate for each trade lane has been significantly improved, shipping companies have begun to release their respective idle shipping capacities and this resulted in the freight rates becoming loosen. However, the shipping companies are obviously apt to be careful in releasing their shipping capacity after experiencing huge losses last year. It is believed that the game between the shipping companies and the market will reach an equilibrium at a relatively high freight rate.

It is unlikely that the global economy will head into a second dip of the recession in 2010, and the trend of economic recovery is basically clear in each economy. Although the container shipping industry is still encountering many uncertain factors, such as increase in oil price and the appreciation of RMB, the Group believes that along with successively carrying out and implementing each revenue enhancing and expenditure controlling measure, the operation of the Group will be significantly improved in 2010.

The Group is taking a careful but optimistic view about the future market situation.

The Group proposes to carry out its business by focusing on the following points:

1. OPTIMISE TRADE LANES ON AN EFFICIENCY-ORIENTED BASIS

For its trade lanes operation, the Group will flexibly control the input of shipping capacity, adjust the overall arrangement of trade lanes and develop its trade lanes cooperation. It will actively participate in the relevant associations, negotiate and collaborate with other shipping companies, and together promote the restoration of and increase in freight rates. It will reduce the shipping capacity of the trade lanes that are suffering losses and increase trade lanes operation efficiency.

2. FURTHER IMPROVE SERVICE AND INCREASE THREE RATIOS

The Group will continue to adapt to changes in the market on its own initiative, concentrate the efforts on the "three ratios" (on-schedule ratio, container load ratio and satisfaction ratio) and proactively meet the needs of clients, protect their interests and present the Group's core competitiveness based on its quality service.

3. FURTHER REFINE THE SPECIFICS OF COST CONTROL

The Group will consistently deepen and implement refined management and strictly control cost and expenditure including fuel cost, container management cost, port charge and transhipment cost.

Chairman's Statement

4. STRENGTHEN SAFETY MANAGEMENT

In 2010, the Group will continue to uphold the policy of safety first, prevention first and integrated administration, establish a harmonious and safe production environment, take the approach of safe development, and comprehensively upgrade the level of safety production and efficiency of the Group.

5. SPEED UP INFORMATION CONSTRUCTION

The Group will improve information system of regional companies and overseas agencies, accelerate the payables and receivables system project and further improve the verification process of the Group and increase the accuracy of the verification.

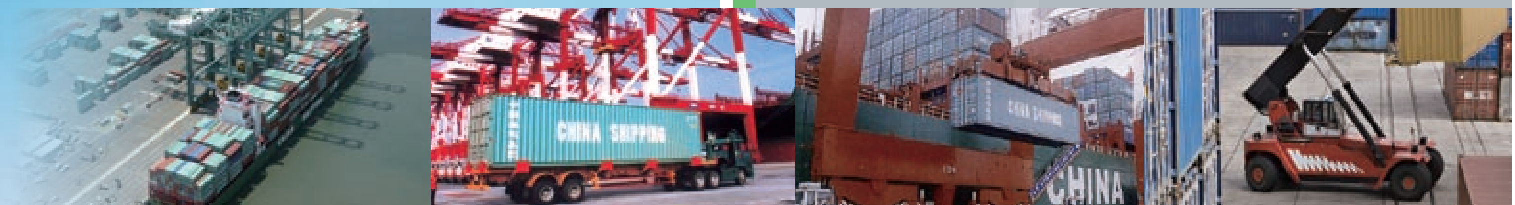
6. FURTHER STRENGTHEN AND BROADEN INTERNAL CONTROL MECHANISM AND IMPROVE THE MANAGEMENT OF THE GROUP

In the year 2010, the Group will, just as in the past, seek for opportunities in the dynamic market, conquer difficulties and promote the stable development of the Group!

By Order of the Board of Directors
China Shipping Container Lines Company Limited
Li Shaode
Chairman

21 April, 2010


CSCL LOS ANGELES


CHINA SHIPPING
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Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 December, 2009, the Group recorded a revenue of RMB19,740,331,000, representing a decrease of 43.4% as compared to last year; loss before income tax was RMB6,449,276,000 (2008: profit before income tax amounted to RMB73,997,000); loss attributable to equity holders amounted to RMB6,489,048,000 (2008: profit attributable to equity holders amounted to RMB47,084,000); loaded cargo volume for the whole year amounted to 6,741,790 TEU, representing a decrease of 3.7% as compared to last year. For the year ended 31 December, 2009, the average freight rate per TEU for international trade lanes of the Group amounted to RMB4,027, representing a decrease of approximately 39.9% as compared to the year 2008. The decrease was primarily due to the rapid decrease in freight rates for international trade lanes as a result of weak consumption in various economic regions adversely affected by the financial crisis. The average freight rate for China domestic trade lanes amounted to RMB1,289, representing a decrease of 33.7% as compared to last year as a result of intensified competition in China domestic trade lanes.

FINANCIAL REVIEW

REVENUE

The Group's revenue decreased by RMB15,148,264,000 or 43.4% from RMB34,888,595,000 for the year 2008 to RMB19,740,331,000 for the year 2009. The decrease in revenue was primarily due to:

- *Decreased volume of loaded cargoes*

  The volume of loaded cargoes for the year ended 31 December, 2009 amounted to 6,741,790 TEU, representing a decrease of 3.7% as compared to last year as a result of the rapid decrease in cargo volume for international trade lanes, including Europe/Mediterranean trade lanes and the Pacific trade lanes, which were adversely impacted by the global financial crisis.

ANALYSIS OF LOADED CONTAINER VOLUME BY TRADE LANES

Principal Markets	2009 TEU	2008 TEU (Restated)	Change (%)
Pacific trade lanes	**1,195,986**	1,303,937	-8.3%
Europe/Mediterranean trade lanes	**1,050,079**	1,376,178	-23.7%
Asia pacific trade lanes	**1,320,862**	1,426,744	-7.4%
China domestic trade lanes	**3,049,392**	2,709,974	12.5%
Others trade lanes	**125,471**	181,126	-30.7%
Total	**6,741,790**	6,997,959	-3.7%

Management Discussion and Analysis

- *Decreased freight rate*

  The Group's average freight rate per TEU for the year 2009 amounted to RMB2,789, representing a decrease of 42.6% as compared to the year 2008. Among which, the average freight rate per TEU for international trade lanes recorded a decrease of about 39.9% as compared to the year 2008 to RMB4,027, mainly due to the general decrease in the freight rate for international trade lanes, and significant decrease in the freight rates for Europe/Mediterranean trade lanes and the Pacific trade lanes, with a decrease of approximately 47.2% in the average freight rate for Europe/Mediterranean trade lanes and a decrease of approximately 37.9% in the average freight rate for the Pacific trade lanes. In addition, the average freight rate for China domestic trade lanes decreased by RMB656 as compared to the same period last year to RMB1,289. The decrease was mainly due to the increased market competition in the China domestic trade lanes.

ANALYSIS OF REVENUE BY TRADE LANES

Principal Markets	**2009 RMB'000**	2008 RMB'000 (Restated)	Change (%)
Pacific trade lanes	**6,427,004**	11,289,549	-43.1%
Europe/Mediterranean trade lanes	**4,302,682**	10,681,324	-59.7%
Asia pacific trade lanes	**3,345,492**	5,104,944	-34.5%
China domestic trade lanes	**3,931,304**	5,271,432	-25.4%
Others trade lanes	**795,805**	1,640,594	-51.5%
Total	**18,802,287**	33,987,843	-44.7%

COSTS OF SERVICES

For the year ended 31 December, 2009, total costs of services amounted to RMB25,485,612,000, representing a decrease of 24.7% as compared to the year 2008. Due to the efficient control of costs by the Group, costs of services on a per TEU basis amounted to RMB3,573, representing a decrease of 23.0% as compared to the year 2008.

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

- Container and cargo costs decreased by 26.4% from RMB13,444,170,000 in 2008 to RMB9,889,030,000 mainly due to the decrease in the volume of loaded cargoes. Port charges amounted to RMB1,743,727,000, representing a decrease of 29.4%, as a result of the decrease in the trade lanes, the number of voyages, port calling of vessel and canal passing frequency, and the general decrease in port charge rate over the world in 2009. The stevedore charges for loaded and empty containers amounted to RMB5,713,068,000, representing a decrease of 24.6%, principally due to the decrease in the volume of loaded cargoes in the international trade lanes and in the volume of repositioning of empty containers. The container management cost amounted to RMB1,789,914,000, representing a decrease of 34.3%, due to the reasonable arrangement of repositioning and storage of empty containers and rational control of container volume.

Management Discussion and Analysis

- Vessel and voyage costs for the year 2009 amounted to RMB10,232,555,000, representing a decrease of 30.9% as compared to the year 2008, mainly due to the decrease in fuel costs. The decrease in the Group's fuel costs in 2009 amounted to RMB4,445,372,000. By virtue of effective control, vessel and voyage costs per TEU of the Group decreased by RMB597 or 28.2% from RMB2,115 for the year 2008 to RMB1,518 for the year 2009.

- Sub-route and other costs for the year 2009 amounted to RMB5,364,027,000, representing a decrease of 4.5% as compared to the year 2008. Such slight decrease was mainly due to the slight decrease in the volume of loaded cargoes for sub-route resulting from the decrease in door-to-door transportation services provided by the Group, and the general decrease in inland sub-route costs of each country.

GROSS LOSS

Due to the above reasons, the Group recorded a gross loss of RMB5,745,281,000 in 2009 (2008: gross profit amounted to RMB1,027,971,000).

INCOME TAX EXPENSE

For the period from 1 January, 2009 to 31 December, 2009, the CIT rate applicable to the Company was 20%. The Company's subsidiaries incorporated in the PRC were subject to CIT at a CIT rate ranging from 20% to 25% for the period from 1 January, 2009 to 31 December, 2009.

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

For the year ended 31 December, 2009, the Group's selling, administrative and general expenses were RMB687,988,000, representing an increase of 29.9% as compared to the year 2008. The increase was mainly due to the increase in the fair value of the share appreciation rights granted to the employees.

LOSS ATTRIBUTABLE TO EQUITY HOLDERS

Due to the above reasons, the loss attributable to the equity holders of the Company for the year 2009 was RMB6,489,048,000 (2008: Profit attributable to equity holders of the Company amounted to RMB47,084,000).

FINANCIAL RESOURCES AND FINANCIAL LIABILITIES

The Group's principal sources of working capital have been the operating fund inflow and bank borrowings. Cash is mainly used in costs of services, new vessels construction, purchase of containers, the repayment of principal and interest for bank borrowings and finance leases.

As at 31 December, 2009, the Group's total bank borrowings was RMB10,784,469,000. The maturity profile is spread over a period between 2010 and 2021, with RMB2,432,784,000 repayable within one year, RMB2,511,700,000 in the second year, RMB3,908,254,000 in the third to fifth year, and RMB1,931,731,000 after the fifth year. The Group's long-term bank borrowings are mainly used for the purchase of new vessels, containers, and port and depot infrastructure.

As at 31 December, 2009, the Group's long-term bank borrowings were secured by mortgages over several container vessels, containers and port and depot infrastructure with a net book value of RMB2,254,348,000 (31 December, 2008: RMB2,373,710,000).

As at 31 December, 2009, the Group had RMB bank borrowings at fixed interest rates in the amount of RMB2,268,000,000, USD bank borrowings at fixed interest rates in the amount of RMB725,656,000 and USD bank borrowings at floating interest rates in the amount of RMB7,790,813,000. The Group's bank borrowings are denominated in RMB or USD, and cash and cash equivalents are mainly denominated in these two currencies.

Management Discussion and Analysis

As at 31 December, 2009, the Group's obligations under finance leases amounted to RMB803,970,000 (31 December, 2008: RMB2,595,691,000). The maturity profile is spread as follows: the amount repayable within one year is RMB232,069,000, the amount repayable in the second year is RMB221,934,000, the amount repayable in the third to fifth year is RMB326,214,000 and the amount repayable after the fifth year is RMB23,753,000. Almost all of the Group's finance lease obligations payable are arranged for the lease of containers.

NET CURRENT ASSETS

As at 31 December, 2009, the Group's net current assets amounted to RMB1,903,967,000. Current assets mainly comprised inventories of RMB874,400,000, trade and notes receivables of RMB1,573,176,000, prepayments and other receivables of RMB128,394,000 and cash and cash equivalents of RMB6,936,708,000. Current liabilities mainly comprised trade and notes payables of RMB4,071,296,000, accrual and other payables of RMB743,498,000, current income tax liabilities of RMB36,971,000, long-term bank borrowings – current portion of RMB2,296,220,000, short-term bank borrowings of RMB136,564,000, finance lease obligations-current portion of RMB232,069,000, and provision of RMB92,093,000.

CASH FLOWS

For the year 2009, the Group's net cash outflow used in operating activities was RMB3,734,513,000, denominated principally in RMB and US dollars, representing a decrease of RMB6,829,636,000 compared to the net cash inflow for the year 2008 of RMB3,095,123,000. Cash and cash equivalent balances at the end of 2009 decreased by RMB4,750,270,000 as compared to the same period last year, mainly reflecting outflow of net cash used in operating activities and 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 vessels, containers and terminal facilities construction. Net cash generated from operations, when not needed for working capital requirements, is principally held as short-term and demand deposits.

The following table provides information regarding the Group's cash flows for the years ended 31 December, 2008 and 2009:

	For the year ended 31 December,	
	2009	2008
	(RMB)	(RMB)
		(Restated)
Net cash (used in)/generated from operating activities	**(3,734,513,000)**	3,095,123,000
Net cash used in investing activities	**(1,311,288,000)**	(8,965,700,000)
Net cash generated from financing activities	**296,322,000**	1,107,470,000
Foreign exchange loss on cash and cash equivalents	**(791,000)**	–
Net decrease in cash and cash equivalents	**(4,750,270,000)**	(4,763,107,000)

Management Discussion and Analysis

NET CASH USED IN OPERATING ACTIVITIES

For the year ended 31 December, 2009, the net cash outflow used in operating activities was RMB3,734,513,000, representing a decrease of RMB6,829,636,000 from the net cash inflow of RMB3,095,123,000 in 2008. The decrease in the net cash generated from operating activities of the Group was due to the significant decrease in the Group's revenue and the operating profit margin in 2009.

NET CASH USED IN INVESTING ACTIVITIES

For the year ended 31 December, 2009, net cash outflow used in investing activities was RMB1,311,288,000, representing a decrease of RMB7,654,412,000 from net cash outflow used in investing activities for the year 2008 of RMB8,965,700,000. The decrease was mainly due to the Group's capital expenditure on vessels, containers and other construction in progress of RMB1,413,809,000, representing a decrease of RMB5,341,303,000 from RMB6,755,112,000 in 2008.

NET CASH GENERATED FROM FINANCING ACTIVITIES

For the year ended 31 December, 2009, net cash inflow generated from financing activities was RMB296,322,000, representing a decrease of RMB811,148,000 as compared to the net cash inflow generated from financing activities of RMB1,107,470,000 in 2008. In 2009, the Group borrowed RMB7,134,600,000 from banks, and repaid bank borrowings of RMB4,753,203,000 and principal of finance leases of RMB1,850,183,000.

AVERAGE DEBTOR TURNOVER

As at 31 December, 2009, the gross balance of trade and notes receivables of the Group amounted to RMB1,615,794,000, representing a decrease of RMB731,246,000 as compared to the same period last year, and the balance of trade receivables from related parties amounted to RMB231,414,000, representing a decrease of RMB292,187,000 as compared to the same period last year. Despite the significant decrease in the Group's revenue in 2009, the Group's average debtor turnover days only slightly increased as compared with last year due to the implementation of automatic funds transfer arrangements from the ship-owners accounts and further enhancement of credit control concerning payment by the clients.

GEARING RATIO

As at 31 December, 2009, the Group's gearing ratio (i.e. bank borrowings, domestic corporate bonds and finance lease obligations less cash and cash equivalents, over shareholder's equity) was 24.8%, which was higher than 3.4% in 2008. The increase in gearing ratio was mainly due to the fact that the net cash inflow from financing activities was less than the cash outflow used in operating activities and capital expenditures on construction of vessels and containers. In addition, the Group's loss in 2009 also reduced its net asset and all these factors resulted in the increase in gearing ratio of the Group.

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.

In 2009, the Group continued to improve the currency structure, as such, the Group gained exchange profits of RMB85,934,000 and the exchange difference charged to equity amounted to RMB25,268,000 for the year 2009. The Group continues to monitor the RMB exchange rate fluctuation, convert net cash inflow from operating activities into RMB in a timely manner so as to minimise foreign currency risk, and consider appropriate measures including making hedging arrangement (e.g. forward exchange contracts), based on its operating needs to mitigate the Group's currency exposure.

Management Discussion and Analysis

CAPITAL EXPENDITURE

During the year ended 31 December, 2009, capital expenditure on the purchase of container vessels and vessels under construction amounted to RMB938,765,000, terminals and berth facilities amounted to RMB370,653,000, purchase of containers amounted to RMB79,775,000, development of information system amounted to RMB15,856,000, and purchase of office equipment and motor vehicle amounted to RMB39,610,000.

CAPITAL COMMITMENTS

As at 31 December, 2009, major capital commitments of the Group which had contracted but not provided for, in relation to vessels under construction were RMB8,165,053,000, and in relation to investment were RMB168,000,000. 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 9 December, 2008 and 23 December, 2008, Shanghai Puhai, a wholly-owned subsidiary of the Group, entered into the equity transfer agreements with Hang Lim Shipping Co., Ltd. and China Shipping Group respectively to acquire their respective 24.5% and 51% equity interest in Shanghai Inchon. In March 2009, the Group paid RMB10,414,000 and RMB21,678,000 in total to Hang Lim Shipping Co., Ltd. and China Shipping Group respectively to complete the above acquisition of equity interests.

CONTINGENT LIABILITIES

As at 31 December, 2009, the Group had provisions of RMB92,093,000 for onerous contracts and legal claim.

EMPLOYEES, TRAINING AND BENEFITS

As at 31 December, 2009, the Group had 4,311 employees. Employees benefit expenses were approximately RMB1,407,764,000 (including a provision for the year of RMB76,651,000 in relation to the H share share appreciation rights (the "Rights") granted to 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 2,921 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 Group's H share from the date of grant to the date of exercise.

Biographies of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

MR. LI SHAODE (李紹德), AGE 59

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. From 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 53

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 Department of the 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.

Biographies of Directors, Supervisors and Senior Management

MR. HUANG XIAOWEN (黃小文), AGE 47

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 State Intellectual Property Office, and in 2002 his "multi-purpose vehicle container shipping methodology" was also granted Practical New Design patent by State Intellectual Property Office. He was awarded "Shanghai Labor Model for 2001-2003" by Shanghai Municipal 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 42

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. From 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.

Biographies of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS

MR. MA ZEHUA (馬澤華), AGE 57

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 59

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.

Biographies of Directors, Supervisors and Senior Management

MR. LIN JIANQING (林建清), AGE 56

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 49

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.

Biographies of Directors, Supervisors and Senior Management

MR. XU HUI (徐輝), AGE 47

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 Co., Ltd 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. From 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.

Biographies of Directors, Supervisors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. HU HANXIANG (胡漢湘), AGE 70

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 the Water Transport Department of the 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 Shipping Agency Association. Mr. Hu was appointed as an independent non-executive Director in March, 2004.

MR. WU DAQI (吳大器), AGE 55

Independent non-executive Director of the Company. Mr. Wu graduated from department of accounting of Shanghai College of Finance and Economics, and is a Chinese Certified Public Accountant. From July 1983 to December 1985, he was an assistant lecturer of the Department of Accounting and Law of the Faculty of Liberal Arts of Shanghai University. From December 1985 to May 1991, he was an assistant lecturer and a lecturer of the Department of Management of Shanghai University of Electric Power. From May 1991 to October 1993, he was the deputy head of the Department of Management of Shanghai University of Electric Power. From October 1993 to December 1995, he was the deputy head of the Department of Electric Power of Shanghai University of Electric Power. From December 1995 to January 1997, he was the head of the Department of Electric Power of Shanghai University of Electric Power. From January 1997 to February 1997, he was the head of the Department of Management of Shanghai University of Electric Power. From March 1997 to May 2004, he was the vice president of Shanghai University of Electric Power. From May 2004, he is the vice president of Shanghai Finance University. Mr. Wu Daqi is currently a member of the Financial Expert Committee of Accounting Society of China, the vice president of Shanghai Financial Legal Seminar, a special auditor of Shanghai, a director of Shanghai Accounting Society, the vice chairman of Shanghai Universities Accounting Teaching Committee and a director of China Electrical Enterprise Management Association. In addition, he is also a delegate of the 13th Shanghai National People's Congress, a director of Shanghai Districts and Counties Working Committee and Pudong New District Committee of China Democratic League. He acts as an independent director of Orient International Enterprise Ltd., Lianhe Chemical Technology Co., Ltd. and Shanghai Industrial Development Co., Ltd.. He joined the Company in December, 2009.

Biographies of Directors, Supervisors and Senior Management

MR. SHEN KANGCHEN (沈康辰), AGE 69

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 70

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.

Biographies of Directors, Supervisors and Senior Management

MR. SHEN ZHONGYING (沈重英), AGE 65

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 60

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 deputy 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.

Biographies of Directors, Supervisors and Senior Management

MR. YAO GUOJIAN (姚國建), AGE 56

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 examination committee 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 China Shipping Logistics Co., Ltd.. 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 59

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 46

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

Biographies of Directors, Supervisors and Senior Management

MR. HUA MIN (華民), AGE 59

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 54

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 44

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.

Biographies of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

MR. HUANG XINMING (黃新明), AGE 56

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 China Shipping Logistics Co., Ltd.. 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 Australia International Public University in October, 1999. Mr. Huang joined the Company in December, 2004.

MR. LI XUEQIANG (李學強), AGE 49

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 deputy 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 59

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

Biographies of Directors, Supervisors and Senior Management

MR LI ZHIGANG (李志剛), AGE 45

Deputy General Manager of the Company. Mr. Li assists General Manager of the Company and is responsible for the production and operation of the Company. Mr. Li started his career in the shipping industry in 1987. From 1987 to 1997, he held the posts of marine navigator of Shanghai Xinhai Shipping Company Limited, and captain of Thailand Shengtai Haiyun Company Limited. From October, 1997 to January, 2000, he was appointed as a department manager of Shanghai Office of China Department of Rich Shipping Co., Ltd.. From January, 2001 to December, 2003, he held the posts of deputy general manager (wording level leader) of Shanghai Puhai, a subsidiary of the Company. From January, 2004 to January, 2006, he was appointed as general manager of Shanghai Puhai. From January, 2006 to now, he has been appointed as director and general manager of Shanghai Puhai. From June, 2009 to now, he has been appointed as deputy general manager of the Company, and gained extensive experiences in operation and management. Mr. Li graduated from the department of navigation of Shanghai Maritime College majoring in navigation in July, 1987, and obtained MBA degree from Shanghai Maritime University in July, 2004. He joined the Company in June, 2009.

MR. ZHAO XIAOMING (趙小明), AGE 56

Chief Accountant 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.

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December, 2009.

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 40 to the consolidated 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 consolidated financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 71 of this annual report.

DIVIDENDS

No profit will be distributed for the year 2009 and none of the capital accumulation fund will be converted into additional share capital.

RESERVES

Movement of the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 73 and 74 of this annual report and Note 18 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 17 to the consolidated 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, 2009, distributable reserves of the Company, calculated based on the above principles, amounted to approximately RMB107,858,000, 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 172.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December, 2009, 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.

Report of the Directors

DIRECTORS AND SUPERVISORS

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

EXECUTIVE DIRECTORS:

Mr. Li Shaode
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. Wu Daqi
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.

REMUNERATION OF DIRECTORS

The Company determines the remuneration of the Directors on the basis of their qualifications, experience and contributions. Details of the remuneration of Directors are set out in Note 29 to the financial statements.

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 26 to 37 of this annual report.

Each of Li Shaode, Ma Zehua, Zhang Jianhua, Lin Jianqing, Wang Daxiong and Zhang Guofa was as at 31 December, 2009 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, 2009, an interest or short position in the Company's shares and underlying shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

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

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

Report of the Directors

DIRECTORS', SUPERVISORS' INTERESTS IN SHARES

According to the Scheme adopted on 12 October, 2005 and amended on 20 June, 2006, 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, 2009, 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)

Note:

Saved as disclosed above, as at 31 December, 2009, 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, 2009, 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	5,361,837,500 (Long position)	Beneficial owner	67.60%	45.89%
Hutchison International Limited	H	241,758,000 (Long position)	Beneficial owner	9.99%	2.07%
JP Morgan Chase & Co	H	67,802,750 (Long position)	Beneficial owner	1.81%	0.58%
		18,050,000 (Short position)	Beneficial owner	0.48%	0.15%
		120,169,925 (Long position)	Custodian	3.20%	1.03%

Save as disclosed above, as at 31 December, 2009, 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 annual 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.

Report of the Directors

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, 2009, 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 13 February, 2009, the Company entered into an investment agreement with China Shipping Group, Guangzhou Maritime Transport (Group) Co. Ltd. and CSDC and China Shipping (Hainan) Haisheng Shipping and Enterprise Co., Ltd. (collectively, the "JV Partners") for the establishment of China Shipping Finance Company Limited ("CS Finance Company") in Shanghai. The total registered capital of CS Finance Company is RMB300,000,000, out of which 25% was contributed by the Company (i.e. RMB75,000,000), 25% was contributed by China Shipping Group (i.e. RMB75,000,000), 20% was contributed by Guangzhou Maritime Transport (Group) Co. Ltd. (i.e. RMB60,000,000), 25% was contributed by CSDC (i.e. RMB75,000,000) and 5% was contributed by China Shipping (Hainan) Haisheng Shipping and Enterprise Co., Ltd. (i.e. RMB15,000,000). Upon its establishment, the equity interest in CS Finance Company is owned by the JV Partners proportionally according to their respective contributions mentioned above. As China Shipping Group is the controlling shareholder of the Company, Guangzhou Maritime Transport (Group) Co. Ltd. and CSDC and China Shipping (Hainan) Haisheng Shipping and Enterprise Co., Ltd. are subsidiaries of China Shipping Group, therefore they are regarded as connected persons of the Company and the establishment of CS Finance Company by the JV Partners constitutes a connected transaction of the Company under the Listing Rules. The establishment of CS Finance Company is expected to bring considerable economic benefits to the Company. With CS Finance Company as a platform, the excess liquidity of the JV Partners can be fully utilized. In addition, CS Finance Company can improve the efficiency of payment settlement among the JV Partners, increase funding liquidity, effectively lowering the relevant settlement costs and in turn strengthen the financial positions of the JV Partners against possible financial risks.

On 19 November, 2009, the Company entered into a capital injection agreement with China Shipping Logistics (Overseas) Co., Ltd. ("CS Logistics (Overseas)"), pursuant to which the Company and CS Logistics (Overseas) have agreed to inject further capital in the amounts of RMB41,250,000 and RMB13,750,000, respectively, by way of cash contribution into CS Yangshan. CS Logistics (Overseas) is a wholly-owned subsidiary of China Shipping Group, the controlling shareholder of the Company, and therefore is a connected person of the Company. As CS Logistics (Overseas) currently holds a 25% equity interest in CS Yangshan, a non-wholly owned subsidiary of the Company, under Rule 14A.11(5) of the Listing Rules, CS Yangshan also constitutes a connected person of the Company.

Report of the Directors

As such, the Company's capital contribution to CS Yangshan under the capital injection agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Additional investment for a construction project of CS Yangshan located in Shanghai is needed as a result of an expansion of the project scope and an increase in the construction materials and labour costs in the recent years. A further capital injection will help CS Yangshan to complete the construction project as soon as possible.

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 special general meeting of the Company held on 10 April, 2007 and the extraordinary general meetings held on 6 August, 2008 and 15 December, 2009. (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, announcement dated 6 August, 2008, announcement dated 8 October, 2009, circular dated 29 October, 2009 and announcement dated 15 December, 2009).

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, 2009 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 dated 4 June, 2004 and announcement dated 24 January, 2007.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL

	Transactions under the	Annual cap for 2009 *(RMB'000)*	Actual figure for the year ended 31 December, 2009 *(RMB'000)*
1.	Master Provision of Chassis Agreement in respect of chassis etc. provided to the Group	40,000	25,920
2.	(i) CSDC Bareboat Charters; and;		
	(ii) Master Bareboat Charter Agreement in respect of vessels etc. provided to the Group	79,000	4,068
3.	Master Ship Repair Services Agreement in respect of services provided to the Group	165,000	51,133
4.	Master Depot Services Agreement in respect of services provided to the Group	49,000	22,497
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	76,000	–
	(2) products and services provided to the Group	38,600	37,734
6.	(i) First Master Container Management Agreement; and		
	(ii) Second Master Container Management Agreement in respect of services etc. provided by the Group	25,000	–
7.	Master Provision of Crew Members Agreement in respect of Crew member etc. provided to the Group	39,000	27,179
8.	Master Time Charter Agreement in respect of vessels etc. provided by the Group	35,040	–

CONTINUING CONNECTED TRANSACTIONS NOT EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL

	Transactions under the	Annual cap for 2009 *(RMB'000)*	Actual figure for the year ended 31 December, 2009 *(RMB'000)*
1.	Master Supply Agreement in respect of products etc. provided to the Group	2,020,000	1,299,951
2.	(i) First Master Liner and Cargo Agency Agreement; and (ii) Second Master Lines and Cargo Agency Agreement in respect of services provided to the Group	819,000	504,857
3.	Master Liner Services Agreement in respect of services provided by the Group	3,252,000	317,038
4.	Master Ground Container Transport Agreement in respect of Services provided to the Group	398,000	5,161
5.	(i) First Master Container Management Agreement and (ii) Second Master Container Management Agreement in respect of services provided to the Group	1,092,000	127,941
6.	Master Time Charter Agreement in respect of vessels etc. provided to the Group	410,000	–
7.	(i) First Master Loading and Unloading Agreement; and (ii) Second Master Loading and Unloading Agreement in respect of services provided to the Group	1,806,000	447,623
8.	Revised Master Provision of Containers Agreement in respect of:		
	(1) containers leased to the Group	894,000	344,729
	(2) containers built by the Group/containers purchased by and/or supplied to the Group (excluding leasing)	1,020,000	352,240
9.	Financial Service Framework Agreement in respect of maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group	3,000,000	–
10.	Financial Service Framework Agreement in respect of maximum daily outstanding balance of loans (including accrued interest and handling fee) granted to the Group	500,000	–

Report of the Directors

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

The independent non-executive Directors, Mr. Hu Hanxiang, Mr. Jim Poon, Mr. Wu Daqi, 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, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, 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) 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, 2 June, 2008 and 8 October, 2009 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, 2009 are set out in Note 2.22(a) to the financial statements.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December, 2009, 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 50 to 61 for details.

AUDIT COMMITTEE

Details of the Company's Audit Committee are set out in the Corporate Governance Report on pages 50 to 61.

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 21 April, 2010

Corporate Governance Report

The Board has reviewed the corporate governance documents it has adopted and is of the view that such documents have incorporated the principles and code provisions of the 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 2009, 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 the 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 the 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 the 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 the 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. As approved by the first extraordinary general meeting for the year 2009, Mr. Wang Zongxi resigned as an independent non-executive Director, and Mr. Wu Daqi was appointed as an independent 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. Wu Daqi
Mr. Shen Kangchen
Mr. Jim Poon *(also known as Pan Zhanyuan)*
Mr. Shen Zhongying

Corporate Governance Report

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 their confirmation, the Company considers that they are independent.

In 2009, 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 "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the Investment Strategy Committee and the nomination committee (the "Nomination Committee") of the Company. 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 of the Company (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.

Corporate Governance Report

3. CHAIRMAN AND GENERAL MANAGER

In 2009, 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 2009. The average attendance rate of the Directors was 99%. 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	11	100%
Wang Daxiong	11	100%
Xu Hui	11	100%
Yan Zhichong	11	100%

Corporate Governance Report

Independent non-executive Directors

Directors	Number of meetings attended	Attendance rate
Hu Hanxiang	11	100%
Wang Zongxi (from 1 January, 2009 to 15 December, 2009)	9	100%
Wu Daqi (from 15 December, 2009 to 31 December, 2009)	2	100%
Shen Kangchen	11	100%
Jim Poon *(also known as Pan Zhanyuan)*	10	91%
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

As approved by the Board and the first extraordinary general meeting for the year 2009, Mr. Wang Zongxi resigned as an independent non-executive Director and Mr. Wu Daqi was appointed as an independent non-executive Director for the second session of the Board.

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. On 16 December, 2009, a resolution was passed to change the members of the second session of the Audit Committee at the 27th meeting of the second session of the Board. and as a result the Audit Committee consists of Mr. Wu Daqi and Mr. Shen Kangchen, who are independent non-executive Directors, and Mr. Wang Daxiong, who is a non-executive Director. Mr. Wu Daqi 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.

Corporate Governance Report

The second session of the Audit Committee held three meetings in 2009. The average attendance rate was 89%. 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	2	67%

The 5th meeting of the second session of the Audit Committee was held on 19 January, 2009, at which the report from the chief accountant, Mr. Zhao Xiaoming, regarding the financial situation and the operation achievements of the Company for the year 2008 was heard, the report from the domestic and international auditors regarding the audit program of the Company for the year 2008 was heard, and the amended version of detailed working rules of the Audit Committee was reviewed. Two auditors' annual audit program was passed at the meeting and the amended version of detailed working rules of the Audit Committee was passed in principle at the meeting, and agreed to submit the same to the Board for review.

The 6th meeting of the second session of the Audit Committee was held on 24 March, at which the internal control self-evaluation report of the Company for the year 2008 was reviewed, the reports from the domestic and international auditors and finance department of the Company regarding financial report and the relevant auditing matters were heard, the annual results and financial report of the Company for the year 2008 were reviewed and the recommendation regarding re-appointment of the domestic and international auditors was reviewed. The Audit Committee was of the opinion that the annual results and financial report of the Company for the year ended 31 December, 2008 had completely reflected the financial situation of the Company, and PricewaterhouseCoopers and Vocation International Certified Public Accountants Co., Ltd. issued unqualified audit opinion respectively. It was unanimously agreed to recommend the Board to approve the "internal control self-evaluation report of the Company" and the annual results and financial report of the Company for the year 2008 at the meeting. The annual results and financial report of the Company for the year 2008 and the auditing opinions regarding internal control were passed at the meeting. The re-appointment of PricewaterhouseCoopers and Vocation International Certified Public Accountants Co., Ltd as the international and domestic auditor of the Company for the year 2009 was passed respectively.

Corporate Governance Report

The 7th meeting of the second session of the Audit Committee was held on 26 August, 2009, at which the report from the chief accountant of the Company Mr. Zhao Xiaoming, regarding the financial situation for the first half of the year 2009 was heard, the report from the audit and monitor department of the Company regarding the company's internal control matters was heard, the reports from the domestic and international auditors regarding financial report for the first half of the year 2009 and the relevant auditing matters were heard and the Company's interim results and financial report for the first half of the year 2009 were reviewed.

Based on the auditing opinions regarding the Company's interim operating results and financial report for the first half of the year 2009 provided by PricewaterhouseCoopers and Vocation International Certified Public Accountants Co., Ltd., the Audit Committee was of the opinion that the interim results and financial report for the first half of the year 2009 had completely reflected the Company's results and financial situation. The auditing opinions regarding the results and financial report of the Company for the first half of the year 2009 were unanimously approved 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. On 16 December, 2009, a resolution was passed to change the members of the Remuneration Committee at the 27th meeting of the second session of the Board and as a result, the Remuneration Committee of the Board consists of Mr. Shen Kangchen, Mr. Wu Daqi, who are independent non-executive Directors, and Mr. Zhang Jianhua, who is a non-executive Director. Mr. Shen Kangchen is 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

Corporate Governance Report

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 2009. The average attendance rate was 100%. The working performance of senior management of the Company in the year 2008 was evaluated, the report regarding production and operation indicators for the year 2009 and refined rules of senior management evaluation was heard at the meeting. The resolution regarding remuneration of the Directors and Supervisors for the year 2009 was reviewed at the meeting and was recommended to the Board for approval. 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, 2009, a resolution was passed to establish the second session of 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. 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) and Mr. Shen Zhongying. The chairman of the Company 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.

Corporate Governance Report

In 2009, one meeting was held by the Investment Strategy Committee. The average attendance rate was 100%. The resolution regarding the 12th Five-year Development Plan and the resolution regarding development strategy and plan of the Company for the year 2010 to the year 2012 were reviewed and in principle passed at the meeting and the two resolutions were agreed to submit the same to the Board for further review. The attendance rate of each member of the Investment Strategy Committee is set out as follows:

Directors	Number of meetings attended	Attendance rate
Li Shaode	1	100%
Ma Zehua	1	100%
Zhang Guofa	1	100%
Lin Jianqing	1	100%
Wang Daxiong	1	100%
Huang Xiaowen	1	100%
Hu Hanxiang	1	100%
Jim Poon *(also known as Pan Zhanyuan)*	1	100%
Shen Zhongying	1	100%

(4) *Nomination Committee*

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

The primary duties of the Nomination Committee include: 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; to consider and make recommendations to the Board on the selection criteria and procedures of the Directors and the members of senior management; to review and make recommendations on the qualifications of the candidates of the Directors and the members of senior management; and 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.

Corporate Governance Report

In 2009, three meetings were held by the Nomination Committee. The average attendance rate was 100%. The resolutions regarding resignation of Mr. Xu Weiyong as a Deputy General Manager of the Company, nomination of Mr. Li Zhigang as a Deputy General Manager of the Company, and change in the independent non-executive Directors which include resignation of Mr. Wang Zongxi as an independent non-executive Director and nomination of Mr. Wu Daqi as a nominee for independent non-executive Director, were reviewed and passed at the meetings. All resolutions mentioned above were agreed to submit the same to the Board for further review. The attendance rate of each member of the Nomination Committee is set out as follows:

Directors	Number of meetings attended	Attendance rate
Shen Zhongying	3	100%
Hu Hanxiang	3	100%
Jim Poon *(also known as Pan Zhanyuan)*	3	100%
Zhang Guofa	3	100%
Wang Daxiong	3	100%

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, 2009, 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
Yan Zhichong	6 August, 2008	until the conclusion of the annual general meeting for the year 2009, i.e. in or around June, 2010

Corporate Governance Report

B. ACCOUNTABILITY AND AUDITING

1. EXTERNAL AUDITORS

PricewaterhouseCoopers was re-appointed as the international auditor of the Company at the 2008 Annual General Meeting by the shareholders until the conclusion of the next Annual General Meeting.

The Company has paid PricewaterhouseCoopers RMB6,450,000 as remuneration for its auditing service and related service provided for the year 2009. 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 by the Company as domestic auditor of the Company. The Company has paid Vocation International Certified Public Accountants Co., Ltd. RMB4,000,000 as remuneration for its auditing service and related service provided for the year 2009. 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, 2009.

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, 2009.

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 2009, the latest general meeting was the first extraordinary general meeting for the year 2009 held on 15 December, 2009 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:

	Resolution	Ordinary/ Special	Votes by poll for	against	abstain
1	To review the annual caps for the continuing connected transactions	Ordinary	630,372,259 (99.9762%)	148,600 (0.0236%)	1,500 (0.0002%)
2	To review Financial Service Framework Agreement	Ordinary	375,747,536 (59.5931%)	254,773,323 (40.4067%)	1,500 (0.0002%)
3	To review the change in Articles of Association of the Company	Special	5,987,019,359 (99.9966%)	198,950 (0.0033%)	3,550 (0.0001%)
4	To review the appointment of Mr. Wu Daqi as an independent non-executive Director	Ordinary	5,987,270,759 (99.9975%)	148,600 (0.0025%)	1,500 (0.0000%)
5	To review the resignation of Mr. Wang Zongxi as an independent non-executive Director	Ordinary	5,987,071,759 (99.9975%)	148,600 (0.0025%)	1,500 (0.0000%)

Report of the Supervisory Committee

To the shareholders:

According to the "Articles of Association of China Shipping Container Lines Company Limited" of the Company (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 2009

During the year ended 31 December, 2009 (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 2009, the Supervisory Committee held the 4 following meetings in total:

On 25 March, 2009, the seventh 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 2008, the Company's profit distribution for the year 2008, the Company's annual report for the year 2008 (the full text and summary), and the Supervisory Committee's report for the year 2008.

On 27 April, 2009, the eighth 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 2009.

On 27 August, 2009, the ninth 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 2009 and the Company's half-year report (the full text and summary) for the year 2009.

On 27 October, 2009, the tenth 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 2009.

During the Reporting Period, our members attended all the Company's board meetings and general meetings held in 2009.

Report of the Supervisory Committee

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 the year 2009, the Company's dividend distribution scheme for the year 2009 and the Company's internal and external auditors' reports for the year 2009. We are of the view that the Company's financial management was standard, and the Company's financial report for the year 2009 objectively and accurately reflected the Company's financial status and operating results for the year 2009. Due to the adverse impact of the global economic crisis, the contraction of international trade and the pressure of new vessels delivery in 2009, the international container shipping market was in a great depression. In light of such huge operating pressure, the Company's management, under the leadership of the Board, led all staff in carrying out activities with a focus on "Overcoming Difficulties, Struggling and Increasing Quality, Refining Management, Opening up Top-grade Performance", actively reacted to the market changes, strictly controlled cost, promoted the strategy of "Large Clients Large Cooperation", decisively leased, sold and terminated certain of the Company's shipping capacities, adjusted the trade lanes arrangement, reduced the operating risk of the Company and made harmonious development through overcoming difficulties. We accepted the international and domestic auditors' reports of the Company and approved the Company's distribution plan not to declare any dividend for the year 2009.

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. As at 31 December, 2009, the proceeds raised from this capital raising exercise has been used up, and its actual use is consistent with the Company's undertakings in the prospectus and the projects as approved at general meetings, with no problem involved in the use and disclosure of such proceeds.

Report of the Supervisory Committee

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 insider 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 2010, 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

21 April, 2010

Independent Auditor's Report

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 67 to 171, which comprise the consolidated and company balance sheets as at 31 December, 2009, and the consolidated income statement, the consolidated statement of comprehensive income, 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 the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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, 2009 and of the Group's loss 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 the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 April, 2010

Consolidated Balance Sheet

As at 31 December, 2009

	Note	As at 31 December, 2009 RMB'000	2008 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**33,234,405**	33,449,688
Leasehold land and land use rights	*7*	**100,214**	96,397
Intangible assets	*8*	**26,227**	12,968
Deferred income tax assets	*22*	**19,699**	86,912
Available-for-sale financial assets	*9*	**163,300**	163,300
Investments in associated companies	*11*	**113,704**	38,915
Investments in jointly controlled entities	*12*	**1,122,075**	1,073,811
		34,779,624	34,921,991
Current assets			
Inventories	*14*	**874,400**	471,635
Trade and notes receivables	*15*	**1,573,176**	2,264,752
Prepayments and other receivables		**128,394**	429,191
Cash and cash equivalents	*16*	**6,936,708**	11,686,978
		9,512,678	14,852,556
Total assets		**44,292,302**	49,774,547
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*17*	**11,683,125**	11,683,125
Other reserves	*18(a)*	**17,664,548**	17,709,662
(Accumulated losses)/retained earnings	*18(b)*	**(4,120,974)**	2,368,074
		25,226,699	31,760,861
Minority interests		**751,499**	735,050
Total equity		**25,978,198**	32,495,911

The notes on pages 76 to 171 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December, 2009

		As at 31 December,	
		2009	2008
	Note	**RMB'000**	RMB'000
			(Restated)
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*19*	**8,351,685**	4,231,712
Domestic corporate bonds	*20*	**1,781,724**	1,779,274
Finance lease obligations	*21*	**571,901**	2,064,032
Deferred income tax liabilities	*22*	**83**	53,535
		10,705,393	8,128,553
Current liabilities			
Trade and notes payables	*23*	**4,071,296**	3,283,833
Accrual and other payables		**743,498**	811,098
Short-term bank borrowings	*19*	**136,564**	1,553,612
Long-term bank borrowings – current portion	*19*	**2,296,220**	2,621,874
Finance lease obligations – current portion	*21*	**232,069**	531,659
Current income tax liabilities		**36,971**	323,007
Provisions	*24*	**92,093**	25,000
		7,608,711	9,150,083
Total liabilities		**18,314,104**	17,278,636
Total equity and liabilities		**44,292,302**	49,774,547
Net current assets		**1,903,967**	5,702,473
Total assets less current liabilities		**36,683,591**	40,624,464

Li Shaode
Director

Huang Xiaowen
Director

The notes on pages 76 to 171 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December, 2009

	Note	As at 31 December, 2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**17,817,519**	17,417,503
Leasehold land and land use rights	7	**11,924**	12,274
Intangible assets	8	**5,179**	4,890
Deferred income tax assets	22	**6,250**	6,250
Interests in subsidiaries	10	**15,504,272**	9,360,027
Investments in associated companies	11	**113,530**	38,530
Investments in jointly controlled entities	12	**37,000**	53,000
		33,495,674	26,892,474
Current assets			
Inventories	14	**424,530**	87,513
Trade and notes receivables	15	**857,314**	964,334
Prepayments and other receivables		**21,570**	358,641
Dividends receivable from subsidiaries		**–**	4,719,408
Cash and cash equivalents	16	**2,938,132**	6,931,543
		4,241,546	13,061,439
Total assets		**37,737,220**	39,953,913
EQUITY			
Share capital	17	**11,683,125**	11,683,125
Other reserves	18(a)	**18,953,983**	18,953,983
Retained earnings	18(b)	**359,627**	1,033,262
Total equity		**30,996,735**	31,670,370

The notes on pages 76 to 171 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December, 2009

	Note	As at 31 December, 2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Domestic corporate bonds	*20*	**1,781,724**	1,779,274
Current liabilities			
Trade and notes payables	*23*	**4,492,103**	5,537,422
Accrual and other payables		**291,189**	292,132
Short-term bank borrowings	*19*	**136,564**	136,692
Long-term bank borrowings – current portion	*19*	**–**	205,038
Current income tax liabilities		**13,905**	307,985
Provision	*24*	**25,000**	25,000
		4,958,761	6,504,269
Total liabilities		**6,740,485**	8,283,543
Total equity and liabilities		**37,737,220**	39,953,913
Net current (liabilities)/assets		**(717,215)**	6,557,170
Total assets less current liabilities		**32,778,459**	33,449,644

Li Shaode
Director

Huang Xiaowen
Director

The notes on pages 76 to 171 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December, 2009

	Note	Year ended 31 December, 2009 RMB'000	2008 RMB'000 (Restated)
Revenue	5	**19,740,331**	34,888,595
Costs of services	25	**(25,485,612)**	(33,860,624)
Gross (loss)/profit		**(5,745,281)**	1,027,971
Other gains/(losses), net	26	**43,258**	(569,434)
Other income	27	**158,016**	447,837
Selling, administrative and general expenses	25	**(687,988)**	(529,684)
Operating (loss)/profit		**(6,231,995)**	376,690
Finance costs	30	**(254,147)**	(331,483)
Share of results of associated companies	11	**(211)**	(4,426)
Share of results of jointly controlled entities	12	**37,077**	33,216
(Loss)/profit before income tax		**(6,449,276)**	73,997
Income tax (expense)/credit	31	**(22,466)**	1,683
(Loss)/profit for the year		**(6,471,742)**	75,680
Attributable to:			
Equity holders of the Company		**(6,489,048)**	47,084
Minority interests		**17,306**	28,596
		(6,471,742)	75,680
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– basic	34	**RMB(0.555)**	RMB0.004
– diluted	34	**RMB(0.555)**	RMB0.004
Dividends	33	**–**	–

The notes on pages 76 to 171 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December, 2009

	Note	Year ended 31 December, 2009 RMB'000	2008 RMB'000 (Restated)
(Loss)/profit for the year		**(6,471,742)**	75,680
Other comprehensive income/(loss)			
Share of other comprehensive income of a jointly controlled entity	*12*	**2,829**	–
Currency translation differences, net of tax	*18*	**(25,268)**	(106,482)
Total comprehensive loss for the year		**(6,494,181)**	(30,802)
Attributable to:			
Equity holders of the Company		**(6,511,487)**	(59,398)
Minority interest		**17,306**	28,596
Total comprehensive loss for the year		**(6,494,181)**	(30,802)

The notes on pages 76 to 171 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December, 2009

		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	20,416,288	2,870,333	34,969,746	697,715	35,667,461
Adoption of merger accounting		–	8,445	13,440	21,885	21,027	42,912
As restated		11,683,125	20,424,733	2,883,773	34,991,631	718,742	35,710,373
Profit for the year		–	–	47,084	47,084	28,596	75,680
Currency translation differences, net of tax		–	(106,482)	–	(106,482)	–	(106,482)
Total comprehensive income/(loss)		–	(106,482)	47,084	(59,398)	28,596	(30,802)
Profit appropriation to statutory reserve	*18*	–	91,929	(91,929)	–	–	–
Transactions with owners:							
Dividend to the then shareholders of certain subsidiaries		–	–	(3,529)	(3,529)	(12,288)	(15,817)
Deemed distributions relating to business combinations under common control	*1,35(c)*	–	(2,700,518)	–	(2,700,518)	–	(2,700,518)
Dividend of the Company relating to 2007		–	–	(467,325)	(467,325)	–	(467,325)
Balance at 31 December, 2008		11,683,125	17,709,662	2,368,074	31,760,861	735,050	32,495,911

The notes on pages 76 to 171 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December, 2009

		Attributable to equity holders of the Company					
	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated loss) RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 1 January, 2009							
As previously reported		11,683,125	17,701,217	2,354,052	31,738,394	713,464	32,451,858
Adoption of merger accounting	36	–	8,445	14,022	22,467	21,586	44,053
As restated		11,683,125	17,709,662	2,368,074	31,760,861	735,050	32,495,911
(Loss)/profit for the year		–	–	(6,489,048)	(6,489,048)	17,306	(6,471,742)
Currency translation differences, net of tax		–	(25,268)	–	(25,268)	–	(25,268)
Share of other comprehensive income of a jointly controlled entity	12	–	2,829	–	2,829	–	2,829
Total comprehensive income/(loss) for 2009		–	(22,439)	(6,489,048)	(6,511,487)	17,306	(6,494,181)
Transactions with owners:							
Deemed distributions relating to business combination under common control	1,35(c) 36	–	(21,678)	–	(21,678)	–	(21,678)
Acquisition of minority interest of a subsidiary	1	–	(997)	–	(997)	(9,417)	(10,414)
Capital injection from the minority shareholders		–	–	–	–	13,750	13,750
Dividend to minority shareholders of certain subsidiaries		–	–	–	–	(5,190)	(5,190)
Balance at 31 December, 2009		11,683,125	17,664,548	(4,120,974)	25,226,699	751,499	25,978,198

The notes on pages 76 to 171 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December, 2009

	Note	Year ended 31 December, 2009 RMB'000	2008 RMB'000 (Restated)
Cash flows from operating activities			
Cash (used in)/generated from operations	*35(a)*	**(3,418,661)**	4,220,026
Income tax paid		**(315,852)**	(1,124,903)
Net cash (used in)/generated from operating activities		**(3,734,513)**	3,095,123
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,413,809)**	(6,755,112)
Cash paid for business combination under common control	*35(c)*	**(83,777)**	(2,638,419)
Investment in jointly controlled entities and associated companies		**(99,000)**	(53,000)
Cash received from a jointly controlled entity due to capital reduction	*12*	**7,000**	–
Acquisition of minority interest of a subsidiary		**(10,414)**	–
Deemed distribution to the controlling shareholder's subsidiaries		**–**	(138,898)
Proceeds from disposal of property, plant and equipment	*35(b)*	**58,071**	266,514
Disposal of available-for-sale financial assets		**–**	22,272
Dividend received from an associated company		**–**	4,177
Dividend received from jointly controlled entities		**2,541**	2,421
Dividend received from available-for-sale financial assets	*27*	**20,393**	32,491
Interest received		**207,707**	291,854
Net cash used in investing activities		**(1,311,288)**	(8,965,700)
Cash flows from financing activities			
Interest paid		**(160,095)**	(415,654)
Capital injection from the minority shareholders		**13,750**	–
Proceeds from short-term and long-term bank borrowings		**7,134,600**	4,391,559
Repayments of short-term and long-term bank borrowings		**(4,753,203)**	(1,520,120)
Capital element of finance lease payments		**(1,850,183)**	(721,038)
Interest element of finance lease payments		**(83,357)**	(146,626)
Dividend paid to the minority/then shareholders of the subsidiaries		**(5,190)**	(13,326)
Dividend paid by the Company relating to 2007		**–**	(467,325)
Net cash generated from financing activities		**296,322**	1,107,470
Net decrease in cash and cash equivalents		**(4,749,479)**	(4,763,107)
Cash and cash equivalents at beginning of the year	*16*	**11,686,978**	16,450,085
Exchange losses on cash and cash equivalents		**(791)**	–
Cash and cash equivalents at end of the year	*16*	**6,936,708**	11,686,978

The notes on pages 76 to 171 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

In May 2008, the Company and its subsidiaries acquired from the subsidiaries of China Shipping (Group) Company ("China Shipping Group", the ultimate holding company) 60% equity interest in China Shipping (Yangpu) Cold Storage & Transportation Co., Ltd. ("CS Yangpu", a then 40% owned associated company of the Group) and 25% equity interest in Shanghai China Shipping Yangshan International Container Storage & Transportation Co., Ltd. ("CS Yangshan", a then 50% owned 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 interest in China Shipping Terminal Development Co., Ltd. ("CS Terminal") at a cash consideration of RMB2,661,837,000.

In March 2009, the Group acquired from China Shipping Group and Hang Lim Shipping Co., Ltd. (a third party) the 51% and 24.5% equity interests in Shanghai Inchon International Ferry Co., Ltd. ("Shanghai Inchon") at cash considerations of RMB21,678,000 and RMB10,414,000, respectively. Shanghai Inchon became a subsidiary of the Group thereafter.

CS Terminal, CS Yangpu, CS Yangshan and Shanghai Inchon are collectively referred to as the "Acquired Subsidiaries".

The address of the Company's registered office is Room A-538, Yangshan International Trade Center, No.188 Ye Sheng Road, Yangshan Free Trade Port Area, Shanghai, the PRC.

As at the date of approval of these consolidated financial statements, the Company and its subsidiaries (the "Group") are principally engaged in owning, chartering and operating container vessels for the provision of international and domestic container marine transportation service and operating container terminal.

These consolidated financial statements are presented in Renminbi ("RMB") unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 21 April, 2010.

Notes to the Consolidated Financial Statements

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.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for the common Control Combinations" issued by Hong Kong Institute of Certificate Public Accountants (the "HKICPA") and under the historical cost convention, as modified by the revaluation of cash-settled share-based compensation plan.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Changes in accounting policy and disclosures

(a) New and amended standards and interpretation to existing standard effective in 2009 and relevant to the Group

- HKFRS 7 'Financial Instruments – Disclosures' (amendment) (effective from 1 January, 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.

- HKAS 1 (revised) 'Presentation of financial statements' (effective 1 January, 2009). The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Changes in accounting policy and disclosures (continued)

(a) New and amended standards and interpretation to existing standard effective in 2009 and relevant to the Group *(continued)*

- HKFRS 2 (amendment) 'Share-based payment' (effective 1 January, 2009) 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. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Group's financial statements.

- HKAS 23 (Amendment) 'Borrowing Costs' (effective from 1 January, 2009). In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January, 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The adoption of HKAS 23 Borrowing Costs (amendment) had no material impact on the Group's financial statements, since the Group has been capitalised borrowings costs.

- 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. The standard does not have any impact on the Group's financial statements except for certain changes in note disclosure.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Changes in accounting policy and disclosures (continued)

(b) Standards, amendments and interpretations to existing standards that are relevant for the Group's operations but not yet effective and have not been early adopted by the Group

- HKAS 27 (revised) 'Consolidated and separate financial statements' (effective from 1 July, 2009). The revised standard requires the effects of all transactions with minority interest 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. This revised standard does not have the material impact on the Group's consolidated financial statements. 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.

- 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.

- HKAS 38 (amendment) 'Intangible Assets' (effective from 1 July, 2009). The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

- HKAS 1 (amendment) 'Presentation of financial statements'. The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Changes in accounting policy and disclosures (continued)

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

- HKFRS 2 (amendments) 'group cash-settled share-based payment transactions' (effective from 1 January, 2010). In addition to incorporating HK(IFRIC)-Int 8 'Scope of HKFRS 2' and HK(IFRIC)-Int 11, 'HKFRS 2 – group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by the interpretation.

- HKFRS 9 "Financial Instrument" (effective from 1 January, 2013).

  Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  An instrument is subsequently measured at amortised cost only if it is a debt instrument, and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

  All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Changes in accounting policy and disclosures (continued)

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

- HKAS 24 (Revised), "Related Party Disclosures" (effective from 1 January, 2011). The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose:

  – the name of the government and the nature of their relationship; and

  – the nature and amount of any individually-significant transactions; and

  – the extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party.

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

- HK(IFRIC) 17 'Distribution of non-cash assets to owners' (effective on or after 1 July, 2009)
- HKFRS 5 (amendment) 'Measurement of non-current assets (or disposal groups) classified as held for sale' (effective on or after 1 July, 2009)
- HKAS 39 (Amendment) "Financial Instruments: Recognition and Measurement" – "Eligible Hedged Items" (effective from 1 July, 2009)
- HKFRS 1 (Revised) "First-time Adoption of HKFRSs" (effective from 1 July, 2009)
- HKFRS 1 (Amendment) "Additional Exemptions for First-time Adopters" (effective from 1 January, 2010)
- HKAS 32 (Amendment) "Classification of Rights Issue" (effective from 1 February, 2010)

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Changes in accounting policy and disclosures (continued)

(c) Interpretations and amendments to existing standards that are not relevant for the Group's operations and not yet effective *(continued)*

- HK(IFRIC) 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective from 1 July, 2010)

- Amendment to HK(IFRIC) 14 "Prepayments of A Minimum Funding Requirement" (effective from 1 January, 2011)

(d) HKICPA's improvement to HKFRS published in October 2008 and May 2009

In October 2008 and May 2009, HKICPA published its first and second annual improvement project, which made some amendments to HKFRS to clarify some accounting treatments/ disclosure requirements under new/revised HKFRS and eliminate inconsistency. Management does not expect these amendments have a material impact on the Group's financial statements.

2.2 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, 2008, 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, 2008, the earliest date presented, regardless of the date of the business combinations under common control.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 CONSOLIDATION *(continued)*

(a) Merger accounting for business combination under common control (continued)

The comparative amounts in the consolidated balance sheets 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 (including special purpose 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 1, 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.

Other than the business combination under common control as disclosed in Note 1, 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 CONSOLIDATION *(continued)*

(b) *Subsidiaries (continued)*

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

(c) *Transactions and minority interests*

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

(d) *Associated companies and jointly controlled entities*

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 2.9 for the impairment of non-financial assets including goodwill.

Jointly controlled entities are joint ventures that involve the establishment of corporation in which the Group and other venturers 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 venturers established joint control and none of the participating parties has unilateral control over the economic activity of the jointly controlled entities.

The Group's share of its associated companies and jointly controlled entities' 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 and jointly controlled entity equals or exceeds its interest in the associated company and jointly controlled entity, 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 and jointly controlled entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 CONSOLIDATION *(continued)*

(d) Associated companies and jointly controlled entities (continued)

Unrealised gains on transactions between the Group and its associated companies and jointly controlled entities are eliminated to the extent of the Group's interest in the associated companies and jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies and jointly controlled entities 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 and jointly controlled entities are stated at cost less provision for impairment losses (Note 2.9). The results of the associated companies and jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

2.3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that make strategic decisions.

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency and the Company and the Group's presentation currency.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 FOREIGN CURRENCY TRANSLATION *(continued)*

(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 gains/(losses)' net.

(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 rate on 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 PROPERTY, PLANT AND EQUIPMENT

(a) Vessels under construction

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

(b) Construction in progress

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

(c) Vessel repairs and surveys

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

(d) Other property, plant and equipment

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	Estimated useful lives
Container vessels	25 years from the date of first registration
Improvements on vessels under operating leases	5 years or the period of the lease, whichever is the shorter
Building	30 to 40 years
Containers	8 to 12 years
Port and depot infrastructure	20 to 50 years
Loading machineries	8 to 20 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 2.9).

(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 gains/(losses) – net, in the consolidated income statement.

2.6 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)*

2.7 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 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 and 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 consolidated 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 consolidated balance sheet and when applicable, are depreciated in accordance with the Group's depreciation policies, as set out in Note 2.5 above. Rental income, net of any incentives given to lessees, is recognised on a straight line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 ASSETS UNDER LEASES *(continued)*

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

A sale and leaseback transaction involves the sale of an asset by the Group and the 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.

2.9 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.

Impairment testing of the investments in subsidiaries, associated companies or jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associate company or jointly controlled entity in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 FINANCIAL ASSETS

(i) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, 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) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, these are classified as non-current assets.

The Group's loans and receivables are classified as "trade and notes receivables, cash and cash equivalents and prepayments and other receivables" in the consolidated balance sheet.

(c) 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 FINANCIAL ASSETS *(continued)*

(ii) Recognition

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 subsequently 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 gains/(losses) – net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the 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.

2.11 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.12 IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 IMPAIRMENT OF FINANCIAL ASSETS *(continued)*

(a) Assets carried at amortised cost (continued)

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 IMPAIRMENT OF FINANCIAL ASSETS *(continued)*

(a) Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at each balance sheet date whether there is objective evidence that available-for-sale equity instruments are impaired. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.13 DERIVATIVE FINANCIAL INSTRUMENTS

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

2.14 INVENTORY

Inventory represents bunker and other materials which are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value of inventories is the expected amount to be realised from use as estimated by the management.

2.15 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 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).

2.17 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.

2.18 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.19 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.

2.20 CURRENT AND DEFERRED INCOME TAX

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 CURRENT AND DEFERRED INCOME TAX *(continued)*

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 substantively 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 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 consolidated income statements when they are incurred.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 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 consolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 EMPLOYEE BENEFITS *(continued)*

(c) *Share-based compensation* *(continued)*

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

2.23 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.

2.24 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 REVENUE RECOGNITION *(continued)*

The Group recognises revenues on the following bases:

(i) Liner services

Freight revenues from the operation of the international and domestic containerised transportation business are recognised on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage.

(ii) Chartering

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

(iii) Container terminal operations

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

(iv) Interest income

Interest income is recognised using the effective interest method.

(v) Dividend income

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

2.25 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 consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 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.

2.27 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 consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

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

2.28 FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of a subsidiary to secure loans and other banking facilities.

Financial guarantees are initially recognised in the separate financial statements of the Company at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the separate income statement of the Company within other operating expenses.

Where guarantees in relation to loans and other banking facilities of a subsidiary are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

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") and Hong Kong Dollars ("HKD"). 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, 2009, if RMB had strengthened/weakened by 5% against the USD/HKD with all other variables held constant, post-tax loss for the year would have been RMB66,925,000 (2008: RMB303,187,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of USD/HKD-denominated trade and notes receivables, prepayments and other receivables and cash and cash equivalents, and foreign exchange gains/losses on translation of USD/HKD-denominated bank borrowings, trade and notes payables, finance lease obligations and accrual and other payables.

(ii) Cash flow 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.

The Group's interest-rate risk arises from bank borrowings, domestic corporate bonds, and finance lease obligations. Bank borrowings and finance lease obligations issued at variable rates expose the Group to cash flow interest-rate risk. As at 31 December, 2009 and 2008, around 42% and 55% of the Group's bank borrowings, domestic corporate bonds, and finance lease obligations were at fixed rates respectively. During 2009 and 2008, the Group's bank borrowings at variable rate were denominated in USD. The weighted average effective interest rates and terms of repayment of the Group's bank borrowings are disclosed in Note 19.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 FINANCIAL RISK FACTORS *(continued)*

(a) Market risk (continued)

(ii) Cash flow interest rate risk *(continued)*

At 31 December, 2009, if interest rates had been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been RMB65,005,000 (2008:RMB47,469,000) higher/lower, mainly as a result of higher/lower interest expense on floating rate bank 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 carrying amount of trade and notes receivables, prepayment and other receivables and cash and cash equivalents represent the maximum credit exposure of the Group. 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 notes receivables and prepayment and other receivables falls within the recorded allowances.

Maximum credit risk exposure relating to off-balance sheet financial guarantee provided by the Company to a wholly owned subsidiary in terms of its borrowing and other banking facilities was approximately RMB7,500 million as at 31 December, 2009 which was the face value of the borrowings and facilities under guarantee and with a maturity term to year 2012. As at 31 December, 2009, the Company's liabilities under such guarantees are zero as management does not expect the subsidiary failing to make repayments of borrowings when they fall due.

(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.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 FINANCIAL RISK FACTORS *(continued)*

(c) Liquidity risk (continued)

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

The table below analyses the Group and the Company'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 calculated based on the interest rate at the balance sheet date). Balances of trade and notes payables and accruals and other payables due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 FINANCIAL RISK FACTORS *(continued)*

(c) Liquidity risk (continued)

The Group

	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, 2009				
Bank borrowings *(Note 19)*	**2,432,784**	**2,511,700**	**3,908,254**	**1,931,731**
Domestic corporate bonds *(Note 20)*	**–**	**–**	**–**	**1,800,000**
Interest payables in relation to the bank borrowings and domestic corporate bonds	**203,007**	**241,909**	**608,411**	**576,382**
Finance lease obligations *(Note 21)*	**279,547**	**255,003**	**350,355**	**25,873**
Trade and notes payables *(Note 23)*	**4,071,296**	**–**	**–**	**–**
Accrual and other payables	**743,498**	**–**	**–**	**–**
At 31 December, 2008				
Bank borrowings *(Note 19)*	4,175,486	2,257,159	352,543	1,622,010
Domestic corporate bonds *(Note 20)*	–	–	–	1,800,000
Interest payables in relation to the bank borrowings and domestic corporate bonds	180,391	199,599	539,510	595,733
Finance lease obligations *(Note 21)*	592,440	552,428	1,354,726	249,785
Trade and notes payables *(Note 23)*	3,283,833	–	–	–
Accrual and other payables	811,098	–	–	–

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 FINANCIAL RISK FACTORS *(continued)*

(c) *Liquidity risk* (continued)

The Company

	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, 2009				
Bank borrowings *(Note 19)*	**136,564**	**–**	**–**	**–**
Domestic corporate bonds *(Note 20)*	**–**	**–**	**–**	**1,800,000**
Interest payables in relation to the bank borrowings and domestic corporate bonds	**82,154**	**81,180**	**243,540**	**243,540**
Trade and notes payables *(Note 23)*	**4,492,103**	**–**	**–**	**–**
Accrual and other payables	**291,189**	**–**	**–**	**–**
At 31 December, 2008				
Bank borrowings *(Note 19)*	341,730	–	–	–
Domestic corporate bonds *(Note 20)*	–	–	–	1,800,000
Interest payables in relation to the bank borrowings and domestic corporate bonds	87,598	81,180	243,540	324,720
Trade and notes payables *(Note 23)*	5,537,422	–	–	–
Accrual and other payables	292,132	–	–	–

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 stockholders 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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 CAPITAL RISK MANAGEMENT *(continued)*

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.

The gearing ratios of the Group at 31 December, 2009 and 2008 were as follows:

	2009 **RMB'000**	2008 RMB'000 (Restated)
Bank borrowings *(Note 19)*	**10,784,469**	8,407,198
Domestic corporate bonds *(Note 20)*	**1,781,724**	1,779,274
Finance lease obligations *(Note 21)*	**803,970**	2,595,691
Less: Cash and cash equivalents *(Note 16)*	**(6,936,708)**	(11,686,978)
Net debt	**6,433,455**	1,095,185
Total equity	**25,978,198**	32,495,911
Gearing ratio	**24.8%**	3.4%

Note:

The increase of gearing ratio is mainly due to the decrease of cash and cash equivalents and total equity of the Group as a result of operating losses and increases in capital expenditure.

3.3 FAIR VALUE ESTIMATION

Effective 1 January, 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 FAIR VALUE ESTIMATION *(continued)*

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December, 2008 and 2009, the Group did not have any financial asset or liability that was measured at fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(I) IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The Group's major operating assets are container vessels and containers. Management performs review for impairment of the container vessels and containers whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable.

The recoverable amounts of container vessels and containers have been determined based on the higher of value-in-use or fair value less costs to sell method. The value-in-use calculations require the use of estimates on the projections of cash inflows from the continue use of container vessels and containers (including the amount to be received for the disposal of container vessels and containers) and discount rates. All these items have been historically volatile and may impact the results of the impairment assessment.

Based on management's best estimates for the value-in-use calculations, there was no impairment loss for container vessels and containers as at 31 December, 2009.

(II) 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 by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the asset, and the current scrap values of steels in an active market at each measurement date. The depreciation expense will change where the useful lives or residual values of property, plant and equipment are different from the previous estimate.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(II) USEFUL LIVES AND RESIDUAL VALUES OF PROPERTY, PLANT AND EQUIPMENT *(continued)*

Were the useful lives to differ by 10% from management's estimates as at 31 December, 2009 with all other variables held constant, the estimated depreciation expense of property, plant and equipment for the year would be approximately RMB175,452,000 lower or RMB287,931,000 higher for the year ended 31 December, 2009.

Were the residual values to differ by 10% from management's estimates as at 31 December, 2009 with all other variables held constant, the estimated depreciation expense of property, plant and equipment for the year would be approximately RMB34,544,000 lower or RMB35,158,000 higher for the year ended 31 December, 2009.

(III) INCOME TAXES AND DEFERRED INCOME TAX

The Group is subject to income taxes in a number of jurisdictions. Significant judgment 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 income tax provisions in the period in which such determination is made.

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

(IV) PROVISION OF COST OF SERVICES

Cost of services, which comprise container and cargo, vessel and voyage costs, sub-route and other costs, are recognised on a percentage of completion basis as set out in Note 2.24. 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 cost of services in future periods.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors. The decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The chief operating decision-maker considers the business from both a geographic and business perspective. From a geographic perspective, the decision-maker assesses the revenue from the world's major trade lanes including Pacific, Europe/Mediterranean, Asia Pacific, China Domestic and Others. From a business perspective, the chief operating decision-maker assesses the performance of container shipping and related business and container terminal and related business.

The chief operating decision-maker assesses the performance of the operating segments based on a measure of operating profit/(loss), which is reconciled to profit/(loss) before tax. This measurement is consistent with that in the annual financial statements.

Sales between segments are carried out on terms mutually agreed amongst those business segments.

Revenue is set out below:

	For the year ended 31 December,	
	2009	2008
	RMB'000	RMB'000 (Restated)
Pacific	**6,427,004**	11,289,549
Europe/Mediterranean	**4,302,682**	10,681,324
Asia Pacific	**3,345,492**	5,104,944
China Domestic	**4,168,956**	5,544,189
Others	**1,496,197**	2,268,589
Turnover	**19,740,331**	34,888,595

5 REVENUE AND SEGMENT INFORMATION *(continued)*

The segment information for the year ended 31 December, 2009 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				
Total segment revenue	19,502,679	389,932	–	19,892,611
Less: inter-segment revenue	–	(152,280)	–	(152,280)
Revenue of the Group, from external customers	19,502,679	237,652	–	19,740,331
Segment operating (loss)/profit	(6,346,452)	114,457	–	(6,231,995)
Finance costs	(196,023)	(58,124)	–	(254,147)
Share of results of				
– associated companies	(211)	–	–	(211)
– jointly controlled entities	1,438	35,639	–	37,077
Segment (loss)/profit before income tax	(6,541,248)	91,972	–	(6,449,276)
Income tax expense				(22,466)
Loss for the year				(6,471,742)
Balance sheet				
Other segment assets	38,880,976	4,014,826	(22,278)	42,873,524
Jointly controlled entities	39,035	1,083,040	–	1,122,075
Associated companies	38,704	–	–	38,704
Available-for-sale financial assets	–	163,300	–	163,300
Total segment assets	38,958,715	5,261,166	(22,278)	44,197,603
Unallocated assets				
– Associated company				75,000
– Deferred income tax assets				19,699
Total assets				44,292,302
Segment liabilities	15,965,521	2,333,807	(22,278)	18,277,050
Unallocated liabilities				
– Deferred income tax liabilities				83
– Current income tax liabilities				36,971
Total liabilities				18,314,104

	Container shipping and related business	Container terminal and related business	Unallocated	Group
Other items				
Depreciation and amortisation	1,476,730	81,132	–	1,557,862
Additions to non-current assets (other than financial instruments and deferred income tax assets)	1,091,629	404,642	75,000	1,571,271

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(continued)*

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

	Container shipping and related business RMB'000 (Restated)	Container terminal and related business RMB'000	Inter-segment elimination RMB'000	Group RMB'000 (Restated)
Income statement				
Total segment revenue	34,615,838	437,265	–	35,053,103
Less: inter-segment revenue	–	(164,508)	–	(164,508)
Revenue of the Group, from external customers	34,615,838	272,757	–	34,888,595
Segment operating profit	202,512	174,178	–	376,690
Finance costs	(257,729)	(73,754)	–	(331,483)
Share of results of				
– associated companies	(4,426)	–	–	(4,426)
– jointly controlled entities	7,014	26,202	–	33,216
Segment (loss)/profit before income tax	(52,629)	126,626	–	73,997
Income tax credit				1,683
Profit for the year				75,680
Balance sheet				
Other segment assets	44,709,708	3,716,621	(14,720)	48,411,609
Jointly controlled entities	60,253	1,013,558	–	1,073,811
Associated companies	38,915	–	–	38,915
Available-for-sale financial assets	–	163,300	–	163,300
Total segment assets	44,808,876	4,893,479	(14,720)	49,687,635
Unallocated assets				
– Deferred income tax assets				86,912
Total assets				49,774,547
Segment liabilities	14,877,984	2,038,830	(14,720)	16,902,094
Unallocated liabilities				
– Deferred income tax liabilities				53,535
– Current income tax liabilities				323,007
Total liabilities				17,278,636

	Container shipping and related business	Container terminal and related business	Unallocated	Group
Other items				
Depreciation and amortisation	1,272,576	80,661	–	1,353,237
Additions to non-current assets (other than financial instruments and deferred income tax assets)	6,369,431	660,705	–	7,030,136

5 REVENUE AND SEGMENT INFORMATION *(continued)*

Segment assets are those operating assets that are employed by a segment in its operating activities. They exclude investments in associates not related to the segment and deferred income tax assets. Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include deferred income tax liabilities and current income tax liabilities.

Unallocated assets mainly represent investments in associates not related to the segment and deferred income tax assets. Unallocated liabilities mainly represent deferred income tax liabilities and current income tax liabilities.

The directors of the Company consider that the nature of the Group's business precludes a meaningful allocation of the Group's non-current assets of container shipping business to specific geographical segments as they mainly include container vessels and containers which are utilised across geographical markets for shipment of cargoes throughout the world. All of the Group's container terminals are located in the PRC.

Notes to the Consolidated Financial Statements

6 PROPERTY, PLANT AND EQUIPMENT

	The Group									
	Container vessels RMB'000	Vessels under construction RMB'000	Improvement on vessels under operating leases RMB'000	Building RMB'000	Construction in progress 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, 2008 (Restated)										
Cost	19,873,908	3,637,699	164,978	251,193	951,325	5,467,303	1,035,727	873,562	377,572	32,633,267
Accumulated depreciation and impairment losses	(2,511,156)	–	(138,629)	(16,413)	–	(857,300)	(31,008)	(116,176)	(230,302)	(3,900,984)
Net book amount	17,362,752	3,637,699	26,349	234,780	951,325	4,610,003	1,004,719	757,386	147,270	28,732,283
Year ended 31 December, 2008 (Restated)										
Opening net book amount	17,362,752	3,637,699	26,349	234,780	951,325	4,610,003	1,004,719	757,386	147,270	28,732,283
Exchange difference	(194,529)	(159,981)	–	–	(18,900)	(290,506)	–	–	(1,004)	(664,920)
Transfers	3,501,658	(3,501,658)	–	5,847	(565,163)	542,763	–	–	16,553	–
Additions	282,923	5,125,422	20,419	27	1,238,669	264,450	–	5,112	26,168	6,963,190
Disposals *(Note35(b))*	(222,954)	(2,376)	(1,195)	–	(727)	(3,005)	–	(4)	(1,047)	(231,308)
Depreciation *(Notes 25, 35(a))*	(734,196)	–	(12,789)	(8,369)	–	(481,630)	(22,804)	(47,454)	(42,315)	(1,349,557)
Closing net book amount	19,995,654	5,099,106	32,784	232,285	1,605,204	4,642,075	981,915	715,040	145,625	33,449,688
At 31 December, 2008 (Restated)										
Cost	23,010,906	5,099,106	182,721	257,077	1,605,204	5,910,131	1,035,727	878,670	363,751	38,343,293
Accumulated depreciation and impairment losses	(3,015,252)	–	(149,937)	(24,792)	–	(1,268,056)	(53,812)	(163,630)	(218,126)	(4,893,605)
Net book amount	19,995,654	5,099,106	32,784	232,285	1,605,204	4,642,075	981,915	715,040	145,625	33,449,688
Year ended 31 December, 2009										
Opening net book amount, restated	19,995,654	5,099,106	32,784	232,285	1,605,204	4,642,075	981,915	715,040	145,625	33,449,688
Exchange difference	(3,317)	(4,986)	(10)	–	(6)	(3,525)	–	–	(25)	(11,869)
Transfers	842,227	(842,227)	2,606	1,047	(68,446)	14,673	21,453	–	28,667	–
Additions	5,037	933,728	6,666	4,915	422,644	65,102	–	564	10,943	1,449,599
Disposals *(Note 35(b))*	(94,196)	–	(2,606)	(1,251)	–	(1,911)	–	(208)	(575)	(100,747)
Depreciation *(Notes 25, 35(a))*	(906,227)	–	(16,753)	(8,868)	–	(506,623)	(23,117)	(46,871)	(43,807)	(1,552,266)
Closing net book amount	19,839,178	5,185,621	22,687	228,128	1,959,396	4,209,791	980,251	668,525	140,828	33,234,405
At 31 December, 2009										
Cost	23,637,913	5,185,621	88,764	261,788	1,959,396	5,976,838	1,057,180	878,969	391,118	39,437,587
Accumulated depreciation and impairment losses	(3,798,735)	–	(66,077)	(33,660)	–	(1,767,047)	(76,929)	(210,444)	(250,290)	(6,203,182)
Net book amount	19,839,178	5,185,621	22,687	228,128	1,959,396	4,209,791	980,251	668,525	140,828	33,234,405

Notes to the Consolidated Financial Statements

6 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	The Company						
	Container vessels RMB'000	Vessels under construction RMB'000	Improvement on vessels under operating leases RMB'000	Building RMB'000	Construction in progress RMB'000	Motor vehicles, computer, office equipment and furniture RMB'000	Total RMB'000
At 1 January, 2008							
Cost	16,263,739	3,604,153	100,508	195,797	34,947	183,401	20,382,545
Accumulated depreciation and impairment losses	(2,244,244)	–	(100,508)	(13,375)	–	(125,937)	(2,484,064)
Net book amount	14,019,495	3,604,153	–	182,422	34,947	57,464	17,898,481
Year ended 31 December, 2008							
Opening net book amount	14,019,495	3,604,153	–	182,422	34,947	57,464	17,898,481
Transfers	3,436,846	(3,436,846)	–	–	(16,206)	16,206	–
Additions	442	2,261,789	–	74	5,026	563	2,267,894
Transfer to a subsidiary	–	(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	440,103	–	175,854	23,540	58,533	17,417,503
At 31 December, 2008							
Cost	19,322,530	440,103	–	195,881	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	440,103	–	175,854	23,540	58,533	17,417,503
Year ended 31 December, 2009							
Opening net book amount	**16,719,473**	**440,103**	**–**	**175,854**	**23,540**	**58,533**	**17,417,503**
Transfers	**842,227**	**(842,227)**	**–**	**1,047**	**(29,684)**	**28,637**	**–**
Additions	**4,471**	**421,862**	**–**	**101**	**6,144**	**1,704**	**434,282**
Transfer from a subsidiary *(Note(g))*	**–**	**813,018**	**–**	**–**	**–**	**–**	**813,018**
Disposals	**(71,417)**	**–**	**–**	**(1,251)**	**–**	**(108)**	**(72,776)**
Depreciation	**(750,694)**	**–**	**–**	**(6,936)**	**–**	**(16,878)**	**(774,508)**
Closing net book amount	**16,744,060**	**832,756**	**–**	**168,815**	**–**	**71,888**	**17,817,519**
At 31 December, 2009							
Cost	**20,026,733**	**832,756**	**–**	**195,778**	**–**	**187,177**	**21,242,444**
Accumulated depreciation and impairment losses	**(3,282,673)**	**–**	**–**	**(26,963)**	**–**	**(115,289)**	**(3,424,925)**
Net book amount	**16,744,060**	**832,756**	**–**	**168,815**	**–**	**71,888**	**17,817,519**

Notes to the Consolidated Financial Statements

6 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) As at 31 December, 2009, the net book value of the Group's containers held under finance lease amounted to approximately RMB1,043,583,000 (2008: RMB2,883,786,000).

(b) As at 31 December, 2009, the net book value of container vessels, containers and port and depot infrastructure of the Group pledged as securities for the bank borrowings amounted to approximately RMB2,254,348,000 (2008: RMB2,373,710,000) (Note 19).

(c) As at 31 December, 2009, the net book value of the assets leased out under operating leases, where the Group and the Company is the lessor, comprised vessels under chartering arrangements amounting to RMB1,976,184,000 and RMB3,989,463,000, respectively (2008: RMB42,801,000 and RMB9,887,159,000, respectively).

(d) In the year ended 31 December, 2009, the capitalised borrowing costs of the Group and the Company included in vessels under construction and construction in progress amounted to approximately RMB138,646,000 and RMB40,840,000 (2008: RMB222,621,000 and RMB67,336,000) respectively.

(e) As at 31 December, 2009, 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 (2008: RMB26,363,000).

(f) Depreciation expenses of RMB1,497,270,000 (2008: RMB1,317,364,000) has been charged to consolidated income statement within costs of services, and RMB54,996,000 (2008: RMB32,193,000) has been charged to consolidated income statement within selling, administrative and general expenses (Note 25).

(g) In the year ended 31 December, 2009, certain vessels under construction were transferred from a subsidiary to the Company with carrying value of approximately RMB813,018,000.

Notes to the Consolidated Financial Statements

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, 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
Year ended 31 December, 2009		
Opening net book value	**96,397**	**12,274**
Addition	**5,966**	**–**
Amortisation charge for the year	**(2,149)**	**(350)**
Closing net book amount	**100,214**	**11,924**
At 31 December, 2009		
Cost	**107,889**	**13,918**
Accumulated amortisation	**(7,675)**	**(1,994)**
Net book amount	**100,214**	**11,924**

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".

Notes to the Consolidated Financial Statements

8 INTANGIBLE ASSETS

	The Group			The Company
	Port line use rights	Compute Software	Total	Computer Software
	RMB'000	RMB'000	RMB'000	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
Year ended 31 December, 2009				
Opening net book value	**2,043**	**10,925**	**12,968**	**4,890**
Additions	**850**	**15,856**	**16,706**	**1,000**
Amortisation charge for the year	**(56)**	**(3,391)**	**(3,447)**	**(711)**
Closing net book amount	**2,837**	**23,390**	**26,227**	**5,179**
At 31 December, 2009				
Cost	**2,903**	**28,342**	**31,245**	**6,589**
Accumulated amortisation	**(66)**	**(4,952)**	**(5,018)**	**(1,410)**
Net book amount	**2,837**	**23,390**	**26,227**	**5,179**

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

Notes to the Consolidated Financial Statements

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP

	As at 31 December,	
	2009	2008
	RMB'000	RMB'000
Unlisted equity securities	**163,300**	163,300

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 (2008: RMB160,300,000) and a 15% equity interest in Lianyungang Electronic Port Information Development Co., Ltd. of RMB3,000,000 (2008: 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.

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,	
	2009	2008
	RMB'000	RMB'000
Investment in subsidiaries – unlisted shares, at cost	**14,821,452**	8,750,347
Loan to a subsidiary	**682,820**	609,680
	15,504,272	9,360,027

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

(a) In November 2009, the Company increased its capital investment in a subsidiary, China Shipping Container Lines (Asia) Co., Ltd. ("CSCL Asia") by USD464,415,000 (equivalent to approximately RMB3,173,986,000) by way of the capitalization of the dividends payable by CSCL Asia to the Company,

(b) In December 2009, the Company increased its capital investment in a subsidiary, China Shipping Container Lines (Hong Kong) Co., Ltd. ("CSCL Hong Kong") by USD811,654,000 (equivalent to approximately RMB5,543,579,000) by way of the capitalisation of (i) the dividends payable by CSCL Hong Kong to the Company, and (ii) the payable by CSCL Hong Kong to the Company in connection with the transfer of the Company's investments in CSCL Asia to CSCL Hong Kong,

Notes to the Consolidated Financial Statements

10 INTERESTS IN SUBSIDIARIES – THE COMPANY *(continued)*

(c) In May and November 2009, the Company increased its capital investment in its subsidiaries, Shanghai Puhai Shipping Lines Co., Ltd. and CS Yangshan by cash injections of RMB460,000,000 and RMB41,250,000, respectively, and

(d) The fair value of share options benefits amounting to approximately RMB24,689,000 attributable to directors and employees (Note 28) of subsidiaries as recorded as investments in subsidiaries.

The loan to a subsidiary is unsecured, interest bearing at LIBOR per annum, denominated in USD and repayable from year 2009 to 2011.

The list of the principal subsidiaries of the Company as at 31 December, 2009 is set out in Note 40(a).

11 INVESTMENT IN ASSOCIATED COMPANIES

THE GROUP

	As at 31 December,	
	2009	2008
	RMB'000	RMB'000
Beginning of the year	**38,915**	47,518
Additions	**75,000**	–
Share of results of associated companies	**(211)**	(4,426)
	74,789	(4,426)
Dividend received	**–**	(4,177)
End of the year	**113,704**	38,915

The additions to the investment in associated companies amounting to RMB75,000,000 represented the capital injection to a newly established associated company, China Shipping Finance Co., Ltd., in December 2009.

11 INVESTMENT IN ASSOCIATED COMPANIES *(continued)*

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

	As at and for the year ended 31 December,			
	2009			2008
	Shanghai HaiXin YuanCang International Logistics Co., Ltd. RMB'000	China Shipping Finance Co., Ltd. RMB'000	Total RMB'000	Shanghai HaiXin YuanCang International Logistics Co., Ltd. RMB'000
Total assets	131,792	75,000	206,792	49,252
Total liabilities	93,088	–	93,088	10,337
Revenue	–	–	–	808
Net loss	(211)	–	(211)	(4,426)
Percentage of interest held	40%	25%		40%

The details of the associated companies of the Group as at 31 December, 2009 are set out in Note 40(b).

THE COMPANY

	As at 31 December,	
	2009 RMB'000	2008 RMB'000
Unlisted investment, at cost	113,530	38,530

Notes to the Consolidated Financial Statements

12 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

THE GROUP

	As at 31 December,	
	2009	2008
	RMB'000	RMB'000
Beginning of the year	**1,073,811**	990,016
Increase in investments in jointly controlled entities	**24,000**	53,000
Decrease in investments in jointly controlled entities	**(7,000)**	–
Share of results of jointly controlled entities		
– profit before income tax	**40,430**	37,906
– income tax expense	**(3,353)**	(4,690)
	37,077	33,216
Increase in capital surplus	**2,829**	–
Dividend received	**(8,642)**	(2,421)
End of the year	**1,122,075**	1,073,811

The investments in jointly controlled entities as at 31 December, 2009 included goodwill of RMB31,959,000 (2008: RMB31,959,000).

Notes to the Consolidated Financial Statements

12 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

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

	As at and for the year ended 31 December,							
	2009				2008			
	Guangzhou Nansha Port Stevedoring Corporation Limited	Dalian International Container Terminal Co., Ltd.	Others	Total	Guangzhou Nansha Port Stevedoring Corporation Limited	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	1,284,887	873,302	619,212	2,777,401	1,448,857	768,417	502,682	2,719,956
Total liabilities	830,867	637,999	186,460	1,655,326	913,445	530,945	201,755	1,646,145
Net assets	454,020	235,303	432,752	1,122,075	535,412	237,472	300,927	1,073,811
Revenue	219,569	69	156,085	375,723	235,088	23	166,614	401,725
Net profit/(loss)	30,832	(2,153)	8,398	37,077	25,497	(7,159)	14,878	33,216
Percentage of interest held	40%	30%	30%~50%		40%	30%	30%~50%	

The details of the jointly controlled entities of the Group as at 31 December, 2009 are set out in Note 40(c).

THE COMPANY

	As at 31 December,	
	2009	2008
	RMB'000	RMB'000
Unlisted investments, at cost	37,000	53,000

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

Notes to the Consolidated Financial Statements

13A 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,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Assets per balance sheet:				
Available-for-sale financial assets *(Note 9)*	**163,300**	163,300	**–**	–
Loans and receivables				
– Trade and notes receivables *(Note 15)*	**1,573,176**	2,264,752	**857,314**	964,334
– Other receivables	**31,139**	305,658	**16,335**	355,292
– Cash and cash equivalents *(Note 16)*	**6,936,708**	11,686,978	**2,938,132**	6,931,543
	8,704,323	14,420,688	**3,811,781**	8,251,169
Liabilities per balance sheet:				
Other financial liabilities at amortised cost				
– Trade and notes payables *(Note 23)*	**4,071,296**	3,283,833	**4,492,103**	5,537,422
– Accrual and other payables	**343,771**	488,155	**75,915**	84,112
– Bank borrowings *(Note 19)*	**10,784,469**	8,407,198	**136,564**	341,730
– Domestic corporate bonds *(Note 20)*	**1,781,724**	1,779,274	**1,781,724**	1,779,274
– Finance lease obligations *(Note 21)*	**803,970**	2,595,691	**–**	–
	17,785,230	16,554,151	**6,486,306**	7,742,538

13B 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, 2009, the Group's trade receivables of RMB1,396,028,000 (2008: RMB2,057,166,000) and the Company's trade receivables of RMB743,180,000 (2008: RMB891,584,000) 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, ABN AMRO Bank and etc.)
- 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 PRC reputable banks

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 a large PRC bank. The management believes the state is able to support the PRC banks in the event of crisis.

	The Group As at 31 December,		**The Company As at 31 December,**	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Group 1	**1,100,070**	74,843	**254,904**	10,114
Group 2	**1,858,023**	2,491,100	**914,445**	835,557
Group 3	**3,978,615**	9,121,035	**1,768,783**	6,085,872
	6,936,708	11,686,978	**2,938,132**	6,931,543

Notes to the Consolidated Financial Statements

14 INVENTORIES

	The Group As at 31 December,		The Company As at 31 December,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Bunkers	**861,951**	457,212	**424,530**	87,513
Other materials	**12,449**	14,423	**–**	–
	874,400	471,635	**424,530**	87,513

15 TRADE AND NOTES RECEIVABLES

	The Group As at 31 December,		The Company As at 31 December,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Trade receivables				
– Subsidiaries	**–**	–	**227,950**	482,842
– Fellow subsidiaries *(Note 39(c))*	**224,472**	489,494	**130,572**	152,681
– Third parties	**1,153,584**	1,541,861	**390,524**	202,533
	1,378,056	2,031,355	**749,046**	838,056
Notes receivables	**195,120**	233,397	**108,268**	126,278
	1,573,176	2,264,752	**857,314**	964,334

Notes to the Consolidated Financial Statements

15 TRADE AND NOTES RECEIVABLES *(continued)*

The ageing analysis of the trade and notes receivables based on invoice dates is as follows:

	The Group As at 31 December,		The Company As at 31 December,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Within 3 months	**1,396,028**	2,057,166	**743,180**	891,584
4 to 6 months	**81,146**	124,381	**39,656**	38,952
7 to 9 months	**66,113**	63,278	**41,819**	34,245
10 to 12 months	**72,507**	52,254	**39,955**	10,556
Over 1 year	**–**	49,961	**–**	–
	1,615,794	2,347,040	**864,610**	975,337
Less: provision for impairment of receivables	**(42,618)**	(82,288)	**(7,296)**	(11,003)
	1,573,176	2,264,752	**857,314**	964,334

The carrying amounts of trade and notes receivables approximate their fair values as at the balance sheet dates.

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,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
RMB	**928,617**	600,370	**562,494**	196,370
HKD	**31,736**	6,723	**8**	23,803
USD	**557,843**	1,563,079	**275,335**	664,496
Other currencies	**54,980**	94,580	**19,477**	79,665
	1,573,176	2,264,752	**857,314**	964,334

Notes to the Consolidated Financial Statements

15 TRADE AND NOTES RECEIVABLES *(continued)*

CREDIT POLICY

Credit terms in the range within 3 months are granted to those customers with good payment history. There is no concentration of credit risk with respect to trade receivables, as the Group and the Company have a large number of customers, internationally dispersed.

As at 31 December, 2009, based on the invoice date, trade receivables of the Group and the Company that were aged over 3 months amounted to RMB219,766,000 and RMB121,430,000 (2008: RMB289,874,000 and RMB83,753,000), respectively. They are regarded as over-due and partially impaired, and the related amounts of provisions, estimated by management based on historic experiences of credit losses, amounted to RMB42,618,000 and RMB7,296,000 (2008: RMB82,288,000 and RMB11,003,000), respectively.

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
At 1 January,	**82,288**	114,935	**11,003**	24,453
Reversal of impairment of trade receivables *(Note 25)*	**(39,670)**	(32,647)	**(3,707)**	(13,450)
At 31 December,	**42,618**	82,288	**7,296**	11,003

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

Notes to the Consolidated Financial Statements

16 CASH AND CASH EQUIVALENTS

	The Group As at 31 December,		The Company As at 31 December,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Cash at bank and in hand	**4,376,179**	3,352,024	**808,132**	1,186,943
Short-term bank deposits	**2,560,529**	8,334,954	**2,130,000**	5,744,600
	6,936,708	11,686,978	**2,938,132**	6,931,543

Cash and cash equivalents are denominated in the following currencies:

	The Group As at 31 December,		The Company As at 31 December,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
RMB	**3,246,114**	6,946,966	**2,471,832**	6,217,470
HKD	**46,440**	54,982	**24**	49
USD	**3,375,412**	4,453,576	**381,698**	713,850
Other currencies	**268,742**	231,454	**84,578**	174
	6,936,708	11,686,978	**2,938,132**	6,931,543

17 SHARE CAPITAL

	The Group and the Company			
	Number of shares (thousand)	**A Share of RMB1 each** RMB'000	**H Share of RMB1 each** RMB'000	**Total** RMB'000
Issued and fully paid:				
At 1 January 2008, 31 December, 2008 and 2009	11,683,125	7,932,125	3,751,000	11,683,125

As at 31 December, 2009, all issued shares are divided into 11,683,125,000 shares (2008: 11,683,125,000 shares) of RMB1.00 each, comprising 7,932,125,000 A Share and 3,751,000,000 H Share (2008: 7,932,125,000 A Share and 3,751,000,000 H Share).

Notes to the Consolidated Financial Statements

18 OTHER RESERVES AND RETAINED EARNINGS

(A) OTHER RESERVES

	The Group				The Company		
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Translation RMB'000	Total RMB'000	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Total RMB'000
Balance at 1 January, 2008							
As previously reported	19,741,706	1,204,928	(530,346)	20,416,288	17,657,126	1,204,928	18,862,054
Adoption of merger accounting *(Note 1, 2.2(a))*	8,445	–	–	8,445	–	–	–
As restated	19,750,151	1,204,928	(530,346)	20,424,733	17,657,126	1,204,928	18,862,054
Currency translation difference, net of tax	–	–	(106,482)	(106,482)	–	–	–
Profit appropriation to statutory reserves *(Note)*	–	91,929	–	91,929	–	91,929	91,929
Transaction with owners:							
Deemed distribution to the controlling shareholder and its subsidiaries *(Note 35(c))*	(2,700,518)	–	–	(2,700,518)	–	–	–
Balance at 31 December, 2008, as restated	17,049,633	1,296,857	(636,828)	17,709,662	17,657,126	1,296,857	18,953,983
Balance at 1 January, 2009							
As previously reported	**17,041,188**	**1,296,857**	**(636,828)**	**17,701,217**	**17,657,126**	**1,296,857**	**18,953,983**
Adoption of merger accounting *(Note 1, 2.2(a))*	**8,445**	**–**	**–**	**8,445**	**–**	**–**	**–**
As restated	**17,049,633**	**1,296,857**	**(636,828)**	**17,709,662**	**17,657,126**	**1,296,857**	**18,953,983**
Currency translation difference, net of tax	**–**	**–**	**(25,268)**	**(25,268)**	**–**	**–**	**–**
Transaction with owners:							
Deemed distribution to the controlling shareholder *(Note 36)*	**(21,678)**	**–**	**–**	**(21,678)**	**–**	**–**	**–**
Acquisition of minority interest of a subsidiary	**(997)**	**–**	**–**	**(997)**	**–**	**–**	**–**
Others	**2,829**	**–**	**–**	**2,829**	**–**	**–**	**–**
Balance at 31 December, 2009	**17,029,787**	**1,296,857**	**(662,096)**	**17,664,548**	**17,657,126**	**1,296,857**	**18,953,983**

Notes to the Consolidated Financial Statements

18 OTHER RESERVES AND RETAINED EARNINGS *(continued)*

(B) (ACCUMULATED LOSSES)/RETAINED EARNINGS

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
At 1 January,	**2,368,074**	2,883,773	**1,033,262**	1,106,195
(Loss)/profit for the year	**(6,489,048)**	47,084	**(673,635)**	486,321
Dividends relating to 2007	**–**	(467,325)	**–**	(467,325)
Profit appropriation to statutory reserves	**–**	(91,929)	**–**	(91,929)
Dividend of Shanghai Inchon to the then shareholders	**–**	(3,529)	**–**	–
At 31 December,	**(4,120,974)**	2,368,074	**359,627**	1,033,262

Capital surplus mainly represents share premium and reserves arising from business combinations under common control.

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, companies of the Group registered in the PRC are 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.

Notes to the Consolidated Financial Statements

19 BANK BORROWINGS

	The Group As at 31 December,		The Company As at 31 December,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-Current				
Long-term bank borrowings	**8,351,685**	4,231,712	**–**	–
Current				
Short-term bank borrowings	**136,564**	1,553,612	**136,564**	136,692
Long-term bank borrowings				
– current portion	**2,296,220**	2,621,874	**–**	205,038
	2,432,784	4,175,486	**136,564**	341,730
	10,784,469	8,407,198	**136,564**	341,730
Representing:				
– unsecured	**8,899,107**	6,321,349	**136,564**	341,730
– secured	**1,885,362**	2,085,849	**–**	–
	10,784,469	8,407,198	**136,564**	341,730

The maturity periods of the bank borrowings are as follows:

	The Group As at 31 December,		The Company As at 31 December,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**2,432,784**	4,175,486	**136,564**	341,730
In the second year	**2,511,700**	2,257,159	**–**	–
In the third to fifth year	**3,908,254**	352,543	**–**	–
After fifth year	**1,931,731**	1,622,010	**–**	–
	10,784,469	8,407,198	**136,564**	341,730

Notes to the Consolidated Financial Statements

19 BANK BORROWINGS *(continued)*

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

	The Group		The Company	
	As at 31 December,		As at 31 December,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**7,924,813**	6,285,906	**136,564**	341,730
6 to12 months	**2,134,000**	1,318,500	**–**	–
After fifth year	**725,656**	802,792	**–**	–
	10,784,469	8,407,198	**136,564**	341,730

As at 31 December, 2009, the secured long-term bank borrowings of the Group were secured by the following collaterals:

(i) Legal mortgage over certain container vessels, containers and port and depot infrastructure of the Group with net book value of approximately RMB2,254,348,000 (2008: RMB2,373,710,000) (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		The Company	
	As at 31 December,		As at 31 December,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB				
– at fixed rates	**2,268,000**	1,815,500	**–**	–
USD				
– at fixed rates	**725,656**	802,792	**–**	–
– at floating rates	**7,790,813**	5,788,906	**136,564**	341,730
	10,784,469	8,407,198	**136,564**	341,730

Notes to the Consolidated Financial Statements

19 BANK BORROWINGS *(continued)*

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

	The Group As at 31 December,		The Company As at 31 December,	
	2009	2008	**2009**	2008
Bank borrowing				
– RMB	**5.31%**	6.62%	**–**	–
– USD	**1.06%**	2.47%	**0.85%**	2.95%

The carrying amounts of the short-term bank borrowings approximate their fair value as at the balance sheet date.

The carrying amounts and the fair values of the long-term bank borrowings, which are based on cash flows discounted using a rate of 5.94% (2008: 5.94%), are as follows:

	The Group As at 31 December,		The Company As at 31 December,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Carrying amounts	**10,647,905**	6,853,586	**–**	205,038
Fair values	**10,600,047**	6,798,425	**–**	205,038

20 DOMESTIC CORPORATE BONDS

	The Group and The Company As at 31 December,	
	2009	2008
	RMB'000	RMB'000
Non-current domestic corporate bonds	**1,781,724**	1,779,274

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.

Notes to the Consolidated Financial Statements

20 DOMESTIC CORPORATE BONDS *(continued)*

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, 2009, the estimated fair value of the bonds is approximately RMB1,691,385,000 (2008: RMB1,675,589,000). 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% (2008: 5.94%) per annum.

21 FINANCE LEASE OBLIGATIONS – THE GROUP

	As at 31 December, 2009			As at 31 December, 2008		
	Minimum lease payment RMB'000	**Finance charges RMB'000**	**Net present value of minimum lease payment RMB'000**	Minimum lease payment RMB'000	Finance charges RMB'000	Net present value of minimum lease payment RMB'000
Finance lease obligations						
Within one year	**279,547**	**47,478**	**232,069**	592,440	60,781	531,659
In the second year	**255,003**	**33,069**	**221,934**	552,428	45,381	507,047
In the third to fifth year	**350,355**	**24,141**	**326,214**	1,354,726	47,526	1,307,200
After fifth year	**25,873**	**2,120**	**23,753**	249,785	–	249,785
	910,778	**106,808**	**803,970**	2,749,379	153,688	2,595,691
Less: within one year (current portion)	**(279,547)**	**(47,478)**	**(232,069)**	(592,440)	(60,781)	(531,659)
	631,231	**59,330**	**571,901**	2,156,939	92,907	2,064,032

The average effective interest rate of finance lease obligations of the Group is 6.94% per annum (2008: 4.61%).

The carrying amounts of finance lease obligations approximate their fair value as at the year end dates. The fair values were determined based on discounted cash flow using average borrowing rates.

All finance lease obligations are dominated in USD.

Notes to the Consolidated Financial Statements

22 DEFERRED INCOME TAX

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Deferred income tax assets:				
– Deferred income tax assets to be recovered within 12 months	**–**	6,264	**–**	–
– Deferred income tax assets to be settled after more than 12 months	**19,699**	80,648	**6,250**	6,250
	19,699	86,912	**6,250**	6,250
Deferred income tax liabilities:				
– Deferred income tax liabilities to be recovered within 12 months	**(83)**	(88)	**–**	–
– Deferred income tax liabilities to be settled after more than 12 months	**–**	(53,447)	**–**	–
	(83)	(53,535)	**–**	–
Deferred income tax assets, net	**19,616**	33,377	**6,250**	6,250

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Beginning of the year	**33,377**	(171,535)	**6,250**	(52,478)
Credited to consolidated income statement *(Note 31)*	**7,350**	183,801	**–**	58,728
(Charged)/credited directly to equity	**(21,111)**	21,111	**–**	–
End of the year	**19,616**	33,377	**6,250**	6,250

Notes to the Consolidated Financial Statements

22 DEFERRED INCOME TAX *(continued)*

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

Deferred income tax assets:

	Losses of overseas subsidiaries at consolidation level RMB'000	Capitalised dry docking expense RMB'000	Tax losses of PRC subsidiaries RMB'000	Share-based payment RMB'000	Others RMB'000	Total RMB'000
The Group						
At 1 January, 2008 (Restated)	–	9,078	4,945	25,117	6,741	45,881
(Charged)/credited to consolidated income statement	55,520	(9,078)	(893)	(25,117)	5,773	26,205
Credited directly to equity	14,826	–	–	–	–	14,826
At 31 December, 2008	70,346	–	4,052	–	12,514	86,912
(Charged)/credited to consolidated income statement	(55,520)	–	–	–	3,133	(52,387)
Charged directly to equity	(14,826)	–	–	–	–	(14,826)
At 31 December, 2009	**–**	**–**	**4,052**	**–**	**15,647**	**19,699**
The Company						
At 1 January, 2008		9,078	–	25,117	6,250	40,445
Charged to income statement		(9,078)	–	(25,117)	–	(34,195)
At 31 December, 2008 and 2009		**–**	**–**	**–**	**6,250**	**6,250**

The Group and the Company did not recognise deferred income tax assets of RMB1,607,914,000 and RMB260,820,000, respectively, in respect of cumulative tax losses amounting to approximately RMB6,431,654,000 and RMB1,043,278,000, respectively, because it is estimated that the temporary differences cannot be reversed in the foreseeable future. Cumulative tax losses amounting to approximately RMB1,296,870,000 and RMB5,134,784,000 of the Group will expire within and above 5 years from 1 January, 2010, respectively. All tax losses of the Company will expire within 5 years from 1 January, 2010.

Notes to the Consolidated Financial Statements

22 DEFERRED INCOME TAX *(continued)*

Deferred income tax liabilities:

	Profits of overseas subsidiaries RMB'000	Residual value difference RMB'000	Others RMB'000	Total RMB'000
The Group				
At 1 January, 2008	(124,493)	(87,500)	(5,423)	(217,416)
Credited to consolidated income statement	64,761	87,500	5,335	157,596
Credited directly to equity	6,285	–	–	6,285
At 31 December, 2008	(53,447)	–	(88)	(53,535)
Credited to income statement	59,732	–	5	59,737
Charged directly to equity	(6,285)	–	–	(6,285)
At 31 December, 2009	**–**	**–**	**(83)**	**(83)**
The Company				
At 1 January, 2008	–	(87,500)	(5,423)	(92,923)
Credited to income statement	–	87,500	5,423	92,923
At 31 December, 2008 and 2009	**–**	**–**	**–**	**–**

The deferred income tax liabilities as at 31 December, 2008 represent the income tax on the profit of an oversea subsidiary which is subject to PRC income tax and payable upon profit remittance to the Company. In the year ended 31 December, 2009, the earnings of oversea subsidiary were declared as dividend, which was realised as taxable income against the taxable loss of the Company.

Notes to the Consolidated Financial Statements

23 TRADE AND NOTES PAYABLES

	The Group As at 31 December,		The Company As at 31 December,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Trade payables				
– Subsidiaries	**–**	–	**3,367,579**	4,478,944
– Fellow subsidiaries *(Note 39(c))*	**1,636,424**	763,421	**328,551**	95,062
– Third parties	**2,434,872**	2,500,156	**795,973**	963,416
	4,071,296	3,263,577	**4,492,103**	5,537,422
Notes payable	**–**	20,256	**–**	–
	4,071,296	3,283,833	**4,492,103**	5,537,422

The ageing analysis of the trade and notes payables based on invoice date is as follows:

	The Group As at 31 December,		The Company As at 31 December,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Within 3 months	**3,929,336**	3,241,536	**4,419,865**	5,521,598
4 to 6 months	**72,196**	24,034	**39,990**	15,709
7 to 9 months	**69,764**	18,263	**32,248**	115
	4,071,296	3,283,833	**4,492,103**	5,537,422

Notes to the Consolidated Financial Statements

23 TRADE AND NOTES PAYABLES *(continued)*

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

	The Group As at 31 December,		The Company As at 31 December,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
RMB	**1,395,929**	1,269,310	**2,263,826**	894,835
HKD	**53,636**	13,883	**3,476**	–
USD	**2,438,001**	1,772,831	**2,189,853**	4,632,306
Other currencies	**183,730**	227,809	**34,948**	10,281
	4,071,296	3,283,833	**4,492,103**	5,537,422

The carrying amounts of the trade and notes payables approximate their fair values as at the balance sheet date.

24 PROVISIONS

	The Group As at 31 December,		The Company As at 31 December,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Onerous contracts	**67,093**	–	**–**	–
Legal claims	**25,000**	25,000	**25,000**	25,000
	92,093	25,000	**25,000**	25,000

The provision for onerous contracts represents the amount of the unavoidable costs that exceed the future economic benefits expected to be received under the vessels chartering out contracts. The provision charge of RMB67,093,000 (2008: Nil) was recognised in the consolidated income statement within costs of services for the year ended 31 December, 2009 (Note 25).

The provision for legal claims of RMB25,000,000 is related to legal claim brought against the Company by customers of the Company. The provision charge was recognised in the consolidated income statement within selling, administrative and general expenses for the year ended 31 December, 2008. 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, 2009.

25 COSTS AND EXPENSES BY NATURE

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

	For the year ended 31 December,	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Costs of services		
Container repositioning and management	**7,431,982**	10,303,191
Bunkers consumed	**5,633,080**	10,105,221
Operating lease rentals	**3,526,604**	3,415,043
Port charges	**1,743,726**	2,479,541
Depreciation *(Note 6)*	**1,497,270**	1,317,364
Employee benefit expenses *(Note 28)*	**1,007,964**	809,423
Provision for onerous contracts *(Note 24)*	**67,093**	–
Sub-route costs and others	**4,577,893**	5,430,841
	25,485,612	33,860,624
Selling, administrative and general expenses		
Employee benefit expenses *(Note 28)*	**399,800**	298,824
Rental expenses	**50,971**	50,056
Telecommunication and utilities expenses	**30,392**	20,764
Depreciation *(Note 6)*	**54,996**	32,193
Repair and maintenance expenses	**2,948**	4,435
Auditors' remuneration	**10,450**	13,390
Amortisation	**5,596**	3,680
Reversal of impairment of trade receivables *(Note 15)*	**(39,670)**	(32,647)
Office expenses and others	**172,505**	138,989
	687,988	529,684
	26,173,600	34,390,308

Notes to the Consolidated Financial Statements

26 OTHER GAINS/(LOSSES), NET

	For the year ended 31 December, 2009 RMB'000	2008 RMB'000 (Restated)
(Losses)/gains on disposal of property, plant and equipment	**(42,676)**	35,206
Net foreign exchange gains/(losses)	**85,934**	(599,546)
Losses on forward foreign exchange contracts, net	**–**	(5,094)
	43,258	(569,434)

27 OTHER INCOME

	For the year ended 31 December, 2009 RMB'000	2008 RMB'000 (Restated)
Interest income	**100,922**	395,398
Government grant related to income	**36,701**	–
Dividend income from available-for-sale financial assets	**20,393**	32,491
Income from disposal of available-for-sale financial assets	**–**	9,955
Information technology services fees	**–**	9,993
	158,016	447,837

Notes to the Consolidated Financial Statements

28 EMPLOYEE BENEFIT EXPENSES

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

	For the year ended 31 December,	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Staff salaries and hiring of crews	**890,881**	922,319
Social welfare benefits	**440,232**	270,211
Change in fair value of share-based compensation liabilities	**76,651**	(84,283)
	1,407,764	1,108,247

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 an incentive 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.

Notes to the Consolidated Financial Statements

28 EMPLOYEE BENEFIT EXPENSES *(continued)*

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

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,			
	2009		2008	
	Average exercise price (HK dollar per share)	**Unit of Rights (thousands)**	Average exercise price (HK dollar per share)	Unit of Rights (thousands)
At 1 January	**2.79**	**111,566**	2.79	111,149
Granted	**3.34**	**1,083**	3.34	417
Forfeited	**2.61**	**(3,244)**	–	–
At 31 December	**2.80**	**109,405**	2.79	111,566

Up to 31 December, 2009, no Rights granted has been exercised or expired (2008: Nil). As at 31 December, 2009, the expiry dates of the outstanding Rights were between 2012 and 2015.

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 of 60%, exercise price shown above, an expected dividend yield of 2% and risk-free interest rates from 1.37% to 1.87%. The volatility compared with the valuation report 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, 2009, the Group recognised a loss of approximately RMB76,651,000 (2008: a gain of RMB84,283,000) as a result of the increase in fair value of the share-based compensation liability related to the Rights from approximately RMB19,050,000 as at 31 December 2008 to approximately RMB95,701,000 as at 31 December 2009. As at 31 December, 2009, the unrecognised compensation cost of the outstanding Rights is approximately RMB16,007,000 (2008: RMB9,739,000) which is expected to be recognised within the next 4 years.

29 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 28)*
For the year ended 31 December, 2009					
Directors					
Mr. Li Shaode	–	–	–	–	3,382,100
Mr. Zhang Guofa	–	–	–	–	2,218,050
Mr. Huang Xiaowen	–	631	158	789	3,334,050
Mr. Zhao Hongzhou	–	584	132	716	2,604,000
Mr. Ma Zehua	–	–	–	–	1,520,550
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. Wu Daqi	4	–	–	4	–
Mr. Shen Kangchen	100	–	–	100	–
Mr. Jim Poon	300	–	–	300	–
Mr. Shen Zhongying	100	–	–	100	–
Mr. Wang Zongxi	96	–	–	96	–
Supervisors					
Mr. Chen Decheng	–	–	–	–	948,600
Mr. Kou Laiqi	–	–	–	–	156,550
Mr. Hua Min	100	–	–	100	–
Ms. Pan Yingli	100	–	–	100	–
Mr. Wang Xiuping	–	387	107	494	1,395,000
Mr. Yao Guojian	–	584	132	716	2,480,000
	900	2,186	529	3,615	22,478,100

Notes to the Consolidated Financial Statements

29 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 28)*
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. Shen Kangchen	100	–	–	100	–
Mr. Jim Poon	300	–	–	300	–
Mr. Shen Zhongying	100	–	–	100	–
Mr. Wang Zongxi	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

No directors or supervisors of the Company waived any emoluments during the year ended 31 December, 2009 (2008: Nil). No discretionary bonus was paid to any of the directors or supervisors of the Company during the year ended 31 December, 2009 (2008: Nil).

In the year 2009, fair value of the Rights granted to the directors and supervisors of the Company increased by approximately RMB14,920,000 (2008: decreased by approximately RMB10,952,000).

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

(B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include two directors (2008: one) and one supervisor (2008: one). The emoluments payable to the remaining two (2008: three) individuals during the year are as follows:

	For the year ended 31 December,	
	2009	2008
	RMB'000	RMB'000
Basic salaries and allowances	**1,390**	1,872
Pension and others welfare	**279**	495
Total	**1,669**	2,367

The emoluments (excluding change in fair value of the Rights) of the above two (2008: three) individuals fall within the following bands:

	Number of individuals For the year ended 31 December,	
	2009	2008
Nil to HKD1,000,000 (equivalent to approximately RMB880,000)	**2**	3

(C) During the year ended 31 December, 2009, 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 (2008: Nil).

Notes to the Consolidated Financial Statements

30 FINANCE COSTS

	For the year ended 31 December, 2009 RMB'000	2008 RMB'000
Interest expenses:		
– bank borrowings and domestic corporate bonds	**309,436**	407,478
– finance lease obligations	**83,357**	146,626
Total interest expenses	**392,793**	554,104
Less: amount capitalised in vessels under construction and construction in progress	**(138,646)**	(222,621)
	254,147	331,483

The capitalisation rate applied to funds borrowed and bonds issued generally and utilised for the vessels under construction is 2.05% (2008: 4.16%) per annum for the year ended 31 December, 2009.

31 INCOME TAX EXPENSE/(CREDIT)

	For the year ended 31 December, 2009 RMB'000	2008 RMB'000 (Restated)
Current income tax		
– Hong Kong profits tax *(note (a))*	**1,787**	–
– PRC enterprise income tax *(note (b))*	**28,029**	182,118
Deferred income tax *(Note 22)*	**(7,350)**	(183,801)
	22,466	(1,683)

Note:

(a) Hong Kong profits tax

Hong Kong profits tax is provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits of the Group's companies operated in Hong Kong for the year ended 31 December, 2009.

31 INCOME TAX EXPENSE/(CREDIT) *(continued)*

Note: (continued)

(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 Yangshan Free Trade Port Area, Shanghai PuDong New Area. 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. The applicable income tax rate of the Company for 2009 is 20%. 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 has been changed to 25% since 1 January, 2008.

Pursuant to relevant CIT regulations, the profits derived from the Company's overseas subsidiaries are subject to CIT when dividends declared by these overseas subsidiaries. The Company uses an applicable tax rate according to CIT regulations on the profits of the overseas subsidiaries for CIT purposes.

(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,	
	2009	2008
	RMB'000	RMB'000 (Restated)
(Loss)/profit before income tax	**(6,449,276)**	73,997
Less: Share of losses of associated companies	**211**	4,426
Share of profits of jointly controlled entities	**(37,077)**	(33,216)
	(6,486,142)	45,207
Tax calculated at an income tax rate of 20% (2008:18%)	**(1,297,228)**	8,137
Tax losses for which no deferred income tax asset was recognised	**1,296,511**	–
Dividend income not subject to tax	**(4,079)**	(7,640)
Effect of different tax rate or tax base of subsidiaries and others	**27,262**	(2,180)
	22,466	(1,683)

Notes to the Consolidated Financial Statements

32 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB673,635,000 (2008: profit of RMB486,321,000).

33 DIVIDENDS

The directors do not recommend a dividend in respective of the year ended 31 December, 2009 (2008: Nil).

34 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/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,	
	2009	2008 (Restated)
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(6,489,048)**	47,084
Weighted average number of ordinary shares in issue (thousands)	**11,683,125**	11,683,125
Basic (loss)/earnings per share (RMB)	**(0.555)**	0.004

Diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share, as the Company does not have any potential dilutive ordinary shares during the year ended 31 December, 2009 (2008:Nil).

Notes to the Consolidated Financial Statements

35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(A) RECONCILIATION OF THE (LOSS)/PROFIT BEFORE INCOME TAX TO NET CASH (USED IN)/GENERATED FROM OPERATIONS:

	For the year ended 31 December,	
	2009	2008
	RMB'000	RMB'000
		(Restated)
(Loss)/profit before income tax	**(6,449,276)**	73,997
Depreciation *(Notes 6, 25)*	**1,552,266**	1,349,557
Amortisation *(Notes 7, 8, 25)*	**5,596**	3,680
Dividend income from available-for-sale financial assets *(Note 27)*	**(20,393)**	(32,491)
Gains on disposal of available-for-sale financial assets *(Note 27)*	**–**	(9,955)
Share of results of associated companies *(Note 11)*	**211**	4,426
Share of results of jointly controlled entities *(Note 12)*	**(37,077)**	(33,216)
Interest expense *(Note 30)*	**170,790**	184,857
Finance charge of finance lease obligations *(Note 30)*	**83,357**	146,626
Interest income *(Note 27)*	**(100,922)**	(395,398)
Change in fair value of share-based compensation liability *(Note 28)*	**76,651**	(84,283)
Reversal of impairment of receivables *(Note 25)*	**(39,670)**	(32,647)
Losses on the forward foreign exchange contracts, net *(Note 26)*	**–**	5,094
Losses/(gains) on disposal of property, plant and equipment *(Note 26)*	**42,676**	(35,206)
Provision for onerous contracts *(Note 25)*	**67,093**	–
Operating (loss)/profit before working capital changes	**(4,648,698)**	1,145,041
(Increase)/decrease in inventories	**(402,765)**	446,948
Decrease in trade and notes receivables	**731,246**	1,859,346
Decrease in prepayments and other receivables	**200,112**	126,859
Increase/(decrease) in trade and notes payables	**787,463**	(3,336)
(Decrease)/increase in accruals and other payables	**(86,019)**	645,168
Net cash (used in)/generated from operations	**(3,418,661)**	4,220,026

Notes to the Consolidated Financial Statements

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

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

	2009	2008
	RMB'000	RMB'000
		(Restated)
Net book amount *(Note 6)*	**100,747**	231,308
(Losses)/gains on disposal of property, plant and equipment *(Note 26)*	**(42,676)**	35,206
Proceeds from disposal of property, plant and equipment	**58,071**	266,514

(C) BUSINESS COMBINATION UNDER COMMON CONTROL

In March 2009, the Group acquired from China Shipping Group 51% equity interests in Shanghai Inchon at cash considerations of RMB21,678,000. All the considerations were paid in the year 2009.

In 2008, the Company acquired from the subsidiaries of China Shipping Group 60% equity interests in CS Yangpu, 25% equity interests in CS Yangshan and 100% equity interests in CS Terminal. The total considerations of above-mentioned business combination under common control amounted to RMB2,700,518,000. In the year ended 31 December, 2009, the remaining portion of the considerations amounting to RMB62,099,000 was paid to China Shipping Group.

36 BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in Note 1 above, during year 2009 the Group acquired 51% equity interests in Shanghai Inchon from China Shipping Group at cash considerations of RMB21,678,000. 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.

Notes to the Consolidated Financial Statements

36 BUSINESS COMBINATION UNDER COMMON CONTROL *(continued)*

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheet as at 31 December, 2009 and 2008.

As at 31 December, 2009

	The Group as previously reported *(Note 1)* RMB'000	Shanghai Inchon RMB'000	Adjustments RMB'000	Consolidated RMB'000
ASSETS				
Investment in associated companies	113,704	–	–	113,704
Investment in jointly controlled entities	1,122,075	–	–	1,122,075
Investment in a subsidiary of the Company	32,092	–	(32,092)	–
Available-for-sales financial assets	163,300	–	–	163,300
Other non-current assets	33,379,188	1,357	–	33,380,545
Current assets	9,469,882	61,862	(19,066)	9,512,678
Total assets	44,280,241	63,219	(51,158)	44,292,302
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	11,683,125	16,558	(16,558)	11,683,125
Other reserves	17,678,778	1	(14,231)	17,664,548
(Accumulated losses)/retained earnings	(4,129,001)	17,731	(9,704)	(4,120,974)
	25,232,902	34,290	(40,493)	25,226,699
Minority interests	743,098	–	8,401	751,499
Total equity	25,976,000	34,290	(32,092)	25,978,198
LIABILITIES				
Non-current liabilities	10,705,393	–	–	10,705,393
Current liabilities	7,598,848	28,929	(19,066)	7,608,711
Total liabilities	18,304,241	28,929	(19,066)	18,314,104
Total equity and liabilities	44,280,241	63,219	(51,158)	44,292,302

Notes to the Consolidated Financial Statements

36 BUSINESS COMBINATION UNDER COMMON CONTROL *(continued)*

As at 31 December, 2008

	The Group as previously reported *(Note 1)* RMB'000	Shanghai Inchon RMB'000	Adjustments RMB'000	Consolidated RMB'000
ASSETS				
Investment in associated companies	38,915	–	–	38,915
Investment in jointly controlled entities	1,073,811	–	–	1,073,811
Available-for-sales financial assets	163,300	–	–	163,300
Other non-current assets	33,645,538	427	–	33,645,965
Current assets	14,795,656	73,395	(16,495)	14,852,556
Total assets	49,717,220	73,822	(16,495)	49,774,547
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	11,683,125	16,558	(16,558)	11,683,125
Other reserves	17,701,217	1	8,444	17,709,662
Retained earnings	2,354,052	27,494	(13,472)	2,368,074
	31,738,394	44,053	(21,586)	31,760,861
Minority interests	713,464	–	21,586	735,050
Total equity	32,451,858	44,053	–	32,495,911
LIABILITIES				
Non-current liabilities	8,128,553	–	–	8,128,553
Current liabilities	9,136,809	29,769	(16,495)	9,150,083
Total liabilities	17,265,362	29,769	(16,495)	17,278,636
Total equity and liabilities	49,717,220	73,822	(16,495)	49,774,547

The above adjustments represent adjustments to eliminate the share capital of the Shanghai Inchon against the investment cost of the Group attributable to the Shanghai Inchon and eliminate the inter-company balances between the Group and Shanghai Inchon as at 31 December, 2008. The difference of approximately RMB8,444,000 was made to the other reserve in the consolidated financial statements.

37 COMMITMENTS

(A) CAPITAL COMMITMENTS

As at 31 December, 2009 and 2008, the Group and the Company had the following significant capital commitments which were not provided for in the balance sheets:

	The Group As at 31 December,		The Company As at 31 December,	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Contracted but not provided for:				
– Plant under construction	**12,984**	56,324	**–**	–
– Vessels under construction	**8,165,053**	9,022,665	**3,058,160**	385,262
	8,178,037	9,078,989	**3,058,160**	385,262

(B) LEASE COMMITMENTS – THE GROUP IS THE LESSEE

As at 31 December, 2009 and 2008, 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,	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Land and buildings:				
– Within one year	**54,251**	41,057	**7,031**	7,031
– In the second to fifth year	**65,188**	57,442	**14,093**	20,997
– After fifth year	**22,547**	26,218	**–**	–
	141,986	124,717	**21,124**	28,028
Vessels chartered-in and containers under operating leases:				
– Within one year	**2,621,860**	2,741,690	**658,618**	415,292
– In the second to fifth year	**6,452,390**	6,648,714	**1,081,340**	719,537
– After fifth year	**4,835,858**	5,395,810	**750,242**	1,135,880
	13,910,108	14,786,214	**2,490,200**	2,270,709
	14,052,094	14,910,931	**2,511,324**	2,298,737

37 COMMITMENTS *(continued)*

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

As at 31 December, 2009 and 2008, 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,	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Vessels chartered-out under operating leases:				
– Within one year	**378,218**	507,333	**799,637**	1,678,769
– In the second to fifth year	**59,719**	327,241	**2,013,226**	1,641,773
– After fifth year	**–**	–	**718,381**	1,412,838
	437,937	834,574	**3,531,244**	4,733,380

(D) OTHER COMMITMENTS

As at 31 December, 2009 and 2008, the Group had the following significant commitments which were not provided for in the balance sheets:

	The Group As at 31 December,	
	2009	2008
	RMB'000	RMB'000
Investments		
– Contracted but not provided for *(Note)*	**168,000**	226,239
– Authorised but not contracted for	**200,000**	–

Note:

As at 31 December, 2009 and 2008, the investment commitments included capital commitments in relation to the Group's interests in jointly controlled entities amounting to RMB168,000,000 and RMB192,000,000, respectively.

38 CONTINGENT LIABILITIES

As at 31 December, 2009, the Group and the Company have no significant contingent liabilities.

39 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.

Notes to the Consolidated Financial Statements

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(A) For the years ended 31 December, 2009 and 2008, 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
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
China Shipping Development Co., Ltd.	Fellow subsidiary
China Shipping Logistics Co., Ltd.	Fellow subsidiary
China Shipping Agency Co., Ltd.	Fellow subsidiary
China Shipping Air Cargo Co., Ltd.	Fellow subsidiary
China Shipping Industry Co., Ltd.	Fellow subsidiary
China Shipping Investment Co., Ltd.	Fellow subsidiary
China Shipping International Trading Co., Ltd.	Fellow subsidiary
China Shipping Telecommunications Co., Ltd.	Fellow subsidiary
Dong Fang International Investment Co., Ltd.	Fellow subsidiary
China Shipping Agency (Australia) Holdings Pte Ltd.	Fellow subsidiary
China Shipping Japan Co., Ltd.	Fellow subsidiary
China Shipping Agency (Korea) Co., Ltd.	Fellow subsidiary
China Shipping (Europe) Holding GmbH	Fellow subsidiary
China Shipping (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
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

In addition to the related party information shown elsewhere in these consolidated 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 years and balances arising from related party transactions for the year ended 31 December, 2009 and 2008.

Notes to the Consolidated Financial Statements

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

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

	For the year ended 31 December,	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Transactions with fellow subsidiaries		
Revenue:		
Information technology services	**–**	13,784
Liner services	**317,038**	399,249
Lease of vessels	**–**	21,148
Expenditure:		
Lease of containers	**344,729**	379,121
Lease of chassis	**25,920**	26,227
Cargo and liner agency services	**504,857**	631,623
Container management services	**127,941**	126,323
Bareboat charter services	**4,068**	37,352
Ship repair services	**51,133**	86,426
Supply of fresh water, vessel fuel, lubricants, spare parts and other materials	**1,299,951**	1,511,293
Depot services	**22,497**	41,442
Information technology services	**37,734**	26,440
Provision of crew members	**27,179**	31,376
Loading and unloading services	**447,623**	530,716
Ground container transport costs	**5,161**	73,127
Purchase of containers	**352,240**	541,956
Purchase of ship	**–**	253,712

Notes to the Consolidated Financial Statements

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

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

	For the year ended 31 December, 2009 RMB'000	2008 RMB'000 (Restated)
Transactions with other state-owned enterprises		
Revenue:		
Interest income from bank deposits	**40,880**	293,370
Expenditure:		
Loading and unloading services and port charges	**2,475,287**	3,307,935
Purchase of bunkers and spare parts	**1,364,978**	1,706,182
Interest expenses	**57,982**	20,845
Vessel maintenance costs	**116,700**	167,203
Other transactions:		
Progress payment made on construction of vessels	**391,539**	5,202,165

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(C) BALANCES WITH RELATED PARTIES

	As at 31 December,	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Balances with fellow subsidiaries (note)		
Trade receivables	**231,414**	523,601
Less: provisions	**(6,942)**	(34,107)
	224,472	489,494
Other receivables	**–**	80,963
Other payables	**–**	(62,099)
Trade payables	**(1,636,424)**	(763,421)
	(1,411,952)	(255,063)

Note:

These balances are unsecured and interest free.

	As at 31 December,	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Balances with other state-owned enterprises		
Bank deposits *(note (i))*	**5,836,637**	11,612,135
Bank borrowings *(note (ii))*	**9,807,107**	5,548,199
Trade and other payables *(note (iii))*	**444,200**	359,201

Notes to the Consolidated Financial Statements

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

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

Note:

(i) Interest of bank deposits is at market rate ranging from 0.36% to 1.98% per annum (2008: from 0.72% to 3.78%).

(ii) Interest of bank borrowings is at market rates ranging from approximately LIBOR plus 0.1% to LIBOR plus 0.8% per annum (2008: LOBOR plus 0.31% to LIBOR plus 0.5%).

(iii) These balances are unsecured, and interest free.

(D) KEY MANAGEMENT COMPENSATION:

	For the year ended 31 December,	
	2009	2008
	RMB'000	RMB'000
Basic salaries and allowances	**6,507**	6,629
Pension and others welfare	**1,326**	1,470
Fair value of the Rights *(Note 28)*	**22,224**	(17,699)
	30,057	(9,600)

Notes to the Consolidated Financial Statements

40 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

(A) SUBSIDIARIES

As at 31 December, 2009, the Company has direct and indirect interests in the following subsidiaries:

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Established and operate in the PRC						
China Shipping Container Lines Dalian Co., Ltd.	5 January, 2003	Limited liability company	RMB10,000,000	100%	–	Cargo and liner agency
China Shipping Container Lines Guangzhou Co., Ltd.	26 January, 2003	Limited liability company	RMB10,000,000	100%	–	Cargo and liner agency
China Shipping Container Lines Hainan Company Limited	14 January, 2003	Limited liability company	RMB10,000,000	100%	–	Cargo and liner agency
China Shipping Container Lines Qingdao Company Limited	13 January, 2003	Limited liability company	RMB10,000,000	100%	–	Cargo and liner agency
China Shipping Container Lines Shanghai Co., Ltd.	13 January, 2003	Limited liability company	RMB71,140,000	100%	–	Cargo and liner agency
China Shipping Container Lines Shenzhen Co., Ltd.	15 January, 2003	Limited liability company	RMB10,000,000	100%	–	Cargo and liner agency
China Shipping Container Lines Tianjin Company Limited	3 January, 2003	Limited liability company	RMB10,000,000	100%	–	Cargo and liner agency
China Shipping Container Lines Xiamen Co., Ltd.	6 January, 2003	Limited liability company	RMB10,000,000	100%	–	Cargo and liner agency
China Shipping Container Lines (Yangpu) Co., Ltd.	5 December, 2002	Limited liability company	RMB38,000,000	90%	10%	Cargo and liner agency

Notes to the Consolidated Financial Statements

40 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
Shanghai Puhai Shipping Lines Co., Ltd.	19 November, 1992	Limited liability company	RMB682,911,111	94.49%	5.51%	International container shipping
China Shipping Container Lines (Fuzhou) Co., Ltd.	20 May, 2003	Limited liability company	RMB1,550,000	10%	90%	Cargo and liner agency
China Shipping Container Lines (Haikou) Co., Ltd.	5 November, 2003	Limited liability company	RMB3,000,000	–	100%	Cargo and liner agency
China Shipping Container Lines (Jiangsu) Co., Ltd.	19 September, 2003	Limited liability company	RMB6,500,000	45%	55%	Transportation
China Shipping Container Lines Lianyunggang Co., Ltd.	12 March, 2003	Limited liability company	RMB5,000,000	10%	90%	Cargo and liner agency
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

Notes to the Consolidated Financial Statements

40 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
Fangchenggang China Shipping Container Lines Co., Ltd.	6 May, 2003	Limited liability company	RMB500,000	10%	90%	Cargo and liner agency
Jiangmen China Shipping Container Lines Co., Ltd.	21 August, 2003	Limited liability company	RMB500,000	10%	90%	Cargo and liner agency
Jinzhou China Shipping Container Lines Co., Ltd.	18 March, 2003	Limited liability company	RMB1,500,000	–	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
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

Notes to the Consolidated Financial Statements

40 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 Wuhu Co., Ltd.	29 March, 2005	Limited liability company	RMB1,500,000	–	100%	Cargo and liner agency
Nantong China Shipping Container Lines Co., Ltd.	21 June, 2005	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency
China Shipping Container Lines Wuhan Co., Ltd.	26 May, 2005	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency
Jiujiang China Shipping Container Lines Co., Ltd.	27 April, 2005	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency
Zhangjiagang China Shipping Container Lines Co., Ltd.	15 March, 2005	Limited liability company	RMB5,500,000	–	100%	Cargo and liner agency
China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd.	13 December, 2001	Limited liability company	RMB6,000,000	100%	–	Transportation, storage and other services
China Shipping Yangshan International Container Storage & Transportation Co., Ltd.	8 November, 2006	Limited liability company	RMB119,000,000	75%	–	Placement, storage and other services for refrigerated containers
Shanghai Inchon International Ferry Co., Ltd.	4 July, 1998	Limited liability company	USD2,000,000	–	75.5%	Transportation
China Shipping Terminal Development Co., Ltd.	18 April, 2001	Limited liability company	RMB2,039,705,065	100%	–	Operation of container terminal
China Shipping Container Lines (Shenzhen) Agency Co., Ltd.	15 June, 2006	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency

Notes to the Consolidated Financial Statements

40 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
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%	Provision of shipping services
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
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	RMB30,000,000	–	50%	Operation of container terminal
Nanning China Shipping Container Lines Co., Ltd.	18 September, 2008	Limited liability company	RMB2,000,000	–	100%	Cargo and liner agency
China Shipping Container Lines (Dalian) Information Processing Co., Ltd.	17 April, 2009	Limited liability company	RMB2,000,000	100%	–	Provision of information processing service

Notes to the Consolidated Financial Statements

40 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	Indirectly held	Principal activities
Incorporated and operate in Hong Kong						
China Shipping Container Lines (Hong Kong) Co., Ltd.	3 July, 2002	Limited liability company	HKD1,000,000 and USD1,627,558,800	100%	–	International container shipping and liner agency
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 and USD52,550,000	–	100%	International container shipping and liner agency
Incorporated and operate in Panama						
PH. Xiang Zhu Shipping S.A.	8 August, 2008	Limited liability company	USD2	–	100%	International container shipping and liner agency
PH. Xiang Da Shipping S.A.	8 August, 2008	Limited liability company	USD2	–	100%	International container shipping and liner agency
PH. Xiang Xiu Shipping S.A.	8 August, 2008	Limited liability company	USD2	–	100%	International container shipping and liner agency
PH. Xiang Wang Shipping S.A.	8 August, 2008	Limited liability company	USD2	–	100%	International container shipping and liner agency
PH. Xiang Xing Shipping S.A.	8 August, 2008	Limited liability company	USD2	–	100%	International container shipping and liner agency

40 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	USD514,465,000	–	100%	Sales, purchase and lease of vessels and containers
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	23 April, 2004	Limited liability company	USD50,000	–	100%	Owning of vessel
Yangshan D Shipping Company Limited	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
Incorporated in the Republic of Cyprus						
Arisa Navigation Company Limited	18 June, 2002	Limited liability company	CYP1,000	–	100%	Owning of vessel

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

(B) ASSOCIATED COMPANY

As at 31 December, 2009, the Group and the Company has equity interests in the following associated companies:

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
China Shipping Finance Co., Ltd.	30 December, 2009	Limited liability company	PRC	RMB300,000,000	25%	Provision of finance service

(C) JOINTLY CONTROLLED ENTITIES

As at 31 December, 2009, 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

40 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
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
Dalian Dagang Container Terminal Co., Ltd.	7 July, 1999	Limited liability company	PRC	RMB10,000,000	35%	Operation of container terminal
Guangzhou Nanshan 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

Note: Dalian Vanguard International Logistics Co., Ltd. is a jointly controlled entity directly held by the Company.

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

Five Years Financial Summary

CONSOLIDATED RESULTS

	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000 (Restated)	**2009** **RMB'000**
Revenue	28,374,680	30,502,378	39,072,489	34,888,595	**19,740,331**
Operating profit/(loss)	4,730,576	1,670,031	4,384,116	376,690	**(6,231,995)**
Finance costs	(427,273)	(533,999)	(561,492)	(331,483)	**(254,147)**
Profit/(loss) before income tax	4,309,263	1,142,561	3,836,455	73,997	**(6,449,276)**
Income tax (expense)/credit	(724,168)	(277,847)	(601,820)	1,683	**(22,466)**
Profit/(loss) for the year	3,585,095	864,714	3,234,635	75,680	**(6,471,742)**
Profit for the year attributable to minority interests	(2,313)	(5,504)	(4,297)	(28,596)	**(17,306)**
Profit/(loss) for the year attributable to equity holders of the Company	3,582,782	859,210	3,230,338	47,084	**(6,489,048)**
Dividend	723,600	241,200	5,333,475	–	**–**

CONSOLIDATED ASSETS AND LIABILITIES

	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000 (Restated)	**2009** **RMB'000**
Non-current assets	20,845,376	23,604,392	30,043,799	34,921,991	**34,779,624**
Current assets	8,159,952	7,139,664	21,881,545	14,852,556	**9,512,678**
Current liabilities	4,226,798	4,593,201	7,172,038	9,150,083	**7,608,711**
Non-current liabilities	8,149,206	9,574,650	9,085,845	8,128,553	**10,705,393**
Net assets	16,629,324	16,576,205	35,667,461	32,495,911	**25,978,198**

Notes:

(a) The financial figures for the years 2008 and 2009 were extracted from the financial statements as set out in this Annual Report.

(b) The financial figures for years from 2005 to 2007 were extracted from the 2008 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 during the year were made on the financial figures for years from 2005 to 2007.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting for the year 2009 ("AGM") of China Shipping Container Lines Company Limited (the "Company") will be held at 2:00 p.m. on Friday, 25 June, 2010 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, 2009;

2. to consider and approve the proposed profit distribution plan of the Company for the year ended 31 December, 2009;

3. to consider and approve the report of the board of directors of the Company (the "Board") for the year ended 31 December, 2009;

4. to consider and approve the report of the supervisory committee of the Company for the year ended 31 December, 2009;

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, 2009;

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 2010, 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 2010, 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, 2010;

Notice of Annual General Meeting

9. to re-elect the following directors of the Company (the "Directors") pursuant to Article 10.2 of the Articles of Association of the Company with effect from the conclusion of the AGM until the conclusion of the annual general meeting of the Company for the year 2012, i.e. on or around June 2013:

   (a) Mr. Li Shaode (executive Director);

   (b) Mr. Ma Zehua (non-executive Director);

   (c) Mr. Zhang Guofa (executive Director);

   (d) Mr. Zhang Jianhua (non-executive Director);

   (e) Mr. Lin Jianqing (non-executive Director);

   (f) Mr. Wang Daxiong (non-executive Director);

   (g) Mr. Huang Xiaowen (executive Director);

   (h) Mr. Zhao Hongzhou (executive Director);

   (i) Mr. Yan Zhichong (non-executive Director);

   (j) Mr. Xu Hui (non-executive Director);

   (k) Mr. Shen Zhongying (independent non-executive Director);

   (l) Mr. Shen Kangchen (independent non-executive Director);

   (m) Mr. Jim Poon (also known as Pan Zhanyuan) (independent non-executive Director);

   (n) Mr. Wu Daqi (independent non-executive Director); and

   (o) Ms. Zhang Nan (independent non-executive Director).

Notice of Annual General Meeting

The brief biographical details of the directors of the Company proposed to be re-elected (other than Ms. Zhang Nan) are set out in the section "Biographies of Directors, Supervisors and Senior Management" of the annual report of the Company dated 30 April 2010 on pages 26 to 37 and the brief biographical details of Ms. Zhang Nan are set out in Paragraph (a) of the Explanatory Notes.

10. to re-elect the following supervisors of the Company pursuant to Article 14.2 of the Articles of Association of the Company with effect from the conclusion of the AGM until the conclusion of the annual general meeting of the Company for the year 2012, i.e. on or around June 2013:

    (a) Mr. Chen Decheng;

    (b) Mr. Kou Laiqi;

    (c) Mr. Hua Min; and

    (d) Ms. Pan Yingli;

    The brief biographical details of the supervisors of the Company proposed to be re-elected are set out in the section "Biographies of Directors, Supervisors and Senior Management" of the annual report of the Company dated 30 April 2010 on pages 26 to 37.

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

Shanghai, the People's Republic of China
30 April, 2010

Notice of Annual General Meeting

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 Wednesday, 26 May, 2010 to Friday, 25 June, 2010 (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 Friday, 25 June, 2010 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 Tuesday, 25 May, 2010.

The address of Computershare is as follows:

Room 17M 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 Saturday, 5 June, 2010.

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

Notice of Annual General Meeting

(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.

Notice of Annual General Meeting

Explanatory Notes to the Notice of AGM

(a) Ms. Zhang Nan, aged 61

Ms. Zhang Nan, graduated from the Party School of the CPC Central Committee with a major in economic management and the Chinese Academy of Social Sciences with a major in economic law and is an senior economist. From March 1969 to August 1975, she was a worker, the deputy secretary and secretary of the Communist Youth League, and the deputy director of political office in the Second Chemical Factory of Beijing Yanhua Corporation. From August 1975 to December 1978, she was the director of office of political department of Beijing Yanhua Corporation. From December 1978 to November 1983, she was the deputy director of office of Beijing Electronics & Instrument Industrial Bureau Device Company. From November 1983 to March 1988, she was the deputy director of professional department on electronic devices and deputy director of office of Beijing Computer Industry Corporation. From March 1988 to July 1992, she was the deputy director of audit and compliance division of Beijing Electronic Industry Office. From July 1992 to June 1993, she was the deputy director of research office of State Council Production Office and State Council Economics and Trade Office. From June 1993 to March 2003, she was the director of division of economic law and regulations, the deputy director of economic research center, the deputy director of the enterprise supervision bureau, and the director of economics officer training center of State Economic and Trade Commission. From March 2003 to June 2009, she was the director of economics officer training center and a supervisor (bureau class) of the supervisory board for large state-owned enterprises of State-owned Assets Supervision and Administration Commission. Ms. Zhang is currently the deputy director of the Management Modernisation Working Committee of China Association of Enterprises, a part-time professor of the law school of Hunan University, a researcher of China Center for Comparative Politics and Economics and a special invited member of scientific management committee and enterprise risk management specialist committee of Sinohydro Corporation.