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

POSITIONED
FOR FUTURE OPPORTUNITIES
ANNUAL REPORT 2011

Company Profile

China Shipping Container Lines Company Limited ("CSCL" or the "Company") is a specialized corporation affiliated to China Shipping Group, involved in container liner services and other related services, including vessel chartering, cargo canvassing and booking, customs clearance, storage, depot services, container construction, repair, sales, purchase and other related domains. In June 2004 and December 2007, CSCL was successfully listed on Hong Kong Stock Exchange and Shanghai Stock Exchange respectively.

CSCL has a young and modern fleet, which as at 31 December 2011 comprised of 164 vessels, with a total operating capacity above 600,000TEU, making itself on the list of top ten shipping companies in the world. CSCL has over 80 international and domestic trade lanes, covering over 100 countries. In recent years, CSCL has strengthened its competitiveness by launching tailored lanes for customers. In addition, CSCL has deployed over 300 agency network points around the globe, being able to carry out network marketing and provide integrated services.

Companies of CSCL comprise China Shipping Terminal Development Co., Ltd., Shanghai Puhai Shipping Co., Ltd., Universal Shipping (Asia) Co., Ltd. and China Shipping Yangshan International Container Storage & Transportation Co., Ltd. Various resources from these companies enable CSCL to integrate fleet, port terminals, container truck, storage, railway and airline etc., which in return forms various transportations, including sea-rail joint transportation, sea-air joint transportation, water-water joint transportation and water-land transportation etc. This complete shipping logistics industrial chain is able to provide "door to door" service throughout the shipping process for customers around the world.

Looking ahead, sticking to the scientific development concepts, the Company will meticulously organize and manage its business and strive to build outstanding fleet and team, in an aim to establish itself as "World-class integrated shipping container logistics enterprise". With our philosophy of "Trustworthy services all over the world", we endeavor to provide high quality services to global customers.

Contents

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Zhang Jianhua
Mr. Lin Jianqing
Mr. Wang Daxiong
Mr. Xu Hui
Mr. Zhang Rongbiao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shen Kangchen
Mr. Jim Poon (also known as Pan Zhanyuan)
Mr. Shen Zhongying
Mr. Wu Daqi
Ms. Zhang Nan

SUPERVISORS

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

INVESTMENT STRATEGY COMMITTEE

Mr. Li Shaode *(Chairman)*
Mr. Xu Lirong
Mr. Zhang Guofa
Mr. Lin Jianqing
Mr. Wang Daxiong
Mr. Huang Xiaowen
Ms. Zhang Nan
Mr. Jim Poon (also known as Pan Zhanyuan)
Mr. Shen Zhongying

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Shen Kangchen *(Chairman)*
Mr. Zhang Jianhua
Mr. Wu Daqi

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. Liu Chong

AUTHORISED REPRESENTATIVES

Mr. Li Shaode
Mr. Huang Xiaowen

LEGAL ADDRESS IN THE PRC

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The PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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18 Westlands Road
Island East
Hong Kong

INTERNATIONAL AUDITOR

PricewaterhouseCoopers

DOMESTIC AUDITOR

Baker Tilly China

LEGAL ADVISERS TO THE COMPANY

King & Wood

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 2011 AND 2010 KEY FINANCIAL FIGURES

Consolidated Results Under Hong Kong Financial Reporting Standards ("HKFRS")

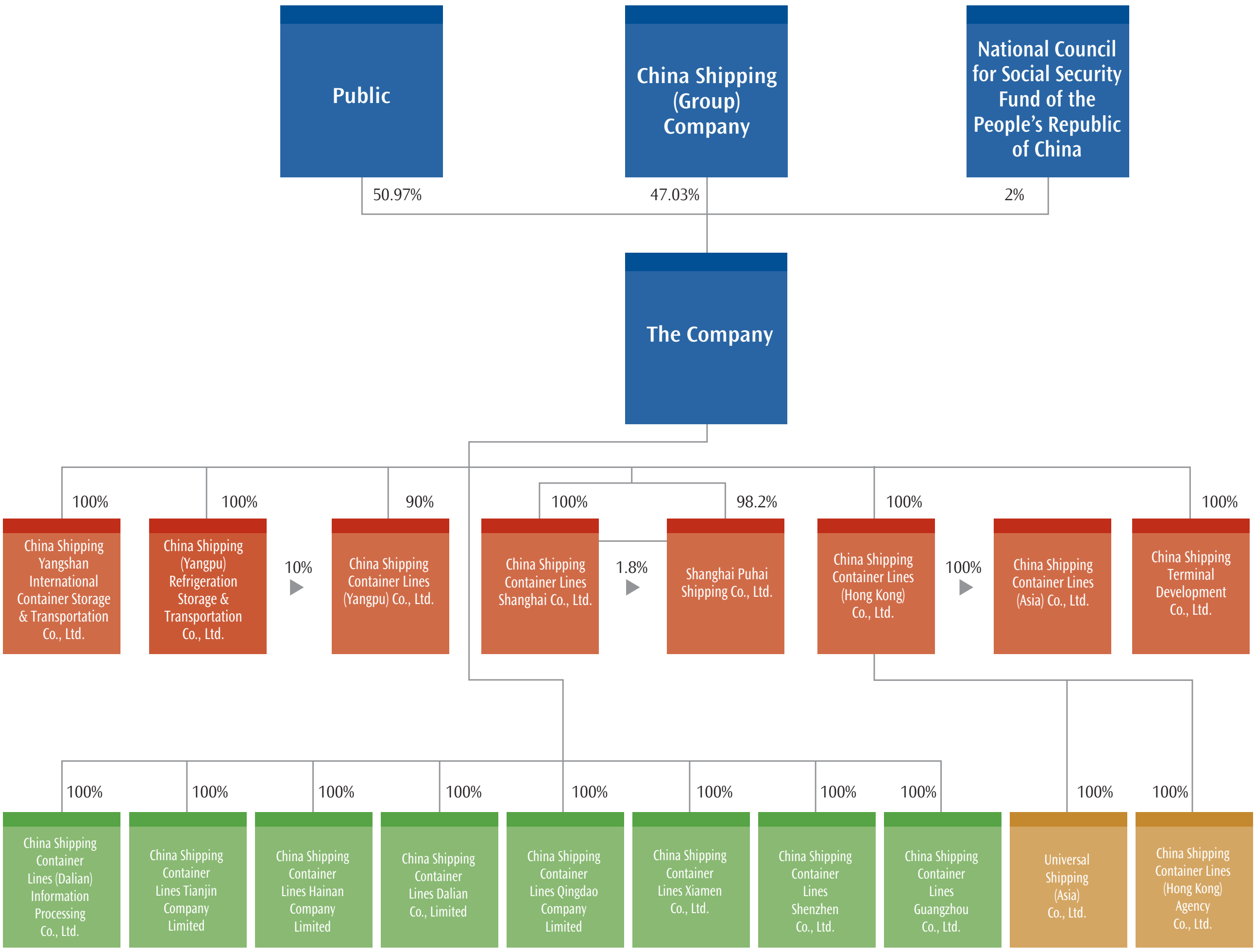
For the year ended 31 December	**2011** **RMB'000**	2010 RMB'000	Change (%)
Revenue	**28,246,498**	34,808,706	(18.9%)
Operating (loss)/profit	**(2,508,695)**	4,466,298	(156.2%)
(Loss)/profit before income tax	**(2,626,259)**	4,319,708	(160.8%)
(Loss)/profit for the year attributable to equity holders of the Company	**(2,743,469)**	4,203,134	(165.3%)
Basic (loss)/earnings per share	**RMB(0.235)**	RMB0.360	(165.3%)
Gross (loss)/profit margin	**(7.5%)**	14.4%	(152.1%)
(Loss)/profit before income tax margin	**(9.3%)**	12.4%	(175.0%)
Gearing ratio	**40.5%**	10.6%	282.1%

Consolidated Assets and Liabilities Under HKFRS

As at 31 December	**2011** **RMB'000**	2010 RMB'000	Change (%)
Total assets	**49,412,490**	49,016,125	0.8%
Non-current assets	**39,094,542**	35,498,563	10.1%
Current assets	**10,317,948**	13,517,562	(23.7%)
Total liabilities	**22,511,801**	19,053,882	18.1%
Current liabilities	**9,791,948**	8,654,025	13.1%
Net current assets	**526,000**	4,863,537	(89.2%)
Net assets	**26,900,689**	29,962,243	(10.2%)

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 consolidated financial statements.

2011 Major Events

In January 2011, secretary of the Board of CSCL won "Golden Management of Investor Relations for Secretary of the Board".

On 15 January 2011, the naming and delivery ceremony for "CSCL STAR", which has capacity of 14100TEU and built by Samsung Heavy Industries, was held in Samsung shipyard. "CSCL STAR" serves in European Lane of CSCL. The successful delivery of the vessel was a milestone in the process of expanding shipping fleet of CSCL.

On 24 January 2011, CSCL convened Working Conference of 2011 and the 2nd meeting of forth session of Employee Representative Conference.

As one of the enterprises recommended by Shanghai Shipowners' Association, CSCL participated in the survey on the "Satisfaction of Public in Shanghai" and obtained unanimous recognition, making itself on the list of "2010 Enterprises in Shanghai with Satisfaction of Public".

On 29 March 2011, the 7th meeting of the third session of the Board of Directors was held by CSCL and host by Mr. Li Shaode, the Chairman of the Company.

In 2011, CSCL was awarded "2010 Best Supplier" issued by Shanghai Haitong International Automotive Logistics Co., Ltd. for the second year, which represents that we are well-recognized by our VIP clients in regard of our tailored shipping lanes and customer-oriented service.

On 29 April 2011, the naming and delivery ceremony for "CSCL Venus", which has capacity of 14100TEU and built by Samsung Heavy Industries, was held at Samsung shipyard. "CSCL Venus" is the second out of eight vessels of the same type built by Samsung Heavy Industries.

On 5 May 2011, CSCL was selected as Supervisor Enterprise in the first Board of Supervisors of the Association of Shanghai Listed Companies.

On 7 May 2011, the "Gold Round Table Forum with Board of Directors of Chinese Listed Companies and the Seventh Award Ceremony of Gold Round Table Award" was held in Beijing and Mr. Huang Xiaowen, the managing director of CSCL was awarded "Gold Round Table Award" and "Best CEO".

On 22 May 2011, the ceremony for the maiden voyage of "CSCL Jupiter", which has capacity of 14100TEU, was held at Da Yaowan port, Dalian.

From 10 to 12 June 2011, the 10th Summit of top 100 Listed Company in China was held in Shaoxing. CSCL was awarded "2010 Top 100 Listed Company in China", Mr. Huang Xiaowen, the managing director, received "Leader of Chinese Enterprise Award" and Mr. Ye Yumang, the secretary of the Board, was awarded "Best Secretary of the Board in China".

On 17 June 2011, the "2011 List of Chinese Enterprises in Social Responsibility" was issued by Chinese Social Responsibility Annual Assembly and CSCL was awarded "2011 Excellent Chinese Enterprise in Social Responsibility".

On 24 June 2011, in the 8th "Gold Vessel Award" ceremony, a big event in Chinese cargo transportation industry and hosted by China Communications and Transportation Association, and China Shipping Gazette, CSCL was awarded Gold Prize to Best Container Lines Company for Comprehensive Services, Gold Prize for China-Europe lanes, Gold Prize for China-South America lanes, Silver Prize for China-North America lanes, Silver Prize for China-Australia/New Zealand lanes and Silver Prize for China-Middle East/India-Pakistan lanes, as well as the grand prize of "The Most Outstanding Shipping Corporation in Social Responsibility".

On 28 June 2011, CSCL convened 2010 General Meeting of Shareholders and the 10th meeting of the third session of Board of Directors.

On 9 July 2011, the ceremony of "2011 Person of Influence on China Low-carbon Economic Development" was held in Hainan, and Mr. Huang Xiaowen, the managing director, was honored the "Leader of China Low-carbon Logistics Industry".

On 13 July 2011, CSCL convened "2011 Overseas Agent Conference", which was host by Mr. Zhao Hongzhou, the Deputy General Manager and the Director of CSCL.

On 13 July 2011, the naming ceremony of "CSCL Mercury", which was the fourth vessel of CSCL with capacity of 14,100TEU, was held at the shipyard of Samsung Heavy Industries.

On the morning of 19 July 2011, "2011 Midyear Working Conference of CSCL" was held in conference room A of the Company.

On 22 August 2011, CSCL together with CSNT held the signing ceremony of strategic cooperation agreement between CSCL and CSNT.

On 24 August 2011, CSCL convened the 12th meeting of the third session of the Board of Directors and 6th meeting of the third session of Board of Supervisors separately.

On 9 September 2011, on the Sixth Asia Brand Ceremony in Hong Kong, CSCL was awarded "Famous and Quality Brand in Asia Award".


CHINA


中海之星
CSCL STAR
CHINA SHIPPING LINE
EVERGREEN

Chairman's Statement

In 2011, the global economic growth slowed down due to the European debt crisis as well as rising inflation in the emerging markets. Under such stagnant macroeconomic environment, growth in demand for container transportation slowed down and the global shipping market remained sluggish. Together with concentrated delivery of additional shipping capacity during the period, the shipping market contributed further to supply-demand imbalance. Furthermore, the shipping companies also faced increased operating costs due to persistently high fuel price. In face of the complicated market situation, the Group adopted an active approach by implementing various measures to counter the adverse effects brought about by market downturn and minimize its losses.

For the year 2011, the Group's revenue was RMB28,246,498,000, representing a decrease of 18.9% as compared with 2010. The Group's loaded container volume was 7,438,002TEU, representing an increase of 3.2% as compared with 2010. Loss attributable to equity holders of the Company was RMB2,743,469,000 and loss per share was RMB0.235.


OPERATION REVIEW

Against such a severe operating environment, the Group calmly coped with the situation by setting out clear corporate development strategies, deepening the implementation of refined management, while adhering to efficiency as well as reinforcing various cost control. The Group also introduced vigorous measures to different production and operation processes so as to continuously enhance and improve itself in the volatile market.

1. The Group rationally analyzed the market and optimized the vessel types, shipping capacity and overall trade lane arrangement based on efficiency and effectiveness. The Group accurately predicted the market trend and made timely and reasonable arrangements such as leasing and subleasing its surplus capacity, thereby minimizing losses and increasing vessel chartering income during the industry downturn. Meanwhile, fleet structure was optimized in order to accommodate market demand. Our advantage over large fleet size was enhanced and container management cost per container was lowered, thus further increased our comprehensive competitiveness and improved our global service network.

2. The Group deepened implementation of refined management and took various practical measures to reinforce cost control. In 2011, the Group actively promoted universal application of extra slow steaming and strictly controlled fuel cost by timely entering into deals to lock in the price of oil. Intensified effort was made to adjust fleet structure, arrange surrender of lease, expedite container turnaround, improve management and control ability and reduce management cost of container. Meanwhile, the Group also increased its bargaining power by leveraging on its competitive fleet size and container volume so as to strictly control port charges. Moreover, a pre-control system for shipping space allocation was implemented and transshipment route was optimized to increase the efficiency of cargo transit and cut down transshipment cost.

3. The Group relentlessly enhanced service standard and pursued service excellence by focusing on details. Last year, according to the consumer research conducted by Containerisation International, CSCL was ranked No.1 in terms of customer recognition, and received highest customer satisfaction rating by European users.

4. The Group expanded external cooperation by implementing the "Large Cooperation" strategy. By means of exchanging and buying shipping space and joint operation of trade lanes and other types of cooperation, the Group refined overall arrangement of trade lanes, increased direct routes, expanded service coverage and reduced operating risks.

5. The Group intensified marketing efforts to open up new markets and press ahead the implementation of high net-worth customer strategy so as to maximize efficiency of trade lanes. In view of the sluggish market, the Group took a more proactive approach to explore the market by focusing on customers' demand and rendering quality services to attract and maintain customers.

6. The Group fully executed corporate social responsibility and took good care of its staff. The Group lived up to the principles of low carbon operation and greatly promoted green voyage to realize its corporate social responsibilities. The Group also provided a promising career path for its employees to strengthen internal cohesion.

FUTURE PROSPECT

In 2012, the shipping transportation market will continue to be affected by the global economy and international trade as numerous uncertainties continue to exist. Euro zone countries will pick up slowly as risks from the sovereign debt crisis remain while the U.S. economy is expected to recover steadily and therefore stimulate trading demand. Moreover, stronger market demand will come from the Southern Hemisphere, which will serve as the driver for higher trading volume. Meanwhile, we will continue to see the pressure arising from oversupply over a longer period, as a result, the shipping companies will continue to cooperate with each other. The shipping transportation market will continue to move forward amid the challenges and opportunities.

The Group will continue to watch the market closely and adopt proactive measures in respect of profitability, cost control, brand service, human resource and information in a timely manner so as to enhance the overall competitiveness of the Group. In 2012, we will focus on the implementation of the following:

1. The Group will timely optimize fleet structure and enhance trade lane operation. The Group will continue to increase its overall competitiveness and strive to build the optimal fleet that is best for its own development and most adaptable to market needs, therefore completing its global service network.

2. The Group will further optimize the arrangement of its global trade lanes, intensify efforts in market exploration, identify market highlights and extend global coverage. The Group will promptly adjust the shipping space between the East and the West trade lanes as well as fleet structure by shifting the focus to the Southern Hemisphere while increasing input to domestic trade market.

3. The Group will intensify marketing effort by adhering to the "Large Clients, Large Corporation" strategy. We will practically respond to our customers' needs while aiming at nurturing and maintaining long-term and stable customer relationships and customer loyalty that lead to a win-win situation. Meanwhile, cooperation with peers will be strengthened in order to reduce costs through consolidation of resources as well as jointly promoting the orderly development of market and fair competition.

4. The Group will forge a logistic supply chain and strive to improve extended services. The Group will vigorously explore upward and downward logistic services including distribution and appropriation services to enhance synergy and provide customers with more convenient and better services at one stop.

5. The Group will thoroughly open up the container market in the Yangtze River valley as a shift of its service focus. The Group will step up sales network construction in Yangtze area, and gradually establish and improve upward and downward services in the Yangtze market so as to increase competitiveness of its sub-route transportation service.

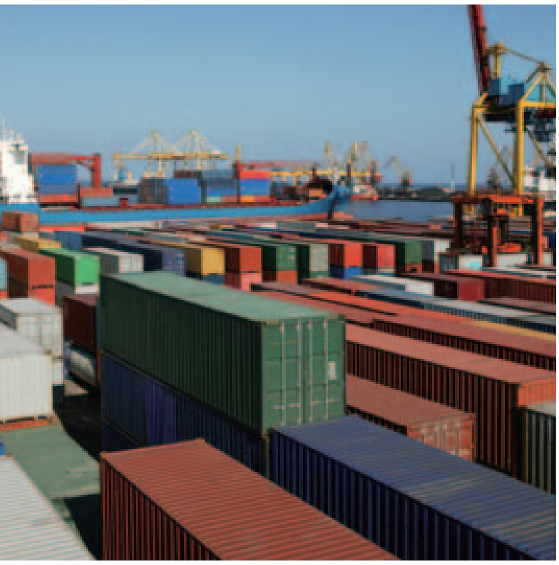
6. The Group will expedite information construction and improve operation capability. Upgrading the information system is key to the Group in realizing business globalization and improve competitiveness. The Group will make great efforts in IT construction as well as the optimization of the information system so as to enhance its management and control ability.

7. The Group will continue to enhance team execution and caring for its staff. It will fulfill its corporate social responsibility and do an effective job in alleviating poverty.

2012 is a year full of challenges. The Group is dedicated to the pursuit of excellence and determined to seize every opportunity in the ever-changing market and continuously enhance and improve itself for long term development.

Li Shaode
Chairman

Shanghai, the People's Republic of China
28 March 2012




CHINA SHIPP

REVIEW ON OVERALL OPERATIONAL PERFORMANCE

For the year ended 31 December 2011, the Group recorded a revenue of RMB28,246,498,000, representing a decrease of 18.9% as compared with 2010; loss before income tax was RMB2,626,259,000; net loss attributable to equity holders of the Company amounted to RMB2,743,469,000. Loaded cargo volume for the whole year amounted to 7,438,002TEU, representing an increase of 3.2% as compared with 2010. For the year ended 31 December 2011, the average freight rate per TEU for international trade lanes of the Group amounted to RMB5,352, representing a decrease of 24.7% as compared with 2010. It was primarily due to the slowdown in the speed of the world economic growth in 2011, as well as the deepening of the sovereign debt crisis in Europe and downturn of the U.S. economy, leading to substantial decline in demand from European and U.S. markets. Meanwhile, overly rapid increase in shipping capacity had further caused imbalance of supply and demand in two major international trade lanes of North America and Europe/Mediterranean, and intensified the competitive relationship. Average freight rate for domestic lanes was RMB1,652, representing an increase of 4.9% as compared with 2010.

As at 31 December 2011, the total shipping capacity of the Group amounted to 603,456TEU, representing an increase of 19.3% as compared with 2010.

FINANCIAL REVIEW

REVENUE

The Group's revenue decreased by RMB6,562,208,000, from RMB34,808,706,000 in 2010 to RMB28,246,498,000 in 2011, representing a decrease of 18.9%. The decrease in revenue was primarily due to:

Slightly increase in volume of loaded cargoes

The volume of loaded cargoes in 2011 amounted to 7,438,002TEU, representing an increase of 3.2% as compared with 2010. There were different degrees of decrease in the volume of loaded cargoes for international lanes, particularly for the North America and Europe/Mediterranean long trade lanes. It was primarily due to lowered demand for import of Europe and America suffering the debt crisis and decreased shipping capacity after adjustment made by the Company. As a result of increased shipping capacity deployed in domestic trade lanes by the Company, the volume of loaded cargoes for these trade lanes presented certain increase as compared with 2010.

Below is an analysis of loaded container volume by trade lanes:

Principal Markets	**2011** **(TEU)**	2010 (TEU)	Changes (%)
Pacific trade lanes	**1,238,811**	1,422,957	-12.9%
Europe/Mediterranean trade lanes	**1,177,546**	1,183,421	-0.5%
Asia Pacific trade lanes	**1,398,536**	1,327,892	5.3%
China Domestic trade lanes	**3,544,064**	3,187,152	11.2%
Others	**79,045**	86,633	-8.8%
Total	**7,438,002**	7,208,055	3.2%

Decrease in freight rate

The Group's average freight rate per TEU in 2011 amounted to RMB3,589, representing a decrease of 23.0% as compared with 2010. Among which, the average freight rate per TEU for international trade lanes amounted to RMB5,352, representing a decrease of approximately 24.7% as compared with 2010. The actual economy of America grew at a slow speed in 2011 and the actual annual growth rate of GDP was only 1.7%, representing a decrease of 1.2% from 2.9% in 2010. As the largest import and export destinations of China, EU countries had been affected by European debt crisis which significantly reduced the cargo volume due to lower consumer confidence level. On the other hand, driven by the optimistic sentiment towards the container shipping market in 2010, a concentrated delivery of additional shipping capacity was seen and most of which were super large container vessels. Therefore, supply/demand imbalance in international trade lanes, especially in Europe/Mediterranean trade lanes, was the main reason that freight rate declined sharply in 2011. Average freight rate for domestic lanes increased by RMB78 to RMB1,652 as compared with 2010, mainly attributable to the sound development in domestic economy.

COSTS OF SERVICES

For the year ended 31 December 2011, total costs of services amounted to RMB30,370,654,000, representing an increase of 1.9% as compared with 2010. Due to the effective control of costs by the Group, costs of services per TEU amounted to RMB4,083, representing a decrease of 1.2% as compared with 2010.

The increase in the costs of services was due to the following reasons:

- Container and cargo costs amounted to RMB10,049,046,000, representing a decrease of 12.2% as compared with RMB11,450,918,000 for the same period of 2010, mainly due to the decrease in the volume of loaded cargoes for long trade lanes. The port costs amounted to RMB1,824,843,000, representing a decrease of 7.1% as compared with the corresponding period of 2010 as a result of the decrease in international trade lanes and the number of voyages by adjustment. Due to a decrease in the volume of loaded cargoes for international trade lanes, the Group's stevedore charges for loaded and empty containers amounted to RMB6,050,429,000, representing a decrease of 11.3% as compared with the corresponding period of 2010. Due to a decrease in loaded cargo volume for foreign trade lanes, charges for repositioning empty containers and rental fees of containers, the container management cost amounted to RMB2,173,774,000, representing a decrease of 18.5% as compared with the corresponding period of 2010.

- Vessel and voyage costs for the year ended 31 December 2011 amounted to RMB14,437,290,000, representing an increase of 12.9% as compared with the corresponding period of 2010, mainly due to the increase in fuel costs. For the year ended 31 December 2011, fuel costs amounted to RMB9,367,069,000, representing an increase of 17.2% as compared with the corresponding period of 2010. The increase in fuel costs was mainly due to the continuous increase in international crude oil price. In 2011, the "fuel price lock-in" policy of the Group offset part of effects from the increase in oil price.

- For the year ended 31 December 2011, sub-route and other costs amounted to RMB5,884,318,000, representing an increase of 5.8% as compared with the corresponding period of 2010. The increase was mainly due to the increase in door-to-door transportation services provided by the Group, which led to an increase in the sub-route shipping volume.

GROSS LOSS

Due to the above reasons, the Group recorded a gross loss of RMB2,124,156,000 in 2011 (2010: gross profit of RMB5,015,820,000).

INCOME TAX EXPENSE

From 1 January 2011 to 31 December 2011, the CIT rate applicable to the Company was 24%. 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 have been changed to 25% since 1 January 2008.

Pursuant to relevant CIT regulations, the profits derived from the Company's foreign subsidiaries shall be subject to CIT when dividends were declared by its foreign subsidiaries. The Company uses an applicable tax rate according to relevant CIT regulations to pay the tax on profits of the foreign subsidiaries.

SELLING, ADMINISTRATIVE AND GENERAL EXPENSE

For the year ended 31 December 2011, the Group's selling, administrative and general expenses were RMB689,451,000, representing a decrease of 18.0% as compared with 2010. The decrease was mainly due to relatively significant decrease in employees' salaries and benefit expenses.

LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Due to the above reasons, the loss attributable to the equity holders of the Company for the year 2011 was RMB2,743,469,000, representing a decrease of RMB6,946,603,000 as compared with the profit attributable to the equity holders of the Company of RMB4,203,134,000 in 2010.

LIQUIDITY, FINANCIAL SOURCES AND CAPITAL STRUCTURE

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

As at 31 December 2011, the Group's total bank borrowings were RMB15,857,846,000. The maturity profile is spread over a period between 2012 and 2021 with RMB5,049,299,000 repayable within one year, RMB2,938,735,000 repayable within the second year, RMB4,446,634,000 repayable within the third to the fifth year, and RMB3,423,178,000 repayable after the fifth year. The Group's long-term bank borrowings are mainly used to finance the construction of vessels and ports.

As at 31 December 2011, the Group's long-term bank borrowings were secured by mortgages over certain containers, container vessels, and port and depot infrastructure with a book value of RMB4,930,645,000 (as at 31 December 2010: RMB2,074,524,000).

As at 31 December 2011, the Group's bonds payable in ten-year period amounted to RMB1,786,627,000, all proceeds from the bonds were used in the construction of vessels. The issue of bonds are guaranteed by the Bank of China, Shanghai branch.

As at 31 December 2011, the Group's RMB borrowings at fixed interest rates amounted to RMB2,132,840,000, with annual interest rates ranging from 5.3% to 6.3%. USD borrowings at fixed interest rates amounted to RMB528,646,000, with annual interest rate of 4.9% and USD borrowings at floating interest rates amounted to RMB13,196,360,000, with annual interest rates adjusted based on London Interbank Offered Rate. The Group's borrowings are denominated in RMB or USD, and cash and cash equivalents are mainly denominated in these two currencies.

As at 31 December 2011, the Group's obligations under finance leases amounted to RMB319,377,000, with the maturity profile ranging from 2012 to 2017. The amount repayable within one year is RMB194,729,000; the amount repayable within the second year is RMB95,507,000; the amount repayable within the third to the fifth year is RMB23,113,000 and the amount repayable after the fifth year is RMB6,028,000. The Group's obligations under the finance leases are substantially used in the lease of new containers, while the remaining small portion is used in the construction of ports and depot infrastructure.

NET CURRENT ASSETS

As at 31 December 2011, the Group's net current assets amounted to RMB526,000,000. Current assets are mainly comprised of inventories of RMB1,206,379,000, trade and notes receivables of RMB1,801,106,000, prepayments and other receivables of RMB237,190,000 and cash and bank deposits of RMB7,073,273,000. Current liabilities are mainly comprised of trade payables of RMB3,820,428,000, accrual and other payables of RMB663,417,000, current income tax liabilities of RMB39,075,000, long-term bank borrowings due in one year of RMB4,230,182,000, short-term bank borrowings of RMB819,117,000, finance lease obligations payable in one year of RMB194,729,000 and provisions of RMB25,000,000.

CASH FLOWS

For the year 2011, the Group's net cash outflow used in operating activities was RMB2,394,295,000, denominated principally in RMB and USD, representing a decrease of RMB7,832,679,000 from net cash inflow of RMB5,438,384,000 in 2010. Cash and cash equivalents balances at the end of 2011 decreased by RMB3,575,123,000 as compared with 31 December 2010, mainly reflecting a lower inflow of net cash from financing activities than the net cash outflow used in operating activities and investing activities. The cash inflow from financing activities of the Group during year 2011 is mainly from bank borrowings, the above-mentioned capital for the purposes of short-term business and purchase and construction of vessels, containers and port infrastructure.

The following table provides the information regarding the Group's cash flow for the year ended 31 December 2011 and 2010:

Unit: RMB

	2011	2010
Net cash (used in)/generated from operating activities	**(2,394,295,000)**	5,438,384,000
Net cash used in investing activities	**(5,387,526,000)**	(1,999,449,000)
Net cash generated from financing activities	**4,346,749,000**	408,750,000
Exchange losses on cash and cash equivalents	**(140,051,000)**	(135,997,000)
Net (decrease)/increase in cash and cash equivalents	**(3,575,123,000)**	3,711,688,000

NET CASH USED IN OPERATING ACTIVITIES

For the year ended 31 December 2011, the net cash outflow from operating activities was RMB2,394,295,000, representing a decrease of RMB7,832,679,000 from the net cash inflow of RMB5,438,384,000 in 2010. The decrease in the net cash generated from operating activities of the Group was attributable to the significant decrease in the Group's revenue and the operating profit margin in 2011.

NET CASH USED IN INVESTING ACTIVITIES

For the year ended 31 December 2011, net cash used in investing activities was RMB5,387,526,000, representing an increase of RMB3,388,077,000 from investing activities for the year 2010 of RMB1,999,449,000. The increase was mainly due to the Group's larger capital expenditure on vessels, containers and other construction in progress and capital expenditure on external investment as compared with 2010.

NET CASH GENERATED FROM FINANCING ACTIVITIES

For the year ended 31 December 2011, net cash generated from financing activities was RMB4,346,749,000, representing an increase of RMB3,937,999,000 as compared with the net cash generated from financing activities of RMB408,750,000 in 2010. In 2011, Group's bank borrowings amounted to RMB7,736,196,000, repayment of bank borrowings amounted to RMB2,899,536,000 and repayment of principal of finance leases amounted to RMB212,959,000.

AVERAGE TURNOVER DAYS OF TRADE AND NOTES RECEIVABLES

As at 31 December 2011, the gross balance of trade and notes receivables of the Group amounted to RMB1,850,074,000, representing a decrease of RMB17,858,000 as compared with 31 December 2010, and the balance of trade receivables from related parties amounted to RMB178,813,000, representing an increase of RMB9,083,000 as compared with 31 December 2010. The average turnover days of trade receivables increased slightly and it was due to a decrease of 18.9% in the Group's revenue in 2011 as compared with 2010.

GEARING RATIO

As at 31 December 2011, the Group's gearing ratio (i.e. net debts over shareholders' equity) was 40.5%, which was greater than 10.6% in 2010. The increase in gearing ratio was mainly due to an increase in the bank borrowings for expenditures on purchase of container vessels; and the Group's loss in 2011 decreased its net assets and both factors resulted in the increase in the gearing ratio.

FOREIGN EXCHANGE RISK AND HEDGING

Most of the revenue of the Group are settled in USD. The Group recorded a net exchange gains of approximately RMB71,003,000, which was mainly due to fluctuations of US and EU currency exchange rates and the exchange difference which was charged to shareholders' equity amounted to RMB411,806,000. The Group will continue to watch closely the exchange rate fluctuation between RMB and major international currencies, convert net foreign cash inflows from operating activities into RMB in a timely manner so as to minimize the losses brought by foreign exchange fluctuations, and take appropriate measures where necessary to reduce its foreign exchange risk.

CAPITAL EXPENDITURE

During the year ended 31 December 2011, expenditures on the purchase of container vessels and vessels under construction amounted to RMB5,070,391,000, expenditures on purchase of containers amounted to RMB193,903,000, expenditures on other production infrastructure, office equipment and motor vehicles amounted to RMB200,896,000, and equity investments amounted to RMB235,493,000.

COMMITMENTS

As at 31 December 2011, capital commitments of the Group which had been contracted but not provided for in relation to vessels under construction were RMB6,334,295,000; investment commitments were RMB152,000,000. Furthermore, the operating lease commitments of the Group relating to land and buildings, and vessels and containers are RMB112,238,000 and RMB11,855,744,000, respectively.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group had provisions of RMB25,000,000 credited as legal claim. Except for this, the Group had no other contingent liabilities

EMPLOYEES, TRAINING AND BENEFITS

As at 31 December 2011, the Group had 4,509 employees. Total expenses were approximately RMB1,591,004,000. In addition, the Group had entered into contracts with a number of subsidiaries of China Shipping (Group) Company ("China Shipping (Group)"), pursuant to which these subsidiaries provided the Group with approximately 2,610 crew members in total 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-based bonuses. The Group has adopted a performance-linked bonus scheme for its employees. The scheme links the employees' financial benefits with certain business performance indicators. Such indicators may include, but not limited to, the profit target of the Group.

Details of such performance-linked bonus scheme vary among the employees of the Group. The Group sets out certain performance indicators for each of its subsidiaries to achieve and formulate detailed performance-based remuneration policies according to its own circumstances.

The Group has adopted a compensation scheme on 12 October 2005 and amended the same on 20 June 2006, 26 June 2007 and 20 June 2008, which is to be satisfied by cash payments and is share-based, known as the "H Share Share Appreciation Rights Scheme" ("Rights Scheme"). The fair value change of the rights is recognised as an expense or income of the Group. The senior management, heads of operation and management divisions, and the general managers and deputy general managers of the subsidiaries of the Company, might in the future be entitled to the compensation in the form of 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 exercising the rights.

The Group has organized and implemented various trainings for our internal employees, including trainings on Safety Management System (SMS) for crew management division and management courses for middle and senior leaders.

Biographies of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

MR. LI SHAODE (李紹德), AGE 61

Chairman and executive Director of the Company. He is responsible for the overall operations management of the Group (the Company and its subsidiaries) and formulation of the Group's business strategies. Li is also currently the president and the Party secretary of China Shipping (Group) and the chairman of China Shipping Development Company Limited. 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) Company. From 2003 to June 2006, he was the Party secretary and vice president of China Shipping (Group) Company. From June 2006 to November 2006, he was the Party secretary and president of China Shipping (Group) Company. From November 2006 to August 2011, he was the president and vice Party secretary of China Shipping (Group) Company. Since August 2011, he is the Chairman and Party secretary of China Shipping (Group) Company. 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. Currently, he is the guest professor of Dalian Maritime University and Shanghai Maritime University, as well as the vice president of China Shipowner's Association. He has been awarded "State Council's Special Contribution Allowance" since 1999. Mr. Li joined the Company in October 1997.

MR. XU LIRONG (許立榮), AGE 54

Vice chairman and executive Director of the Company. Mr. Xu currently is also the Director, Executive President and a member of the Party Committee of China Shipping (Group) Company. He is also the vice chairman of China Shipping Development Co., Ltd. and the Chairman of a number of companies including China Shipping (Hong Kong) Holdings Co., Ltd., China Shipping (Europe) Holding GmbH, China Shipping (North America) Holding Co., Ltd., China Shipping (South Eastern Asia) Holding Co., Ltd. and China Shipping (Western Asia) Holdings Co., Ltd. He had been the Executive Vice President, a member of the Party Committee and the Chairman of Trade Union of China Ocean Shipping (Group) Company, the Executive Vice President and the Director of China COSCO Holdings Company Limited, the Managing Director of COSCO Container Lines Company Limited, the Chairman of COSCO Shipping Co., Ltd., the Chairman of the Board of COSCO Pacific Limited, the Marine Captain and Deputy Director of the first management department of Shanghai Ocean Shipping Company, the General Manager of Shanghai International Freight Forwarding Company, the Deputy Managing Director of Shanghai Ocean Shipping Company and the President of Shanghai Shipping Exchange. He has extensive experience in container shipping business management and corporate management. Mr. Xu obtained his Master of Business Administration degree from Shanghai Maritime University and the Maastricht School of Management in the Netherlands. Mr. Xu joined the Company in November 2011.

MR. ZHANG GUOFA (張國發), AGE 55

Vice chairman and executive Director of the Company. Mr. Zhang is also the vice president and a Party member of China Shipping (Group) Company and a director of China Shipping Development Company Limited. 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. From November 2004 to November 2005, he was the vice president of China Shipping (Group) Company and from November 2005 to September 2011 he was the vice president and a Party member of China Shipping (Group) Company. From September 2011 until now, he is the vice Executive President and a Party member of China Shipping (Group) Company. He has extensive management experience. Mr. Zhang graduated from Wuhan University in 1988, obtained a Master's degree in 1991 and a Doctorate degree in 1997. Mr. Zhang joined the Company in February 2005.

MR. HUANG XIAOWEN (黃小文), AGE 49

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 and executive Director 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 in 2000, 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 obtained an EMBA from China Europe International Business School in September 2010. He joined the Company in October 1997.

MR. ZHAO HONGZHOU (趙宏舟), AGE 44

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.

NON-EXECUTIVE DIRECTORS

MR. ZHANG JIANHUA (張建華), AGE 61

Non-executive Director of the Company. 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. From 1997 to August 2000, he was the vice president and a member of the Party committee of China Shipping (Group) Company. From August 2000 to June 2011, he was the vice president and a Party member of China Shipping (Group) Company. Mr. Zhang has accumulated over 30 years of experience in shipping transportation and crew management. He is also experienced in business management. Mr. Zhang graduated in 1985 from the Dalian Maritime University. Mr. Zhang joined the Company in October 1997.

MR. LIN JIANQING (林建清), AGE 58

Non-executive Director of the Company. Mr. Lin is also the Deputy General Manager and a Party member of China Shipping (Group) Company, vice chairman of China Shipping Development Company Limited. 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 1994, 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 a Party member of China Shipping (Group) Company, and deputy general manager of Guangzhou Shipping (Group) Company. From July 1998 to August 2000, he was the vice president and a Party member of China Shipping (Group) Company. From August 2000 to April 2005, he was the vice president of China Shipping (Group) Company. From April 2005 to September 2011, he was the vice president and a Party member of China Shipping (Group) Company. From September 2011 till now, he is the Deputy General Manager and a Party member of China Shipping (Group) Company, who has extensive experiences in management. 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. Currently, he is the vice president of Shanghai Society of Naval Architects and Marine Engineers. Mr. Lin joined the Company in February 2008.

MR. WANG DAXIONG (王大雄), AGE 51

Non-executive Director of the Company. Mr. Wang is also the Deputy General Manager and Party member of China Shipping (Group) Company, a director of China Shipping Development Company Limited, 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) Company. From 2001 to April 2005, he was the vice president of China Shipping (Group) Company, and from April 2005 to September 2011, he was a vice president and a Party member of China Shipping (Group) Company. From September 2011 till now, Mr. Wang is the Deputy General Manager and a Party member of China Shipping (Group) Company and has extensive experience in management. He serves as the president of the Shanghai Transportation Accounting Association. Mr. Wang graduated from Shanghai Maritime University in 1983, majoring in maritime finance and accounting. Mr. Wang joined the Company in February 2004.

MR. XU HUI (徐輝), AGE 49

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. ZHANG RONGBIAO (張榮標), AGE 50

Chairman, General Manager, Party secretary, auditor, accountant and engineer of Guangzhou Shipping (Group) Company. He began his career in the shipping industry in 1979. Between January 1996 and July 1997, he was the assistant director and deputy director of Supervision and Auditing Division of Guangzhou Shipping (Group) Company. Between July 1997 and March 2005, he successively held the posts of executive vice director and director of Supervision and Auditing Division of China Shipping (Group) Company. From March 2005 to January 2007, he was Party secretary of China Shipping Development Company Limited Tramp Co.. From January 2007 to March 2011, he was Party secretary and deputy general manager of China Shipping Development Company Limited Tramp Co.. From April 2011 till now, he has been the general manager and Party secretary of Guangzhou Shipping (Group) Company and the Chairman since June 2011. Mr. Zhang graduated from Wuhan River Transport College, majoring in Engine Management. He pursued his postgraduate study at Graduate School of Shanghai Academy of Social Sciences from January 1999 to December 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. SHEN KANGCHEN (沈康辰), AGE 71

Independent non-executive Director of the Company. Mr. Shen was principal of Shanghai Maritime University. He graduated from East China Institute of Water Conservation with undergraduate student experience in water lane and port, and obtained his graduate degree in engineering mechanics from September 1957 to April 1968. 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 independent non-executive Directors of the Company in June 2007.

MR. JIM POON (盤占元), AGE 72

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 its 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 since 2001. Mr. Poon also was elected, successively for three terms, from 2000 until 2005, the chairman of the Hong Kong Liner Shipping Association. Mr. Poon has more than 30 years of experience in the shipping industry.

Mr. Poon received high educations on various academics. He also completed the AMP of the Harvard Business school of the US. Mr. Poon was appointed as an independent Non-Executive Director since June 2007.

MR. SHEN ZHONGYING (沈重英), AGE 67

Independent non-executive Director of the Company. Mr. Shen graduated from Shanghai Industrial College. From June 1972 to December 1982, he was the deputy director of the smelting workshop of Xian Iron and Steel Factory. From December 1982 to December 1985, he was the Party secretary of Shaanxi Computing Center (陝西省計算中心) and the deputy director of Shaanxi Planning Committee from December 1985 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 June 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.

MS. ZHANG NAN (張楠), AGE 63

Independent non-executive Director of the Company. Ms. Zhang, 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.

MR. WU DAQI (吳大器), AGE 57

Independent non-executive Director of the Company. Mr. Wu graduated from department of accounting of Shanghai College of Finance and Economics in 1983, 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. He joined the Company in December 2009.

SUPERVISORS

MR. CHEN DECHENG (陳德誠), AGE 62

Chairman of Supervisory Committee. 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 a Party member of Shanghai Shipping (Group) Company. From March 1998 to August 2000 he was chairman of Trade Union and a Party member of China Shipping (Group) Company. From August 2000 to November 2010 he held the post of Chairman of Trade Union of China Shipping (Group) Company. From February 2001 to May 2010, he was a Party member of China Shipping (Group) Company. 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 to July 2000. He joined the Company in August 2006.

MR. KOU LAIQI (寇來起), AGE 61

Supervisor of the Company, and the chairman of supervisory committee of China Shipping Development Company Limited. 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) Company. 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) Company. From August 2000 to August 2011, Mr. Kou has been a Party member and the leader of the Party Disciplinary Group of China Shipping (Group) Company 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. TU SHIMING (屠士明), AGE 48

Secretary to the disciplinary committee, Supervisor and Senior Accountant of the Company. Mr. Tu began his career in the shipping industry in 1983. From November 1996 to December 1997, Mr. Tu served as chief of the finance section of the container branch under Shanghai Hai Xing Shipping Co., Ltd. From December 1997 to March 2005, he served several positions in China Shipping (Group) Company, such as officer, deputy division chief and division chief of the audit division of the compliance department of China Shipping (Group) Company. Mr. Tu was deputy general manager of the compliance department of China Shipping (Group) Company from March 2005 to March 2011. He has served as the secretary of commission for discipline inspection of the Communist Party Committee and supervisor of the Company since April 2011. Mr. Tu graduated from Shanghai Harbour School in 1983, majoring in maritime accounting, and obtained a bachelor degree in accounting from Shanghai University of Finance and Economics in 1990. He was a supervisor of the Company from October 2005 to June 2008 and a supervisor of China Shipping (Hainan) Haisheng Shipping Co., Ltd. from 25 April 2008 to 25 April 2011.

MR. WANG XIUPING (王修平), AGE 48

Supervisor of the Company and General Manager of the stowage center of the Company. He is a senior economist and a senior engineer. 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. From January 2004 to January 2011, he was the general manager of the Enterprise Strategic Planning Division of the Company and the general manager of the stowage center of the Company since February 2011. 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 and Dongbei University of Financial & Economics in 2006, majoring in business administration. He obtained an EMBA from Fudan University in June 2009. Mr. Wang was awarded the Golden Anchor Award in 2002 by the National Committee of the China Seamen's Union. Mr. Wang joined the Company in January 1999.

MR. HUA MIN (華民), AGE 61

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. From 2000 to October 2009, Mr. Hua joined Fudan University as dean of the Department of Global Economy and principal of Global Economic Research Institute. He is the principal of Fudan University Global Economic Research Institute from October 2009. Mr. Hua was appointed as supervisor of the Company in March 2004.

MS. PAN YINGLI (潘英麗), AGE 56

Supervisor of the Company. Ms. Pan is a professor at Shanghai Jiao Tong University Antai Economics & Administration College, engaging in teaching and researching of finance and macro economy. Ms. Pan studied at East China Normal University since the Spring of 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 in 1992 and in 1994, she became a professional professor. In November 2005, she relocated to Shanghai Jiao Tong University. She is also an independent director of China Merchants Bank Co., LTD. since November 2011. Ms. Pan was appointed as supervisor of the Company in March 2004.

COMPANY SECRETARY

MR. YE YUMANG (葉宇芒), AGE 46

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 China Shipping Development Company Limited. From August 1995 to April 2000, he was the joint company secretary of China Shipping Development Company Limited. From April 2000 to March 2003, he was the company secretary for China Shipping Development Company Limited. Mr. Ye graduated from Shanghai Maritime University in 1989, with a Master's degree in mechanical engineering. In March 2007, Mr. Ye got his master's degree in EMBA from the Shanghai Finance & Economy University. Mr. Ye became a fellow of the Hong Kong Institute of Chartered Secretaries in November 2008. Mr. Ye joined the Company in November 2002.

SENIOR MANAGEMENT

MR. HUANG XINMING (黃新明), AGE 58

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 organization 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 November 2004, he was assistant to the president of China Shipping (Group) Company, 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 Macao International Public University in October 1999. Mr. Huang joined the Company in December 2004.

MR. LI ZHIGANG (李志剛), AGE 47

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 2000 to December 2003, he held the posts of general manager and 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 December 2009, he served as director and general manager of Shanghai Puhai. From June 2009 to now, he served 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. FENG XINGGUO (馮幸國), AGE 54

Deputy General Manager of the Company. Mr. Feng assists the General Manager of the Company and is responsible for the security and technology work of the Company. Mr. Feng joined the Shanghai Maritime Bureau in 1975. From 1981 to 1996, he subsequently served as the third officer, the second officer and the chief officer of Shanghai Maritime Bureau; the captain, captain supervisor, assistant to general manager and deputy general manager of vessel company No. 2 under Shanghai Haixing Shipping Company. Mr. Feng was the deputy general manager of Container Branch Company under Shanghai Hai Xing Shipping Co., Ltd. from November 1996 to September 1997; general manager of security and technology department of the Company from September 1997 to January 2007; the assistant to the general manager of the vessel administration center and the general manager of the security and technology department of the Company from January 2007 to August 2007; the deputy general manager of vessel administration center and general manager of crew management department of the Company from August 2007 to February 2009; the chief captain, deputy general manager of vessel administration center of the Company from February 2009 to January 2010. From 2010 till now, he is the deputy general manager, a member of the Party committee and chief captain of the Company. Mr. Feng has accumulated extensive experience in security and technology management. Mr. Feng graduated from Shanghai Maritime Staff University in August 1981, majoring in vessel piloting. He joined the Company in September 1997.

MR. LIUCHONG (劉沖), AGE 42

Chief Accountant of the Company, Senior Accountant. Mr. Liu generally assists the General Manager and is responsible for accounting management and supervision. He has been deputy head of funding unit of finance department and vice president of internal bank of Guangzhou Shipping (Group) Company, the deputy director of Guangzhou Settlement Center of China Shipping (Group) Company, the deputy general manager of China Shipping Investment Co., Ltd., and the Chief Financial Officer of China Shipping Logistics Co., Ltd. successively. From January 2004 to January 2008, he was the deputy general manager and a member of the Party committee of China Shipping Logistics Co., Ltd. From January 2008 to December 2010, he was Chief Accountant of China Shipping Haisheng Co., Ltd. and the head of fund management department of China Shipping Group and Party secretary of China Shipping Finance Co., Ltd. from December 2010 to October 2011. Mr. Liu graduated from Zhongshan University, majoring in Economics and obtained Bachelor of Economics. He joined the Company in October 2011.

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2011.

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 63 of this report.

DIVIDENDS

Since the Company recorded a loss in 2011, the accumulated loss calculated under PRC accounting standards by the Company and the Group as at 31 December 2011 was RMB780 million and RMB2,910 million, respectively. It was proposed that no profit distribution would be made for the year 2011 and no capitalization of capital common reserve fund would be made. The above proposal is subject to review at the Annual General Meeting.

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 69 and 70 of this annual report and Note 29 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 28 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 2011, the accumulated loss of the Company, calculated based on the above principles, amounted to approximately RMB775,839,000, 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 162.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2011.

H SHARE SHARE APPRECIATION RIGHTS SCHEME AND THE BASIS OF DETERMINING THE EMOLUMENT OF THE DIRECTORS

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 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.

The Company determines the remuneration of Directors by reference to the performance of Directors for the year ended 31 December 2011 and on the principle of linking company's management with operation results.

DIRECTORS AND SUPERVISORS

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

EXECUTIVE DIRECTORS:

Mr. Li Shaode
Mr. Xu Lirong
Mr. Zhang Guofa
Mr. Huang Xiaowen
Mr. Zhao Hongzhou

NON-EXECUTIVE DIRECTORS:

Mr. Zhang Jianhua
Mr. Lin Jianqing
Mr. Wang Daxiong
Mr. Xu Hui
Mr. Zhang Rongbiao

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Shen Kangchen
Mr. Jim Poon *(also known as Pan Zhanyuan)*
Mr. Shen Zhongying
Mr. Wu Daqi
Ms. Zhang Nan

SUPERVISORS:

Mr. Chen Decheng
Mr. Kou Laiqi
Mr. Tu Shiming
Mr. Wang Xiuping
Mr. Hua Min
Ms. Pan Yingli

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

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 2012, i.e. in or around June 2013.

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

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

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

Saved as disclosed in the report of the directors (including but not limited to the continuing connected transactions stated below), no contracts of significance in which the Company or any of its subsidiary and its controlling shareholders (as defined in Appendix 16 to the Listing Rules) or a subsidiary of its controlling shareholders was a party, subsisted during the year or at the end of the year.

No contracts of significance in relation to the service provided by controlling shareholders or their subsidiaries to the Company or its subsidiaries, subsisted during the year or at the end of the year.

None of or no contracts of the Company 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 interested in any way at any time during the year, directly or indirectly (provided that in any one of such cases, a Director or a Supervisor is of the opinion that any such contract is significantly related to the Company's business and in which such Director or Supervisor is or was materially interested), subsisted at any time during the year or at the end of the year. Any contract referred to above excludes a service contract with a Director or a Supervisor, or a contract between the Company with another corporate, and in which such Director or Supervisor is or was interested merely by means of his/her directorship or supervisorship in that corporate.

None of a Director or a Supervisor is interested in any way, which is material, directly or indirectly, in a contract or proposed contract with the Company.

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors, Supervisors and senior management of the Company are set out on pages 22 to 33 of this report.

Each of Li Shaode, Xu Lirong, Zhang Guofa, Lin Jianqing and Wang Daxiong was as at 31 December 2011 the Chairman, the Managing Director, the Vice President, the Vice President and the Vice President respectively of China Shipping Group, which was a company having, as at 31 December 2011, an interest or short position in the Company's shares and underlying shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

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

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

DIRECTORS', SUPERVISORS' INTERESTS IN SHARES

According to the Scheme adopted on 12 October 2005 and amended on 20 June 2006, 26 June 2007 and 26 June 2008, 8 Directors and 4 Supervisors were granted the Rights in H shares 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.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, the interests or short positions of the Directors, Supervisors or chief executive(s) of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which was 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 any such Directors, Supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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)
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)
Supervisors:			
Chen Decheng	948,600	Beneficial owner	0.025% (Long position)
Kou Laiqi	156,550	Beneficial owner	0.004% (Long position)
Tu Shiming	246,450	Beneficial owner	0.007% (Long position)
Wang Xiuping	1,395,000	Beneficial owner	0.037% (Long position)

Notes:

1. In accordance with the "Resolution Regarding Adoption and Approval of the H Share Share Appreciation Rights Scheme and Implementation Methods" passed at the Company's second Special General Meeting held on 12 October 2005, the Company implemented a H share share appreciation rights scheme as appropriate incentive policy. Details of the original Scheme were set out in the Company's circular to shareholders dated 26 August 2005 and each amended Scheme was produced to the annual general meetings of the Company held on 20 June 2006, 26 June 2007 and 26 June 2008. The above disclosed represents the interests in H Shares of the Company held by the Directors and Supervisors of the Company under the Share Appreciation Rights Scheme.

   Save as disclosed above, as at 31 December 2011, none of the Directors, Supervisors or chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which was 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 any such Directors, Supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company.

INTERESTS OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OR OTHER PERSONS IN THE SHARES OR UNDERLYING SHARES

As at 31 December 2011, so far as was known to the Directors, Supervisors or chief executive(s) of the Company, the interests or short positions of the shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting or other persons (other than a Director, Supervisor or chief executive(s) of the Company) in the shares or underlying 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 which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or the interests or short positions which have been notified to the Company and The Stock Exchange were as follows:

Name of shareholder	Class of shares	Number of shares/ underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
China Shipping (Group) Company	A shares	5,361,837,500(L)	Beneficial owner	67.60%	45.89%
The Northern Trust Company (ALA)	H shares	249,945,900(P)	approved lending agent	6.66%	2.14%

(L) – Long position, (S) – Short position, (P) – Lending pool

Save as disclosed above, as at 31 December 2011, no other person (other than Directors, Supervisors or chief executive(s) of the Company) had any interest or short position in any shares or underlying 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 or any interest or short positions which have been notified to the Company and the Stock Exchange.

DIRECTOR OR EMPLOYEE OF THE SUBSTANTIAL SHAREHOLDERS

Certain Directors and Supervisors of the Company are the director or employee of the China Shipping (Group), and China Shipping (Group) have interests in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CHANGES IN INFORMATION OF DIRECTORS OR SUPERVISORS

Pursuant to the Rule 13.51(B) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), changes in the information of Directors or Supervisors of the Company subsequent to the date of its 2011 Interim Report were as follows:

DIRECTORS

Name	Details of changes
Ma Zehua	Mr. Ma proposed to resign as a non-executive director of the Company on 2 September 2011, which was effective upon the approval at Board meeting of the Company held on 29 September 2011.
Xu Lirong(1)	Mr. Xu was appointed as an executive Director of the Company upon the approval of an ordinary resolution proposed at the extraordinary general meeting of the Company held on 22 November 2011 and was appointed as vice Chairman of the third Board of Directors of the Company at the 15th meeting of the third session of Board of Directors of the Company held on 22 November 2011.

Notes:

1 Xu Lirong ("Mr. Xu") currently is the Director, Executive President and a member of the Party Committee of China Shipping (Group) Company. He is also the Chairman of a number of companies including China Shipping (Hong Kong) Holdings Co., Ltd., China Shipping (Europe) Holding GmbH, China Shipping (North America) Holding Co., Ltd., China Shipping (South Eastern Asia) Holding Co., Ltd., China Shipping (Western Asia) Holdings Co., Ltd and COSCO Shipping Co., Ltd., as well as the Chairman of the Board of COSCO Pacific Limited. He had been the Executive Vice President, a member of the Party Committee and the Chairman of Trade Union of China Ocean Shipping (Group) Company, the Executive Vice President and the Director of China COSCO Holdings Company Limited, the Managing Director of COSCO Container Lines Company Limited, the Marine Captain and Deputy Director of the first management department of Shanghai Ocean Shipping Company, the General Manager of Shanghai International Freight Forwarding Company, the Deputy Managing Director of Shanghai Ocean Shipping Company and the President of Shanghai Shipping Exchange. He has extensive experience in container shipping business management and corporate management. Mr. Xu obtained his Master of Business Administration degree from Shanghai Maritime University and the Maastricht School of Management in the Netherlands, and is a senior engineer.

Save as disclosed above, Mr. Xu did not hold any other positions in the Company and/or its subsidiaries in the last three years. Save as disclosed above, Mr. Xu did not hold any directorship in any other publicly listed companies in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Xu does not have other major appointments and professional qualifications. Save as disclosed above, Mr. Xu does not have any relationship with any Directors, senior management, substantial or controlling Shareholders of the Company (within the meaning of the Listing Rules).

Mr. Xu will not receive any remuneration from the Company and its subsidiaries.

SUPERVISOR

Since the date of 2011 Interim Report of the Company, there was no changes in information of supervisor.

SUFFICIENCY OF PUBLIC FLOAT

Based on public information that is within the knowledge of the Company and also known to the Directors, as at the date 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 were entered into and subsisted (other than the service contracts with any Directors or Supervisors or any of the full-time staff of the Company), and pursuant to which, the management and administration of the whole or any substantial part of the business of the Company were undertaken by any individuals, firms or body corporates.

MAJOR CUSTOMERS AND SUPPLIERS

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

For the year ended 31 December 2011, none of the Directors, Supervisors, their respective associates or 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

1 INCREASE OF CAPITAL CONTRIBUTION TO CHINA SHIPPING FINANCE COMPANY LTD.

- *Date and parties of the transaction:*

  On 27 May 2011, China Shipping (Group), Guangzhou Maritime Transport (Group) Co. Ltd. ("Guangzhou Maritime Transport"), the Company, China Shipping Development Company Limited ("CSDC") and China Shipping (Hainan) Haisheng Shipping and Enterprise Co. ("CS Haisheng") entered into Capital Increase Agreement, pursuant to which, the aforesaid parties contributed capital into China Shipping Finance Company Ltd. ("CS Finance Company").

- *Connected relationships of the parties of the transaction:*

  As at 27 May 2011, China Shipping (Group) held approximately 47.03% of the issued share capital of the Company and Guangzhou Maritime Transport is a wholly owned subsidiary of China Shipping (Group), together they held 45% in CS Finance Company. CS Finance Company is thus an associate of a connected person of the Company. Accordingly, the Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

- *Reasons for the transaction and the nature and extent of the interests of the related party in the transaction:*

  Capital Increase will enhance CS Finance Company's ability to further expand its business and increase its overall profitability that in turn will create higher returns for the shareholders of the Company. The Board (including the independent non-executive Directors) considers the terms of the Capital Increase Agreement are fair and reasonable and in the interest of the shareholders of the Company as a whole.

- *Price and other terms:*

  Pursuant to Capital Increase Agreement, China Shipping (Group), Guangzhou Maritime Transport, the Company, CSDC and CS Haisheng have agreed to increase their respective capital contribution in the amount of RMB75 million, RMB60 million, RMB75 million, RMB75 million and RMB15 million, respectively, to CS Finance Company by way of cash in proportion to their existing shareholdings in CS Finance Company. Upon the completion of the foregoing increase of capital contribution, the registered capital of CS Finance Company will increase from RMB300 million to RMB600 million while the respective shareholding of China Shipping (Group), Guangzhou Maritime Transport, the Company, CSDC and CS Haisheng in CS Finance Company will remain as 25%, 20%, 25%, 25% and 5%.

- *Others:*

  Details of capital increase are set out in the announcement of Connected Transaction: Increase of Capital Contribution to China Shipping Finance Company Ltd. issued by the Company on 27 May 2011 and this transaction is not subject to the approval from independent shareholders.

2. ACQUISITION OF JOINT VENTURE COMPANY

- *Date and parties of the transaction:*

  On 20 October 2011, the Company entered into the Equity Transfer Agreement with China Shipping Logistics (Overseas) Co., Ltd. ("CS Logistics (Overseas)"), pursuant to which the Company agreed to acquire 25% equity interest in China Shipping Yangshan International Container Storage & Transportation Co., Ltd. (YS International) from CS Logistics (Overseas).

- *Connected relationships of the parties of the transaction:*

  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 under Rule 14A.11(4) of the Listing Rules. As such, the Company's acquisition of 25% equity interest in YS International from CS Logistics (Overseas) under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

- *Reasons for the transaction and the nature and extent of the interests of the related party in the transaction:*

  The Equity Transfer Agreement is to strengthen the management, unify the operation, integrate and optimise the resource allocation and reduce connected transactions. The Board (including the independent non-executive Directors) believes that the terms of the transactions contemplated under the Equity Transfer Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

- *Price and other terms:*

  The aggregate consideration payable for the acquisition of 25% equity interest in YS International from CS Logistics (Overseas) by the Company is RMB33,879,708.96. Upon the completion of the Equity Transfer Agreement, the Joint Venture Agreement will be terminated as the equity interest in YS International owned by the Company will be increased from its present 75% to 100%, and therefore YS International will become a wholly-owned subsidiary of the Company.

- *Others:*

  Details of equity transfer are set out in the announcement of Connected Transaction: Acquisition of Joint Venture Company issued by the Company on 20 October 2011 and this transaction is not subject to the approval from independent shareholders.

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2011, the Company had following 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 2011 in relation to those continuing connected transactions. Terms used in the following tables shall have the same meanings as defined in the Company's Prospectus and announcement dated 24 January 2007.

No.	Particulars of transaction	Nature of transaction	Transaction amount for the year ended 31 December 2011 RMB'000	Annual cap amount for the year ended 31 December 2011 RMB'000
(A)	**Revenue from connected transactions**			
1	Master Liner Services Agreement in respect of services provided by the Group	Revenue from liner services	243,519	965,400
2	First Master IT Service Agreement in respect of products and services provided by the Group	IT Service	14,845	20,000
(B)	**Cost of connected transactions**			
3	Master Supply Agreement in respect of products etc. provided to the Group	Supply of fresh water, vessel fuel, lubricants, spare parts and other materials	1,786,671	1,895,500
4	First Master Liner and Cargo Agency Agreement in respect of services provided to the Group	Cargo and liner agency services	574,977	774,360
5	First Master Container Management Agreement in respect of services provided to the Group	Container management services	115,229	154,810
6	Revised Lease of Containers Agreement in respect of containers leased to the Group	Lease of containers	252,422	460,290

No.	Particulars of transaction	Nature of transaction	Transaction amount for the year ended 31 December 2011 RMB'000	Annual cap amount for the year ended 31 December 2011 RMB'000
7	Revised Master Provision of Containers Agreement in respect of containers sold to the Group	Manufacture of containers	63,744	755,220
8	Master Provision of Chassis Agreement in respect of container chassis etc. provided to the Group	Provision of container chassis	23,502	30,040
9	Master Ship Repair Services Agreement in respect of ship repair services provided to the Group	Ship repair services	47,580	125,080
10	Master Provision of Crew Members Agreement in respect of crew members provided to the Group	Provision of crew members	27,325	46,090
11	First Master IT Service Agreement in respect of products and services provided to the Group	Telecommunication	47,976	75,400
12	Master Depot Services Agreement in respect of products or service provided to the Group	Depot Services	14,850	15,520
13	(i) First Master Loading and Unloading Agreement and (ii) Second Master Loading and Unloading Agreement in respect of services provided to the Group	Loading and unloading services	461,889	772,750
(C)	**Connected transactions for financial services**			
14	Financial Service Framework Agreement in respect of maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group	Deposit services	4,003,742	5,500,000
15	Financial Service Framework Agreement in respect of maximum daily outstanding balance of loans (including accrued interest and handling fee) granted to the Group	Loan services	98,306	1,700,000

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

The independent non-executive Directors of the Company, Mr. Shen Kangchen, Mr. Jim Poon, Mr. Shen Zhongying, Mr. Wu Daqi and Ms. Zhang Nan 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 the above continuing connected transactions 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 of the above continuing connected transactions 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, has confirmed to the Company regarding the continuing connected transactions disclosed above that nothing has come to the auditor's attention that causes them to believe that:

1. the disclosed continuing connected transactions have not been approved by the Company's board of directors;

2. the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

3. the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

4. the disclosed continuing connected transactions have exceeded the maximum aggregate annual cap amount disclosed in the previous announcements dated 8 October 2009, 16 December 2010 and 30 September 2011 made by the Company in respect of each of the disclosed continuing connected transactions.

The Company confirmed that it has disclosed the continuing connected transactions and the details of the continuing connected transactions mentioned above pursuant to the disclosure requirements of Chapter 14A of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has made an annual confirmation of his independence pursuant to the Listing Rules. The Company is of the view that all the independent non-executive Directors had been in compliance with the requirements of guidelines regarding independence as set out in the Listing Rules and are independent in accordance with the provisions of the guidelines.

PENSION SCHEME

Details of the Group's pension scheme for the year ended 31 December 2011 are set out in Note 2.21(a) to the consolidated financial statements.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2011, 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board confirms that, the Company has complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on Hong Kong Stock Exchange during the year ended 31 December 2011.

AUDIT COMMITTEE

The audit committee of the Company is comprised of two independent non-executive Directors, namely Mr. Wu Daqi and Mr. Shen Kangchen, and one non-executive Director, namely Mr. Wang Daxiong. The Group's final results for the year ended 31 December 2011 have been reviewed by the audit committee of the Company.

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.

CHARITY DONATIONS

The Company and its subsidiaries made donations amounting to RMB2,765,000.

On behalf of the Board

Li Shaode
Chairman

Shanghai, the People's Republic of China, 28 March 2012

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 all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules.

The Board confirmed that none of the Directors is aware of any information that would reasonably indicate that the Group was not, at any time during year 2011, in compliance with the applicable code provisions of the CG Code.

A BOARD OF DIRECTORS

1 COMPOSITION OF THE THIRD SESSION OF THE BOARD

As approved by the annual general meeting for the year 2009, the third session of the Board consists of four executive Directors, six non-executive Directors and five independent non-executive Directors. As approved by the annual general meeting for the year 2010, Mr. Yan Zhichong resigned as a non-executive Director of the Company, and Mr. Zhang Rongbiao was appointed as a non-executive Director of the Company. As approved by the 13th meeting of the third session of the Board, Mr. Ma Zehua resigned as vice chairman and non-executive Director of the third session of the Board of the Company. As approved by the first extraordinary general meeting for the year 2011, Mr. Xu Lirong was appointed as an executive Director of the third session of the Board of the Company, as well as the vice chairman of the third session of the Board of the Company as approved by the 14th meeting of the third session of the Board of the Company.

Executive Directors:
Mr. Li Shaode *(Chairman)*
Mr. Xu Lirong *(Vice Chairman)*
Mr. Zhang Guofa *(Vice Chairman)*
Mr. Huang Xiaowen
Mr. Zhao Hongzhou

Non-executive Directors:
Mr. Zhang Jianhua
Mr. Lin Jianqing
Mr. Wang Daxiong
Mr. Xu Hui
Mr. Zhang Rongbiao

Independent non-executive Directors:
Mr. Shen Kangchen
Mr. Jim Poon *(also known as Pan Zhanyuan)*
Mr. Shen Zhongying
Mr. Wu Daqi
Ms. Zhang Nan

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/her independence to the Company in accordance with the Listing Rules. Based on their confirmation, the Company considers that they are independent.

In 2011, 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 an aim of enhancing shareholder value; presenting a balanced, clear and 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 the reports submitted and other financial information to be disclosed pursuant to the Listing Rules; and reporting to regulators information which is required to be disclosed as per statutory requirements.

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

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

The Board is the executive body of the Company which manages the operations of the Company by means of regular and extraordinary meetings under the authority granted by the General Meeting and the Articles of Association, and is accountable and reports its work to the General Meeting.

Under the authority granted by the Board or the Articles of Association, the management of the Company, e.g. General Manager etc., are responsible for the daily operations of the Company, and shall report in a timely manner on the request of the Board in respect of the execution of the material contracts, use of capital, profit or loss. In a event that the Company involves in any material litigation, arbitration or administration punishments, the management, such as the general manager, shall report to the Board in a timely manner and shall be responsible for the truthfulness and accuracy of the same.

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

3 CHAIRMAN AND GENERAL MANAGER

In 2011, 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 of the Company. 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 of the Company".

4 BOARD MEETINGS

The Board meets at least four times a year. 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 third session of the Board held 12 meetings during 2011. 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	12	100%
Xu Lirong (a)	2	100%
Zhang Guofa	12	100%
Huang Xiaowen	12	100%
Zhao Hongzhou	12	100%

(a) Mr. Xu Lirong was appointed on 22 November 2011.

Non-executive Directors

Directors	Number of meetings attended	Attendance rate
Ma Zehua (b)	7	78%
Zhang Jianhua	12	100%
Lin Jianqing	12	100%
Wang Daxiong	12	100%
Xu Hui	12	100%
Yan Zhichong (c)	5	100%
Zhang Rongbiao (d)	7	100%

(b) Mr. Ma Zehua resigned on 29 September 2011.

(c) Mr. Yan Zhichong resigned on 28 June 2011.

(d) Mr. Zhang Rongbiao was appointed on 28 June 2011.

Independent non-executive Directors

Directors	Number of meetings attended	Attendance rate
Shen Kangchen	12	100%
Jim Poon (also known as Pan Zhanyuan)	12	100%
Shen Zhongying	12	100%
Wu Daqi	12	100%
Zhang Nan	12	100%

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

5 SUPPLY OF AND ACCESS TO INFORMATION

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

6 APPOINTMENT AND RESIGNATION OF DIRECTORS

The Board reviews its structure, size and composition regularly. The Company appoints new directors to the Board in accordance with a formal, well thought-out and transparent procedure.

The Board held two meetings in 2011 to review the appointment and resignation of the directors and make recommendation hereon, and the average attendance rate of the Directors was 97%. Record of attendance for each Director is set out as follows:

Executive Directors

Directors	Number of meetings attended	Attendance rate
Li Shaode	2	100%
Zhang Guofa	2	100%
Huang Xiaowen	2	100%
Zhao Hongzhou	2	100%

Non-executive Directors

Directors	Number of meetings attended	Attendance rate
Ma Zehua (a)	1	50%
Zhang Jianhua	2	100%
Lin Jianqing	2	100%
Wang Daxiong	2	100%
Xu Hui	2	100%
Yan Zhichong (b)	1	100%
Zhang Rongbiao (c)	1	100%

Independent non-executive Directors

Directors	Number of meetings attended	Attendance rate
Shen Kangchen	2	100%
Jim Poon (also known as Pan Zhanyuan)	2	100%
Shen Zhongying	2	100%
Wu Daqi	2	100%
Zhang Nan	2	100%

(a) Mr. Ma Zehua resigned on 29 September 2011.

(b) Mr. Yan Zhichong resigned on 28 June 2011.

(c) Mr. Zhang Rongbiao was appointed on 28 June 2011.

7 BOARD COMMITTEES

(1) Audit Committee

On 2 July 2010, a resolution was passed to elect the members of the third session of the Audit Committee of the Board at the first meeting of the third session of the Board. The third session of the Audit Committee of the Board 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.

The third session of the Audit Committee of the Board held four meetings in 2011. During the second to the fourth meetings, the Audit Committee reviewed the fees of auditing service provided by domestic and overseas auditors and discussed on the auditing and self-assessment report of internal control regarding 2010 financial report of the Group with relevant staffs and domestic and overseas auditors, and submitted reviewing opinions to the Board, as well as provided suggestions to the Board in relation to the appointment of external auditors for 2011. The fifth meeting of the third session of Audit Committee of the Board reviewed the financial report for the first half year of 2011, internal control report and the communication of relevant staffs of the Company with domestic and overseas auditors, and submitted reviewing opinions to the Board. The average attendance rate was 100% and the attendance rate of each member is set out as follows:

Directors	**Number of meetings attended**	**Attendance rate**
Wu Daqi	4	100%
Shen Kangchen	4	100%
Wang Daxiong	4	100%

(2) *Remuneration Committee*

On 2 July 2010, a resolution was passed to elect the members of the third session of the Remuneration Committee at the first meeting of the third session of the Board. The Remuneration Committee consisted of Mr. Shen Kangchen and Mr. Wu Daqi, who were independent non-executive Directors, and Mr. Zhang Jianhua, who was a non-executive Director. Mr. Shen Kangchen was the Chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to assess the performance of executive Directors; to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and Supervisors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; to have the delegated responsibility by the Board to determine the specific remuneration packages of Directors and senior management holding positions in the Company, 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 will 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; to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; to review and approve the compensation payable to executive Directors and Supervisors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the issuer; to review and approve compensation arrangements relating to dismissal or removal of Directors or Supervisors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and to ensure that no Director or Supervisors any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held two meetings in 2011. The average attendance rate was 100%. The first meeting of the third session of Remuneration Committee of the Board evaluated the working performance of senior management of the Company based on production and operation indicators for the year 2010 at the meeting. The resolution regarding remuneration of the Directors and Supervisors for the year 2010 was reviewed at the meeting and was recommended to the Board for approval. The resolution regarding the remuneration standard of the Directors and Supervisors for the year 2011 was reviewed at the second meeting of the third session of Remuneration Committee of the Board 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	2	100%
Wu Daqi	2	100%
Zhang Jianhua	2	100%

(3) *Investment Strategy Committee*

On 2 July 2010, a resolution on establishing the Investment Strategy Committee of the third session of the Board was passed at the 1st meeting of the third session of the Board of the Company. The Investment Strategy Committee consisted of the executive Directors of the Company, namely Mr. Li Shaode, Mr. Zhang Guofa and Mr. Huang Xiaowen, and the non-executive Directors, namely Mr. Ma Zehua, Mr. Lin Jianqing, Mr. Wang Daxiong, and independent non-executive Directors, namely Mr. Jim Poon (also known as Pan Zhanyuan), Mr. Shen Zhongying and Ms. Zhang Nan. Mr. Li Shaode, the Chairman of the Company, was the Chairman of the Investment Strategy Committee. Following the resignation of Mr. Ma Zehua as Vice Chairman and non-executive Director of the Company on 29 September 2011, he ceased to be a member of Investment Strategy Committee. On 18 January 2012, in the 17th meeting of the third session of the Board of the Company, Mr. Xu Lirong was selected as a member of the third session of the Investment Strategy Committee of the Board.

The primary duties of the Investment Strategy Committee are to consider and make recommendations on the strategic plan for the Company's long-term development; the material investments and financing plans and 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.

The Investment Strategy Committee held a meeting in 2011 and average attendance rate was 100%. The resolution regarding CSCL "12th Five-Year Plan" and three-year rolling development strategy and planning was reviewed in the meeting and it was agreed in the meeting to submit this resolution to the Board for approval. 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%
Zhang Guofa	1	100%
Huang Xiaowen	1	100%
Ma Zehua (a)	1	100%
Lin Jianqing	1	100%
Wang Daxiong	1	100%
Jim Poon (also known as Pan Zhanyuan)	1	100%
Shen Zhongying	1	100%
Zhang Nan	1	100%

(a) Mr. Ma Zehua resigned on 29 September 2011.

(4) Nomination Committee

On 2 July 2010, a resolution on establishing the third session of Nomination Committee was passed at the first meeting of the third session of the Board. The Nomination Committee consists of the independent non-executive Directors of the Company, namely Mr. Shen Zhongying, Mr. Jim Poon (also known as Pan Zhanyuan) and Ms. Zhang Nan, and executive Director, namely Mr. Zhang Guofa and non-executive Director, namely 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 procedures of the Nomination Committee to nominate directors and senior management personnel of the Company are as follows: Persons or organizations having the right to nominate directors shall put forward a name list of the proposed candidates to the Nomination Committee for review, and the result shall be submitted to the Board of Directors for consideration, and if approved, be proposed to the general meeting for consideration; Persons or organizations having the right to nominate the General Manager, the Secretary to the Board of Directors and other senior management personnel of the Company shall put forward a name list of the proposed candidates to the Nomination Committee for review, and the result shall be submitted to the Board of Directors for consideration.

The procedures the Nomination Committee to examine the qualifications of the candidates for directors and senior management personnel are as follows: The Nomination Committee may request relevant department of the Company to provide or the Committee may collect by itself all relevant information about the occupation, academic qualifications, titles, detailed working experience of the candidates and compile written reports; The Nomination Committee shall convene a meeting to conduct a qualification review on the candidate(s) according to the employment requirements of director(s) and senior management personnel, and specify its opinions and recommendations on selection in the form of proposals; The Nomination Committee shall carry out other relevant work according to the decisions and feedback of the Board of Directors.

In 2011, the third session of Nomination Committee held three meetings. The average attendance rate was 100%. The resolutions regarding change of non-executive Directors of the Company and change of Chief Accountant of the Company were reviewed and passed at the meetings. All resolutions mentioned above were agreed to be submitted 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%
Jim Poon (also known as Pan Zhanyuan)	3	100%
Zhang Nan	3	100%
Zhang Guofa	3	100%
Wang Daxiong	3	100%

8 SECURITIES TRANSACTION BY DIRECTORS AND SUPERVISORS

The Company had adopted the Model Code for Securities Transaction by Directors of Listed Issuers ("the Model Code") as set out in Appendix 10 to the Listing Rules as the standards for the Directors' and Supervisors' securities transactions. The Company confirmed, having made specific enquiries with all Directors and Supervisors, that for the year ended 31 December 2011, 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 APPRECIATION RIGHTS SCHEME

To motivate the Directors, Supervisors, members of senior management and other important personnel of the Company to work for the Company's development and the shareholders' long-term interest, the Company adopted the H Share Appreciation Rights Scheme on 12 October 2005. Details of the Scheme were set out in the Company's circular to shareholders dated 26 August 2005.

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

Non-executive Directors	Term of office starting date	Term of office expiration date
Ma Zehua	25 June 2010	29 September 2011
Zhang Jianhua	25 June 2010	until the conclusion of the annual general meeting for the year 2012, i.e. in or around June 2013
Lin Jianqing	25 June 2010	until the conclusion of the annual general meeting for the year 2012, i.e. in or around June 2013
Wang Daxiong	25 June 2010	until the conclusion of the annual general meeting for the year 2012, i.e. in or around June 2013
Xu Hui	25 June 2010	until the conclusion of the annual general meeting for the year 2012, i.e. in or around June 2013
Yan Zhichong	25 June 2010	28 June 2011
Zhang Rongbiao	28 June 2011	until the conclusion of the annual general meeting for the year 2012, i.e. in or around June 2013

B ACCOUNTABILITY AND AUDITING

1 EXTERNAL AUDITORS

PricewaterhouseCoopers was re-appointed as the external auditor of the Company at the 2010 Annual General Meeting by the shareholders until the conclusion of the next Annual General Meeting.

The Company has paid PricewaterhouseCoopers RMB7,860,000 as remuneration for its auditing service and related service provided for the year 2011. The Company has paid Baker Tilly China RMB5,880,000 as remuneration for its auditing service and related service provided for the year 2011.

2 ACKNOWLEDGEMENT OF THE DIRECTORS AND AUDITORS

All Directors have confirmed their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

PricewaterhouseCoopers, the external auditor of the Company, has confirmed its reporting responsibilities as set out in the auditor's report in the financial statements of the Company for the year ended 31 December 2011.

3 REVIEW OF INTERNAL CONTROL SYSTEMS

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 December 2011 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate. During the review, the Board had particularly considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

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 2011, the latest general meeting was the first extraordinary general meeting for the year 2011 held on 22 November 2011 at Eiffelton Hotel, No. 1888, Pu Ming Road, Pudong New District, Shanghai. The following resolutions were passed at that meeting and the results of the poll is as follows:

	No. of Votes (approximate %)		
Summary of Resolutions (Extracted)	**For**	**Against**	**Abstain**
Ordinary Resolutions			
1. To review and approve the appointment of Mr. Xu Lirong ("Mr. Xu") as the Executive Director, whose term of office begins on the conclusion of the extraordinary general meeting and ends on the conclusion of the Annual General Meeting for the year 2012 (i.e. in or around June 2013)	5,755,248,635 (99.1298%)	50,458,395 (0.8691%)	66,000 (0.0011%)

To the shareholders:

During the Reporting Period, pursuant to the articles of association of the Company, rules of procedures of the Supervisory Committee, 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.

I. MEETINGS CONDUCTED AND ATTENDED BY THE SUPERVISORY COMMITTEE

During the period, the Supervisory Committee held 4 meetings in total:

1. On 29 March 2011, the fourth meeting of the third session of the Supervisory Committee was held in Shanghai. Except supervisor Ms. Pan Yingli, who appointed supervisor Mr. Hua Min to attend the meeting on her behalf, all the other supervisors had attended the meeting, and the meeting was conducted in accordance with the procedures prescribed by the Company Laws and the articles of association of the Company. During the meeting, we reviewed and approved resolutions regarding the Company's financial report for the year 2010, the Company's profit distribution for the year 2010, the Company's annual report for the year 2010 (the full text and summary) and the Supervisory Committee's report for the year 2010.

2. On 27 April 2011, the fifth meeting of the third session of the Supervisory Committee was held by way of telecommunication. All supervisors had attended the meeting and the meeting was conducted in accordance with the procedures prescribed by the Company Laws and the articles of association of the Company. During the meeting, we reviewed and approved the resolution regarding the Company's first quarterly report for the year 2011.

3. On 24 August 2011, the sixth meeting of the third session of the Supervisory Committee was held in Shanghai. Five out of six supervisors attended the meeting. Supervisor Mr. Hua Min failed to attend the meeting for personal reason. During the meeting, we reviewed and approved the resolutions regarding the Company's interim financial report for the year 2011 and the Company's half-year report for the year 2011 (the full text and summary).

4. On 26 October 2011, the seventh meeting of the third session of the Supervisory Committee was held by way of telecommunication. All supervisors attended the meeting and the meeting was conducted in accordance with the procedures prescribed by the Company Laws and the articles of association of the Company. The meeting reviewed and approved the resolution regarding the Company's third quarterly report for the year 2011.

During the Reporting Period, our members attended all the Company's board meetings and general meetings held in 2011.

II INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE

1. 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.

2. FINANCIAL STATUS OF THE COMPANY

We monitored and reviewed the Company's financial management system and financial status in accordance with the law. We are of the view that the Company's financial report for the year 2011 objectively and completely reflected the Company's financial status and operating results for the year 2011. Baker Tilly China and PricewaterhouseCoopers issued standard and unqualified audit opinion respectively.

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

During the Reporting Period, the Company did not raise any capital.

4. ACQUISITIONS, DISPOSALS AND CONNECTED TRANSACTIONS OF THE COMPANY

During the Reporting Period, 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.

5. REVIEWING STATUS OF THE SELF-ASSESSMENT REPORT ON INTERNAL CONTROL

The Supervisory Committee reviewed the Company's 2011 Self-assessment Report on Internal Control submitted by the Board and has no objection to such report.

In 2012, we will continue to perform strictly the supervisory functions endowed on us by the relevant laws and regulations and the articles of association of the Company and practically protect and safeguard the legitimate interests of the Company and its shareholders.

China Shipping Container Lines Company Limited
Supervisory Committee

28 March 2012

羅兵咸永道

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 63 to 161, which comprise the consolidated and company balance sheets as at 31 December 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2011, 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, 28 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Revenue	5	**28,246,498**	34,808,706
Costs of services	6	**(30,370,654)**	(29,792,886)
Gross (loss)/profit		**(2,124,156)**	5,015,820
Selling, administrative and general expenses	6	**(689,451)**	(840,388)
Other income	7	**182,699**	151,032
Other gains, net	8	**122,213**	139,834
Operating (loss)/profit		**(2,508,695)**	4,466,298
Finance costs	11	**(188,122)**	(214,147)
Share of results of associated companies	21	**27,943**	42,490
Share of results of jointly controlled entities	22	**42,615**	25,067
(Loss)/profit before income tax		**(2,626,259)**	4,319,708
Income tax expense	12	**(74,214)**	(86,467)
(Loss)/profit for the year		**(2,700,473)**	4,233,241
(Loss)/profit attributable to:			
Equity holders of the Company		**(2,743,469)**	4,203,134
Non-controlling interests		**42,996**	30,107
		(2,700,473)	4,233,241
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company (Expressed in RMB per share) – Basic and diluted	15	**RMB(0.235)**	RMB0.360

The notes on pages 72 to 161 are an integral part of these consolidated financial statements.

Dividends	14	**–**	–

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
(Loss)/profit for the year		**(2,700,473)**	4,233,241
Other comprehensive (loss)/income			
Share of other comprehensive income of a jointly controlled entity	*22*	**1,752**	453
Currency translation differences, net of tax	*29*	**(411,806)**	(245,347)
Total comprehensive (loss)/income for the year		**(3,110,527)**	3,988,347
Attributable to:			
Equity holders of the Company		**(3,153,523)**	3,958,240
Non-controlling interests		**42,996**	30,107
Total comprehensive (loss)/income for the year		**(3,110,527)**	3,988,347

The notes on pages 72 to 161 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**37,049,240**	33,704,542
Leasehold land and land use rights	*17*	**95,388**	97,795
Intangible assets	*18*	**22,991**	26,416
Deferred income tax assets	*33*	**12,593**	15,606
Available-for-sale financial assets	*19*	**362,140**	362,140
Interests in associated companies	*21*	**257,309**	84,720
Interests in jointly controlled entities	*22*	**1,294,881**	1,207,344
		39,094,542	35,498,563
Current assets			
Inventories	*25*	**1,206,379**	883,275
Trade and notes receivables	*26*	**1,801,106**	1,791,791
Prepayments and other receivables		**237,190**	181,100
Loan to a jointly controlled entity		**–**	13,000
Cash and cash equivalents	*27*	**7,073,273**	10,648,396
		10,317,948	13,517,562
Total assets		**49,412,490**	49,016,125
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*28*	**11,683,125**	11,683,125
Other reserves	*29(a)*	**17,061,062**	17,478,560
(Accumulated losses)/retained earnings	*29(b)*	**(2,720,854)**	23,254
		26,023,333	29,184,939
Non-controlling interests		**877,356**	777,304
Total equity		**26,900,689**	29,962,243

Consolidated Balance Sheet

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings	*30*	**10,808,547**	8,276,108
Domestic corporate bonds	*31*	**1,786,627**	1,784,176
Finance lease obligations	*32*	**124,648**	339,512
Deferred income tax liabilities	*33*	**31**	61
		12,719,853	10,399,857
Current liabilities			
Trade payables	*34*	**3,820,428**	4,339,287
Accrual and other payables		**663,417**	788,118
Short-term bank borrowings	*30*	**819,117**	529,816
Long-term bank borrowings – current portion	*30*	**4,230,182**	2,695,432
Finance lease obligations – current portion	*32*	**194,729**	210,574
Current income tax liabilities		**39,075**	59,439
Provisions	*35*	**25,000**	31,359
		9,791,948	8,654,025
Total liabilities		**22,511,801**	19,053,882
Total equity and liabilities		**49,412,490**	49,016,125
Net current assets		**526,000**	4,863,537
Total assets less current liabilities		**39,620,542**	40,362,100

The notes on pages 72 to 161 are an integral part of these consolidated financial statements.

Li Shaode
Director

Huang Xiaowen
Director

Company Balance Sheet

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**17,818,028**	17,468,584
Leasehold land and land use rights	*17*	**11,226**	11,575
Intangible assets	*18*	**4,104**	4,316
Deferred income tax assets	*33*	**6,250**	6,250
Interests in subsidiaries	*20*	**14,955,401**	14,826,697
Interests in associated companies	*21*	**213,972**	75,000
Interests in jointly controlled entities	*22*	**41,500**	37,000
		33,050,481	32,429,422
Current assets			
Inventories	*25*	**514,058**	475,491
Trade and notes receivables	*26*	**1,249,925**	859,407
Prepayments and other receivables		**280,983**	78,712
Loan to a jointly controlled entity		**–**	13,000
Cash and cash equivalents	*27*	**1,882,611**	5,449,384
		3,927,577	6,875,994
Total assets		**36,978,058**	39,305,416
EQUITY			
Share capital	*28*	**11,683,125**	11,683,125
Other reserves	*29(a)*	**19,012,889**	19,012,889
(Accumulated losses)/retained earnings	*29(b)*	**(600,683)**	865,464
Total equity		**30,095,331**	31,561,478

Company Balance Sheet

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Domestic corporate bonds	*31*	**1,786,627**	1,784,176
Current liabilities			
Trade payables	*34*	**4,681,583**	5,366,066
Accrual and other payables		**186,584**	331,970
Short-term bank borrowings	*30*	**189,027**	198,681
Current income tax liabilities		**13,906**	38,045
Provision	*35*	**25,000**	25,000
		5,096,100	5,959,762
Total liabilities		**6,882,727**	7,743,938
Total equity and liabilities		**36,978,058**	39,305,416
Net current (liabilities)/assets		**(1,168,523)**	916,232
Total assets less current liabilities		**31,881,958**	33,345,654

The notes on pages 72 to 161 are an integral part of these consolidated financial statements.

Li Shaode
Director

Huang Xiaowen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

		Attributable to equity holders of the Company					
	Note	Share capital RMB'000	Other reserves RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2010		11,683,125	17,664,548	(4,120,974)	25,226,699	751,499	25,978,198
Profit for the year		–	–	4,203,134	4,203,134	30,107	4,233,241
Share of other comprehensive income of a jointly controlled entity	22	–	453	–	453	–	453
Currency translation differences, net of tax		–	(245,347)	–	(245,347)	–	(245,347)
Total comprehensive (loss)/income for the year ended 31 December 2010		–	(244,894)	4,203,134	3,958,240	30,107	3,988,347
Profit appropriation to statutory reserves		–	58,906	(58,906)	–	–	–
Transactions with owners:							
Dividends to non-controlling interests		–	–	–	–	(4,302)	(4,302)
Balance at 31 December 2010		11,683,125	17,478,560	23,254	29,184,939	777,304	29,962,243

The notes on pages 72 to 161 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

		Attributable to equity holders of the Company					
	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2011		11,683,125	17,478,560	23,254	29,184,939	777,304	29,962,243
(Loss)/profit for the year		–	–	(2,743,469)	(2,743,469)	42,996	(2,700,473)
Share of other comprehensive income of a jointly controlled entity	22	–	1,752	–	1,752	–	1,752
Currency translation differences, net of tax		–	(411,806)	–	(411,806)	–	(411,806)
Total comprehensive (loss)/income for the year ended 31 December 2011		–	(410,054)	(2,743,469)	(3,153,523)	42,996	(3,110,527)
Transaction with owners:							
Acquisition of non-controlling interests in a subsidiary		–	(7,444)	–	(7,444)	(26,577)	(34,021)
Capital injection from non-controlling interests		–	–	–	–	90,000	90,000
Dividends to non-controlling interests		–	–	–	–	(6,159)	(6,159)
Others		–	–	(639)	(639)	(208)	(847)
Balance at 31 December 2011		11,683,125	17,061,062	(2,720,854)	26,023,333	877,356	26,900,689

The notes on pages 72 to 161 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	*36(a)*	**(2,302,700)**	5,498,286
Income tax paid		**(91,595)**	(59,902)
Net cash (used in)/generated from operating activities		**(2,394,295)**	5,438,384
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(5,385,603)**	(2,115,113)
Proceeds from disposal of property, plant and equipment	*36(b)*	**61,900**	154,406
Increase in investments in jointly controlled entities and associated companies		**(201,472)**	(168,000)
Decrease/(increase) in loan to a jointly controlled entity		**13,000**	(13,000)
Proceeds from liquidation of an associated company		**–**	71,474
Acquisition of non-controlling interest of a subsidiary		**(34,021)**	–
Dividends received from an associated company		**4,326**	–
Dividends received from jointly controlled entities		**9,682**	8,017
Dividends received from available-for-sale financial assets	*7*	**10,729**	10,161
Interest received		**133,933**	52,606
Net cash used in investing activities		**(5,387,526)**	(1,999,449)
Cash flows from financing activities			
Interest paid		**(331,271)**	(293,576)
Capital injection from the non-controlling shareholders		**90,000**	–
Proceeds from short-term and long-term borrowings		**7,736,196**	4,379,253
Repayments of short-term and long-term bank borrowings		**(2,899,536)**	(3,367,921)
Capital element of finance lease payments		**(212,959)**	(253,884)
Interest element of finance lease payments		**(29,522)**	(50,820)
Dividends paid to non-controlling interests		**(6,159)**	(4,302)
Net cash generated from financing activities		**4,346,749**	408,750
Net (decrease)/increase in cash and cash equivalents		**(3,435,072)**	3,847,685
Cash and cash equivalents at beginning of year	*27*	**10,648,396**	6,936,708
Exchange losses on cash and cash equivalents		**(140,051)**	(135,997)
Cash and cash equivalents at end of year	*27*	**7,073,273**	10,648,396

The notes on pages 72 to 161 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 2004, the Company issued overseas public shares ("H Share"), which were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") on 16 June 2004. In 2007, the Company issued PRC domestic public shares ("A Share"), which were listed on the Shanghai Stock Exchange on 12 December 2007.

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.

The Company and its subsidiaries (together, the "Group") are principally engaged in owning, chartering and operating container vessels for the provision of international and domestic container marine transportation services, and the operation of container terminals.

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 (the "Board") on 28 March 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2011 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

- HKFRS 7 "Financial instruments: Disclosures" clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures. The Group has applied this new accounting policy; however it has no impact on the financial statements.

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1 January 2011. It 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. The Group had early adopted this revised standard since 1 January 2010. See Note 39 for disclosures of transactions among government related entities.

- Amendment to HKAS 34 "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures in the interim report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Changes in accounting policies and disclosures (continued)

(b) New and amended standards and interpretations effective in 2011 but not currently relevant to the Group

- Amendment to HKAS 32 "Classification of rights issues" is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

- HK(IFRIC) – Int 19 "Extinguishing financial liabilities with equity instruments" is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

- Amendment to HKFRS 1 "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters" is effective for annual periods beginning on or after 1 July 2010. This is not applicable to the Group, as it is not a first-time adopter of HKFRS.

- Amendment to HK(IFRIC) – Int 14 "Prepayments of a minimum funding requirement" is effective for annual periods beginning on or after 1 January 2011. This is not currently applicable to the Group, as it does not have a minimum funding requirement.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), except for amendment to HKAS 34 "Interim financial reporting" as disclosed in Note 2.1(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(c) New and amended standards that are relevant to the Group's operations and have been issued but not effective for the financial year beginning 1 January 2011 and have not been early adopted

- HKFRS 7 (Amendment) "Disclosures – Transfers of financial assets" introduces new disclosure requirement on transfers of financial assets. The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted. The change in accounting policy only results in additional disclosure.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Changes in accounting policies and disclosures (continued)

(c) New and amended standards that are relevant to the Group's operations and have been issued but not effective for the financial year beginning 1 January 2011 and have not been early adopted *(continued)*

- HKAS 1 (Amendment) "Presentation of financial statements" changes the disclosure of items presented in other comprehensive income in the statement of comprehensive income. The amendment is applicable to annual periods beginning on or after 1 July 2012 with early adoption permitted. The change in accounting policy only impacts presentation aspects.

- HKFRS 9 "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

- HKFRS 7 and HKFRS 9 (Amendments) "Mandatory effective date and transition disclosures" delay the effective date to annual periods beginning on or after 1 January 2015, and an amendment to HKFRS 7 that requires additional disclosures on transition from HKAS 39 to HKFRS 9. The Group is yet to assess HKFRS 7 and HKFRS 9's full impact and intends to apply the amendment from 1 January 2015.

- HKFRS 10 "Consolidated financial statements" replaces all of the guidance on control and consolidation in HKAS 27, "Consolidated and separate financial statements", and HK(SIC)-12, "Consolidation – Special purpose entities".

- HKFRS 11 "Joint arrangements" changes the definitions to reduce the types of joint arrangements to two, joint operations and joint ventures.

- HKFRS 12 "Disclosure of interests in other entities", sets out the required disclosures for entities reporting under the two new standards, HKFRS 10, "Consolidated financial statements", and HKFRS 11, "Joint arrangements".

- HKFRS 13 "Fair value measurements" explains how to measure fair value and aims to enhance fair value disclosures.

- HKAS 19 (Amendment) "Employee benefits" makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Changes in accounting policies and disclosures (continued)

(c) New and amended standards that are relevant to the Group's operations and have been issued but not effective for the financial year beginning 1 January 2011 and have not been early adopted *(continued)*

- HKAS 27 (revised 2011) "Separate financial statements" includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

- HKAS 28 (revised 2011) "Associates and joint ventures" includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

  Save as specified, the Group is yet to assess the full impact of the revised standards and intends to apply the revised standard from 1 January 2013.

2.2 CONSOLIDATION

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

(a) Subsidiaries

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

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries from parties not under common control. 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 non-controlling interest. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 CONSOLIDATION *(continued)*

(a) Subsidiaries (continued)

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

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 CONSOLIDATION *(continued)*

(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.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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 interests 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 by the Company on the basis of dividend received and receivable.

Dilution gains and losses arising in investments in associated companies and jointly controlled entities are recognised in the income statement.

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 RMB, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 FOREIGN CURRENCY TRANSLATION *(continued)*

(b) Transactions and balances (continued)

Foreign exchange gains and losses are presented in the consolidated income statement within 'other gains, 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 in other comprehensive income.

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 other comprehensive income. 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.

2.5 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Construction in progress

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

(c) Vessel repairs and surveys

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.

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 10 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

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, 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.

2.7 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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 INTANGIBLE ASSETS *(continued)*

(ii) Computer software (continued)

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

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

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

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

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

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

2.8 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. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 ASSETS UNDER LEASES *(continued)*

(i) Where the Group is a lessee (continued)

(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.

(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 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS *(continued)*

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, associated companies or jointly controlled entities 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.

2.10 FINANCIAL ASSETS

(i) Classification

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

(a) Loans and receivables

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

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

(b) Available-for-sale financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 FINANCIAL ASSETS *(continued)*

(ii) Recognition and measurement

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 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. 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.

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.

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.

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 a financial asset or a group of financial assets is impaired. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.13 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.

2.14 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.

2.15 CASH AND CASH EQUIVALENTS

In the consolidated cash flow statement, cash and cash equivalents includes cash in hand and deposits held at call with banks.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 SHARE CAPITAL

Ordinary shares are classified as equity.

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

2.17 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables 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.

2.18 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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.

2.19 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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 CURRENT AND DEFERRED INCOME TAX *(continued)*

(b) Deferred income tax

Inside basis differences

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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

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.

(c) Offsetting

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 tax 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.

2.20 BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are expensed and charged in the consolidated income statements when they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 EMPLOYEE BENEFITS

(a) *Pension obligations*

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

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

The Group's contributions to the above defined contribution schemes are charged to the 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)*

2.21 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 9).

2.22 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 REVENUE RECOGNITION

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

The Group recognises revenue when the amount of revenue can be reliably measured, when 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 REVENUE RECOGNITION *(continued)*

The Group recognises revenues on the following basis:

(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 is 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.

2.24 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 DIVIDEND DISTRIBUTION

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

2.26 GOVERNMENT GRANT

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

Government grants relating to costs are deferred and recognised in the 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.

2.27 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, cash flow and fair value interest rate risk and bunker price 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 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 operations. The Group is considering using forward contracts to cover the foreign currency exposures in the future, where appropriate.

As at 31 December 2011, 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 RMB131,185,827 lower/higher (2010: post-tax profit of RMB106,157,902 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 payables, finance lease obligations and accrual and other payables.

(ii) Cash flow and fair value interest rate risk

Other than the short-term deposits placed with bank balances, cash at bank and loan to a jointly controlled entity, the Group has no other significant interest bearing assets. 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 borrowings, domestic corporate bonds, and finance lease obligations. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk; finance lease obligations, domestic corporate bonds and bank borrowings issued at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2011 and 2010, around 27% and 38% of the Group's borrowings, domestic corporate bonds, and finance lease obligations were at fixed rates respectively. During 2011 and 2010, the Group's bank borrowings at variable rates were denominated in USD. The weighted average effective interest rates and terms of repayment of the Group's borrowings are disclosed in Note 30.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 FINANCIAL RISK FACTORS *(continued)*

(a) Market risk (continued)

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

As at 31 December 2011, 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 RMB110,048,000 higher/lower (2010: post-tax profit of RMB71,377,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate bank borrowings.

(iii) Bunker price risk

The Group is also exposed to fluctuations in bunker prices. Bunker cost is part of the voyage expenses and is a significant cost item to the Group. Management monitors conditions and bunker price fluctuations and where appropriate, bunker forward contracts are used to lock up the price of part of the Group's bunker requirements. As at 31 December 2011, the Group did not have bunker forward contracts (2010: Nil).

(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 and committed transactions. The Group has policies that limit the amount of credit exposure to any financial institutions. The carrying amount of trade and notes receivables, prepayments 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.

Maximum credit risk exposure relating to off-balance sheet financial guarantee is related to the Company which provides to subsidiaries loans and other banking facilities amounting to approximately RMB7,330 million (2010: RMB7,874 million) as at 31 December 2011, being the face value of the borrowings under guarantee and with a maturity term to year 2014.

(c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facilities (Note 30) and cash and cash equivalents (Note 27)) on the basis of expected cash flows. 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 and take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 FINANCIAL RISK FACTORS *(continued)*

(c) Liquidity risk (continued)

For the year ended 31 December 2011, the Group's operating loss and loss for the year amounted to RMB2,508,695,000 and RMB2,700,473,000, respectively. The net operating cash outflow amounted to RMB2,394,295,000.

The Directors of the Company believe that based on the Group's available unused banking facilities in excess of RMB4,400 million and its cash and cash equivalents of RMB7,073 million, the Group has sufficient financial resources to satisfy its working capital requirements and payments of liabilities and its forthcoming future capital commitments as and when they fall due.

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 date 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).

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 2011				
Bank borrowings *(Note 30)*	**5,049,299**	**2,938,735**	**4,446,634**	**3,423,178**
Domestic corporate bonds *(Note 31)*	**–**	**–**	**–**	**1,800,000**
Interest payables in relation to the bank borrowings and domestic corporate bonds	**388,989**	**391,234**	**899,986**	**301,406**
Finance lease obligations *(Note 32)*	**210,449**	**99,878**	**26,535**	**6,177**
Trade payables *(Note 34)*	**3,820,428**	**–**	**–**	**–**
Accrual and other payables	**357,059**	**–**	**–**	**–**
At 31 December 2010				
Borrowings *(Note 30)*	3,225,248	3,701,890	2,764,767	1,809,451
Domestic corporate bonds *(Note 31)*	–	–	–	1,800,000
Interest payables in relation to the borrowings and domestic corporate bonds	225,694	243,165	572,253	463,865
Finance lease obligations *(Note 32)*	241,710	225,590	123,587	15,807
Trade payables *(Note 34)*	4,339,287	–	–	–
Accrual and other payables	327,996	–	–	–

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 2011				
Bank borrowings *(Note 30)*	**189,027**	**–**	**–**	**–**
Domestic corporate bonds *(Note 31)*	**–**	**–**	**–**	**1,800,000**
Interest payables in relation to the bank borrowings and domestic corporate bonds	**36,293**	**81,180**	**243,540**	**81,180**
Trade payables *(Note 34)*	**4,681,583**	**–**	**–**	**–**
Accrual and other payables	**77,723**	**–**	**–**	**–**
Financial guarantee contracts	**3,635,619**	**2,466,172**	**1,228,676**	**–**
At 31 December 2010				
Bank borrowings *(Note 30)*	198,681	–	–	–
Domestic corporate bonds *(Note 31)*	–	–	–	1,800,000
Interest payables in relation to the bank borrowings and domestic corporate bonds	36,280	81,180	243,540	162,360
Trade payables *(Note 34)*	5,366,066	–	–	–
Accrual and other payables	80,911	–	–	–
Financial guarantee contracts	2,298,077	3,443,804	2,132,509	–

3.2 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 CAPITAL RISK MANAGEMENT *(continued)*

The gearing ratios of the Group at 31 December 2011 and 2010 were as follows:

	2011	2010
	RMB'000	RMB'000
Borrowings *(Note 30)*	**15,857,846**	11,501,356
Domestic corporate bonds *(Note 31)*	**1,786,627**	1,784,176
Finance lease obligations *(Note 32)*	**319,377**	550,086
Less: Cash and cash equivalents *(Note 27)*	**(7,073,273)**	(10,648,396)
Net debt	**10,890,577**	3,187,222
Total equity	**26,900,689**	29,962,243
Gearing ratio (Net debt/total equity)	**40.5%**	10.6%

Note:

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

3.3 FAIR VALUE ESTIMATION

The fair value measurements of financial instruments by level of the following fair value measurements 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).

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

As at 31 December 2011 and 2010, 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 CONTAINER VESSELS AND CONTAINERS

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 and 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 continued 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 for container vessels and containers as at 31 December 2011.

(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.

Were the useful lives to differ by 10% from management's estimates as at 31 December 2011 with all other variables held constant, the estimated depreciation expense of property, plant and equipment for the year would be approximately RMB127,378,000 lower or RMB163,383,000 higher for the year ended 31 December 2011.

Were the residual values to differ by 10% from management's estimates as at 31 December 2011 with all other variables held constant, the estimated depreciation expense of property, plant and equipment for the year would be approximately RMB59,679,000 lower or higher for the year ended 31 December 2011.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(III) INCOME TAXES AND DEFERRED INCOME TAX

The Group is subject to income taxes in numerous 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 costs, vessel and voyage costs, and sub-route and other costs, are recognised on a percentage of completion basis as set out in Note 2.23. Invoices in relation to these expenses are normally received several months after the expenses have been incurred. Consequently, recognition of costs of services is based on the rendering of services as well as the latest tariff agreed with vendors. If the actual expenses of a voyage differ from the estimated expenses, this will have an impact on costs of services in future periods.

5 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. 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 from a business perspective and 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 (loss)/profit, which is reconciled to (loss)/profit before income tax. This measurement is consistent with that in the annual financial statements.

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.

5 REVENUE AND SEGMENT INFORMATION *(continued)*

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.

Revenue from the world major trade districts and shipping lanes is set out below:

	For the year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Pacific	**8,783,838**	12,627,818
Europe/Mediterranean	**6,604,389**	10,491,167
Asia Pacific	**4,886,381**	4,753,985
China Domestic	**6,210,270**	5,342,060
Others	**1,761,620**	1,593,676
Turnover	**28,246,498**	34,808,706

5 REVENUE AND SEGMENT INFORMATION *(continued)*

The segment information for the year ended 31 December 2011 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	27,908,895	523,969	(186,366)	28,246,498
Less: inter-segment revenue	–	(186,366)	186,366	–
Revenue of the Group, from external customers	27,908,895	337,603	–	28,246,498
Segment operating (loss)/profit	(2,663,225)	154,530	–	(2,508,695)
Finance costs	(140,523)	(47,599)	–	(188,122)
Share of results of				
– Associated companies	2,461	200	–	2,661
– Jointly controlled entities	1,233	41,382	–	42,615
Segment (loss)/profit before income tax	(2,800,054)	148,513	–	(2,651,541)
Unallocated share of results of				
– An associated company				25,282
Loss before income tax				(2,626,259)
Income tax expense				(74,214)
Loss for the year				(2,700,473)
Other items				
Depreciation and amortisation	1,376,448	81,702	–	1,458,150
Additions to non-current assets (other than financial instruments and deferred income tax assets)	5,502,295	211,016	–	5,713,311
Balance sheet				
Other segment assets	43,613,488	4,115,331	(243,252)	47,485,567
Jointly controlled entities	41,000	1,253,881	–	1,294,881
Associated companies	66,433	10,200	–	76,633
Available-for-sale financial assets	–	362,140	–	362,140
Total segment assets	43,720,921	5,741,552	(243,252)	49,219,221
Unallocated assets				
– An associated company				180,676
– Deferred income tax assets				12,593
Total assets				49,412,490
Segment liabilities	20,261,181	2,454,766	(243,252)	22,472,695
Unallocated liabilities				
– Deferred income tax liabilities				31
– Current income tax liabilities				39,075
Total liabilities				22,511,801

5 REVENUE AND SEGMENT INFORMATION *(continued)*

The segment information for the year ended 31 December 2010 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	34,498,808	458,313	(148,415)	34,808,706
Less: inter-segment revenue	–	(148,415)	148,415	–
Revenue of the Group, from external customers	34,498,808	309,898	–	34,808,706
Segment operating profit	4,240,988	225,310	–	4,466,298
Finance costs	(164,393)	(49,754)	–	(214,147)
Share of results of				
– An associated company	32,770	–	–	32,770
– Jointly controlled entities	1,017	24,050	–	25,067
Segment profit before income tax	4,110,382	199,606	–	4,309,988
Unallocated share of results of				
– An associated company				9,720
Profit before income tax				4,319,708
Income tax expense				(86,467)
Profit for the year				4,233,241
Other items				
Depreciation and amortisation	1,301,718	79,544	–	1,381,262
Additions to non-current assets (other than financial instruments and deferred income tax assets)	2,190,227	240,318	–	2,430,545
Balance sheet				
Other segment assets	43,400,800	4,021,881	(76,366)	47,346,315
Jointly controlled entities	39,819	1,167,525	–	1,207,344
Available-for-sale financial assets	–	362,140	–	362,140
Total segment assets	43,440,619	5,551,546	(76,366)	48,915,799
Unallocated assets				
– An associated company				84,720
– Deferred income tax assets				15,606
Total assets				49,016,125
Segment liabilities	16,627,438	2,443,310	(76,366)	18,994,382
Unallocated liabilities				
– Deferred income tax liabilities				61
– Current income tax liabilities				59,439
Total liabilities				19,053,882

5 REVENUE AND SEGMENT INFORMATION *(continued)*

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.

6 COSTS AND EXPENSES BY NATURE

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

	2011	2010
	RMB'000	RMB'000
Costs of services		
Container repositioning and management	**7,583,310**	8,839,475
Bunkers consumed	**9,367,069**	7,990,518
Operating lease rentals	**3,772,534**	3,434,219
Port charges	**1,824,843**	1,964,859
Depreciation *(Note 16)*	**1,423,229**	1,340,517
Employee benefit expenses *(Note 9)*	**1,128,050**	1,020,117
Utilisation of onerous contracts *(Note 35)*	**(6,359)**	(60,734)
Sub-route costs and others	**5,277,978**	5,263,915
	30,370,654	29,792,886
Selling, administrative and general expenses		
Employee benefit expenses *(Note 9)*	**366,856**	481,007
Rental expenses	**59,118**	72,402
Telecommunication and utilities expenses	**39,038**	41,101
Depreciation *(Note 16)*	**28,166**	34,235
Repair and maintenance expenses	**4,573**	4,092
Auditors' remuneration	**13,740**	13,740
Amortisation *(Notes 17, 18)*	**6,755**	6,510
(Reversal of)/provision for impairment of trade receivables *(Note 26)*	**(27,173)**	33,523
Office expenses and others	**198,378**	153,778
	689,451	840,388
	31,060,105	30,633,274

7 OTHER INCOME

	2011 **RMB'000**	2010 RMB'000
Interest income	**103,870**	84,324
Government grant related to income	**51,690**	36,255
Dividends income from available-for-sale financial assets	**10,729**	10,161
Interest income from loan to a jointly controlled entity	**395**	232
Information technology services fees	**16,015**	20,060
	182,699	151,032

8 OTHER GAINS, NET

	2011 **RMB'000**	2010 RMB'000
Gains on disposal of property, plant and equipment	**51,210**	75,384
Net foreign exchange gains/(losses)	**71,003**	(27,822)
Gains on disposal of investment in a jointly controlled entity *(Note 22)*	**–**	92,272
	122,213	139,834

9 EMPLOYEE BENEFIT EXPENSES

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

	2011 **RMB'000**	2010 RMB'000
Staff salaries and hiring of crews	**1,008,769**	935,217
Social welfare benefits	**582,235**	532,825
Change in fair value of share-based compensation liabilities	**(96,098)**	33,082
	1,494,906	1,501,124

9 EMPLOYEE BENEFIT EXPENSES *(continued)*

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 an 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 of the Company 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 HKD amount equal to the number of units of Rights exercised multiplied by the appreciation, if any, in the market price of the Company's H Share, representing the market price in excess of the exercise price of the Rights, based on the applicable exchange rate between RMB and HKD at the date of the exercise.

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

Until the 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 during the year are as follows:

	2011		2010	
	Average exercise price (HKD per share)	**Unit of Rights (thousands)**	Average exercise price (HKD per share)	Unit of Rights (thousands)
At 1 January	**2.82**	**102,948**	2.80	109,405
Forfeited	**2.70**	**(6,491)**	2.49	(6,457)
At 31 December	**2.83**	**96,457**	2.82	102,948

Up to 31 December 2011, no rights granted have been exercised (2010: Nil). As at 31 December 2011, 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 0.52% to 0.59%. 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.

9 EMPLOYEE BENEFIT EXPENSES *(continued)*

During the year ended 31 December 2011, the Group recognised a gain of approximately RMB96,098,000 (2010: a loss of RMB33,082,000) as a result of the decrease in fair value of the share-based compensation liability related to the Rights from approximately RMB128,783,000 as at 31 December 2010 to approximately RMB32,685,000 as at 31 December 2011. As at 31 December 2011, the unrecognised compensation cost of the outstanding Rights is approximately RMB3,200,000 (2010: RMB6,137,000) which is expected to be recognised within the next 3 years.

10 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 9)*
For the year ended 31 December 2011					
Directors					
Mr. Li Shaode	–	–	–	–	3,382,100
Mr. Zhang Guofa	–	–	–	–	2,218,050
Mr. Huang Xiaowen	–	910	230	1,140	3,334,050
Mr. Zhao Hongzhou	–	774	193	967	2,604,000
Mr. Ma Zehua *(a)*	–	–	–	–	–
Mr. Xu Lirong *(b)*	–	–	–	–	–
Mr. Zhang Jianhua	–	–	–	–	1,240,000
Mr. Wang Daxiong	–	–	–	–	1,240,000
Mr. Xu Hui	–	–	–	–	1,085,000
Mr. Yan Zhichong *(c)*	–	–	–	–	348,750
Mr. Lin Jianqing	–	–	–	–	525,450
Mr. Zhang Rongbiao *(d)*	–	–	–	–	–
Ms. Zhang Nan	100	–	–	100	–
Mr. Shen Kangchen	100	–	–	100	–
Mr. Jim Poon	300	–	–	300	–
Mr. Shen Zhongying	100	–	–	100	–
Mr. Wu Daqi	100	–	–	100	–
Supervisors					
Mr. Chen Decheng	100	–	–	100	948,600
Mr. Wang Xiuping	–	482	137	619	1,395,000
Mr. Kou Laiqi	–	–	–	–	156,550
Mr. Tu Shiming *(e)*	–	580	136	716	246,450
Mr. Hua Min	100	–	–	100	–
Ms. Pan Yingli	100	–	–	100	–
Mr. Yao Guojian *(f)*	–	214	57	271	2,480,000
	1,000	2,960	753	4,713	21,204,000

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

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

Notes:

(a) Resigned on 29 September 2011;

(b) Appointed on 22 November 2011;

(c) Resigned on 28 June 2011;

(d) Appointed on 28 June 2011;

(e) Appointed on 27 April 2011;

(f) Resigned on 27 April 2011.

10 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 9)*
For the year ended 31 December 2010					
Directors					
Mr. Li Shaode	–	–	–	–	3,382,100
Mr. Zhang Guofa	–	–	–	–	2,218,050
Mr. Huang Xiaowen	–	1,100	222	1,322	3,334,050
Mr. Zhao Hongzhou	–	800	187	987	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 *(a)*	50	–	–	50	–
Mr. Wu Daqi	100	–	–	100	–
Mr. Shen Kangchen	100	–	–	100	–
Mr. Jim Poon	300	–	–	300	–
Mr. Shen Zhongying	100	–	–	100	–
Ms. Zhang Nan	50	–	–	50	–
Supervisors					
Mr. Chen Decheng	–	–	–	–	948,600
Mr. Kou Laiqi	–	–	–	–	156,550
Mr. Hua Min	100	–	–	100	–
Ms. Pan Yingli	100	–	–	100	–
Mr. Wang Xiuping	–	465	135	600	1,395,000
Mr. Yao Guojian	–	800	187	987	2,480,000
	900	3,165	731	4,796	22,478,100

Note:

(a) Resigned on 25 June 2010.

No directors or supervisors of the Company waived any emoluments during the year ended 31 December 2011 (2010: Nil). No discretionary bonus was paid to any of the directors or supervisors of the Company during the year ended 31 December 2011 (2010: Nil).

In year 2011, fair value of the Rights granted to the directors and supervisors of the Company decreased by approximately RMB22,039,000 (2010: increased by approximately RMB7,223,165).

10 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 (2010: one director and one supervisor). The emoluments payable to the remaining three (2010: three) individuals during the year are as follows:

	2011 **RMB'000**	2010 RMB'000
Basic salaries and allowances	**2,457**	2,672
Pension and others welfare	**603**	596
Total	**3,060**	3,268

The emoluments (excluding change in fair value of the Rights) of the above three (2010: three) individuals fall within the following bands:

	Number of individuals	
	2011	2010
HKD1,000,001 (equivalent to approximately RMB831,000) to HKD1,500,000 (equivalent to approximately RMB1,246,000)	**3**	3

(C) During the year ended 31 December 2011, 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 (2010: Nil).

11 FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Interest expenses:		
– borrowings and domestic corporate bonds	**342,146**	313,900
– finance lease obligations	**29,522**	50,820
Total interest expenses	**371,668**	364,720
Less: amount capitalised in vessels under construction and construction in progress	**(183,546)**	(150,573)
	188,122	214,147

The capitalisation rate applied to funds borrowed and bonds issued generally and utilised for the vessels under construction is 2.29% (2010: 1.68%) per annum for the year ended 31 December 2011.

12 INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
Current income tax		
– Hong Kong profits tax *(Note (a))*	**3,557**	6,725
– PRC corporate income tax *(Note (b))*	**67,674**	75,671
Deferred income tax *(Note 33)*	**2,983**	4,071
	74,214	86,467

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax is provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits of the Group's companies operated in Hong Kong for the year ended 31 December 2011.

12 INCOME TAX EXPENSE *(continued)*

Notes: (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 2011 is 24%. 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 have 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 on 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 (loss)/profit before income tax differs from the theoretical amount that would arise using the taxation rate applicable to the Company as follows:

	2011 **RMB'000**	2010 RMB'000
(Loss)/profit before income tax	**(2,626,259)**	4,319,708
Less: Share of results of associated companies	**(27,943)**	(42,490)
Share of results of jointly controlled entities	**(42,615)**	(25,067)
	(2,696,817)	4,252,151
Tax calculated at an income tax rate of 24% (2010: 22%)	**(647,236)**	935,473
Tax losses for which no deferred income tax asset was recognised	**824,894**	–
Utilisation of tax losses for which no deferred income tax asset was recognised	**(8,863)**	(811,860)
Dividend income not subject to tax	**(2,575)**	(2,231)
Effect of different tax rate or tax base of subsidiaries and others	**(92,006)**	(34,915)
	74,214	86,467

13 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 RMB1,466,147,000 (2010: profit of RMB564,743,000).

14 DIVIDENDS

The directors do not recommend a dividend in respect of the year ended 31 December 2011 (2010: Nil).

15 (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.

	2011	2010
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(2,743,469)**	4,203,134
Weighted average number of ordinary shares in issue (thousands)	**11,683,125**	11,683,125
Basic (loss)/earnings per share (RMB)	**(0.235)**	0.360

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 2011 (2010: Nil).

16 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 2010										
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
Year ended 31 December 2010										
Opening 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
Exchange difference	(85,947)	(130,987)	(35)	–	–	(140,195)	–	–	(781)	(357,945)
Transfers	138,511	(138,511)	–	29,140	(432,334)	331,294	–	–	71,900	–
Additions	3,128	1,538,511	2,333	9,914	597,735	16,185	1,668	1,428	87,363	2,258,265
Disposals	(25,856)	–	–	–	–	(27,935)	(81)	(68)	(1,491)	(55,431)
Depreciation *(Note 6)*	(856,246)	–	(11,866)	(9,396)	–	(385,305)	(17,668)	(48,332)	(45,939)	(1,374,752)
Closing net book amount	19,012,768	6,454,634	13,119	257,786	2,124,797	4,003,835	964,170	621,553	251,880	33,704,542
At 31 December 2010										
Cost	23,646,964	6,454,634	91,062	300,842	2,124,797	6,081,212	1,056,814	878,705	535,377	41,170,407
Accumulated depreciation and impairment losses	(4,634,196)	–	(77,943)	(43,056)	–	(2,077,377)	(92,644)	(257,152)	(283,497)	(7,465,865)
Net book amount	19,012,768	6,454,634	13,119	257,786	2,124,797	4,003,835	964,170	621,553	251,880	33,704,542
Year ended 31 December 2011										
Opening net book amount	**19,012,768**	**6,454,634**	**13,119**	**257,786**	**2,124,797**	**4,003,835**	**964,170**	**621,553**	**251,880**	**33,704,542**
Exchange difference	**(300,633)**	**(189,606)**	**(26)**	**(14)**	**(2,818)**	**(193,040)**	**–**	**–**	**(1,428)**	**(687,565)**
Transfers	**6,847,963**	**(6,847,963)**	**–**	**–**	**(81,966)**	**80,740**	**–**	**–**	**1,226**	**–**
Additions	**45,726**	**5,070,391**	**6,332**	**4,877**	**334,029**	**–**	**8,343**	**15,846**	**25,372**	**5,510,916**
Disposals	**–**	**–**	**–**	**–**	**–**	**(26,614)**	**–**	**–**	**(644)**	**(27,258)**
Depreciation *(Note 6)*	**(995,261)**	**–**	**(7,960)**	**(12,886)**	**–**	**(320,272)**	**(18,067)**	**(48,940)**	**(48,009)**	**(1,451,395)**
Closing net book amount	**24,610,563**	**4,487,456**	**11,465**	**249,763**	**2,374,042**	**3,544,649**	**954,446**	**588,459**	**228,397**	**37,049,240**
At 31 December 2011										
Cost	**30,193,554**	**4,487,456**	**97,213**	**305,573**	**2,374,042**	**5,811,738**	**1,065,158**	**894,551**	**544,925**	**45,774,210**
Accumulated depreciation and impairment losses	**(5,582,991)**	**–**	**(85,748)**	**(55,810)**	**–**	**(2,267,089)**	**(110,712)**	**(306,092)**	**(316,528)**	**(8,724,970)**
Net book amount	**24,610,563**	**4,487,456**	**11,465**	**249,763**	**2,374,042**	**3,544,649**	**954,446**	**588,459**	**228,397**	**37,049,240**

16 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	The Company					
	Container vessels RMB'000	Vessels under construction 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 2010						
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
Year ended 31 December 2010						
Opening net book amount	16,744,060	832,756	168,815	–	71,888	17,817,519
Transfers	138,017	(138,017)	–	(13,126)	13,126	–
Additions	1,922	369,846	–	13,549	8,565	393,882
Disposals	(1,124)	–	–	–	(634)	(1,758)
Depreciation	(719,895)	–	(6,738)	–	(14,426)	(741,059)
Closing net book amount	16,162,980	1,064,585	162,077	423	78,519	17,468,584
At 31 December 2010						
Cost	20,165,546	1,064,585	195,778	423	193,574	21,619,906
Accumulated depreciation and impairment losses	(4,002,566)	–	(33,701)	–	(115,055)	(4,151,322)
Net book amount	16,162,980	1,064,585	162,077	423	78,519	17,468,584
Year ended 31 December 2011						
Opening net book amount	**16,162,980**	**1,064,585**	**162,077**	**423**	**78,519**	**17,468,584**
Transfers	**–**	**–**	**–**	**(1,226)**	**1,226**	**–**
Additions	**25,353**	**1,125,978**	**–**	**9,328**	**3,780**	**1,164,439**
Disposals	**(31,581)**	**–**	**–**	**–**	**(171)**	**(31,752)**
Depreciation	**(760,371)**	**–**	**(6,738)**	**–**	**(16,134)**	**(783,243)**
Closing net book amount	**15,396,381**	**2,190,563**	**155,339**	**8,525**	**67,220**	**17,818,028**
At 31 December 2011						
Cost	**19,888,655**	**2,190,563**	**195,778**	**8,525**	**195,169**	**22,478,690**
Accumulated depreciation and impairment losses	**(4,492,274)**	**–**	**(40,439)**	**–**	**(127,949)**	**(4,660,662)**
Net book amount	**15,396,381**	**2,190,563**	**155,339**	**8,525**	**67,220**	**17,818,028**

16 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) As at 31 December 2011, the net book value of the Group's containers held under finance lease amounted to approximately RMB690,473,610 (2010: RMB808,389,737).

(b) As at 31 December 2011, 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 RMB4,930,645,000 (2010: RMB2,074,524,000) (Note 30).

(c) As at 31 December 2011, the net book value of the assets leased out under operating leases, where the Group and the Company are the lessors, comprised vessels under chartering arrangements amounting to RMB2,150,642,000 and RMB5,580,683,000, respectively (2010: RMB1,960,560,000 and RMB5,119,307,000, respectively).

(d) During the year ended 31 December 2011, the capitalised borrowing costs of the Group and the Company included in vessels under construction and construction in progress amounted to approximately RMB183,546,000 and RMB71,501,000 (2010: RMB150,573,000 and RMB38,094,000) respectively.

(e) As at 31 December 2011, the accumulated impairment losses of the container vessels of the Group included under "accumulated depreciation and impairment losses" amounted to RMB26,363,000 (2010: RMB26,363,000).

(f) Depreciation expenses of RMB1,423,229,000 (2010: RMB1,340,517,000) has been charged to consolidated income statement within costs of services, and RMB28,166,000 (2010: RMB34,235,000) has been charged to consolidated income statement within selling, administrative and general expenses (Note 6).

17 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 is analysed as follows:

	The Group RMB'000	The Company RMB'000
Year ended 31 December 2010		
Opening net book value	100,214	11,924
Amortisation charge for the year *(Note 6)*	(2,419)	(349)
Closing net book amount	97,795	11,575
At 31 December 2010		
Cost	107,889	13,918
Accumulated amortisation	(10,094)	(2,343)
Net book amount	97,795	11,575
Year ended 31 December 2011		
Opening net book value	**97,795**	**11,575**
Amortisation charge for the year *(Note 6)*	**(2,407)**	**(349)**
Closing net book amount	**95,388**	**11,226**
At 31 December 2011		
Cost	**107,889**	**13,918**
Accumulated amortisation	**(12,501)**	**(2,692)**
Net book amount	**95,388**	**11,226**

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".

18 INTANGIBLE ASSETS

	The Group			The Company
	Port line use rights	Computer Software	Total	Computer Software
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010				
Opening net book value	2,837	23,390	26,227	5,179
Additions	–	4,280	4,280	–
Amortisation charge for the year *(Note 6)*	(48)	(4,043)	(4,091)	(863)
Closing net book amount	2,789	23,627	26,416	4,316
At 31 December 2010				
Cost	2,903	32,622	35,525	6,589
Accumulated amortisation	(114)	(8,995)	(9,109)	(2,273)
Net book amount	2,789	23,627	26,416	4,316
Year ended 31 December 2011				
Opening net book value	**2,789**	**23,627**	**26,416**	**4,316**
Additions	**–**	**923**	**923**	**735**
Amortisation charge for the year *(Note 6)*	**(58)**	**(4,290)**	**(4,348)**	**(947)**
Closing net book amount	**2,731**	**20,260**	**22,991**	**4,104**
At 31 December 2011				
Cost	**2,903**	**33,545**	**36,448**	**7,324**
Accumulated amortisation	**(172)**	**(13,285)**	**(13,457)**	**(3,220)**
Net book amount	**2,731**	**20,260**	**22,991**	**4,104**

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

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP

	2011 **RMB'000**	2010 RMB'000
Unlisted equity securities	**362,140**	362,140

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 14% equity interests in Tianjin Universal International Port Co., Ltd. of RMB160,300,000 (2010: RMB160,300,000), 15% equity interests in Lianyungang Electronic Port Information Development Co., Ltd. of RMB3,000,000 (2010: RMB3,000,000) and 3.9% equity interests in Yantai Port Co., Ltd. ("Yantai Port") of RMB198,840,000 (2010: RMB198,840,000). 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 and therefore are stated at cost.

20 INTERESTS IN SUBSIDIARIES – THE COMPANY

	2011 **RMB'000**	2010 RMB'000
Investments in subsidiaries – unlisted shares, at cost	**14,955,401**	14,826,697

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

(i) In October 2011, the Company acquired the remaining 25% equity interests in China Shipping Yangshan International Container Storage Transportation Co., Ltd. ("China Shipping Yangshan"), a subsidiary of the Company, at a total consideration of RMB34,021,000 from a related party. After acquisition, China Shipping Yangshan became a wholly owned subsidiary of the Company. In November 2011, the Company further increased its capital investment in China Shipping Yangshan by cash injection of RMB120,000,000; and

(ii) The fair value of share options benefits amounting to approximately RMB25,317,000 (2010: RMB5,245,000) attributable to directors and employees (Note 9) of subsidiaries is recorded as investments in subsidiaries.

The list of the principal subsidiaries of the Company as at 31 December 2011 is set out in Note 40(a).

21 INTERESTS IN ASSOCIATED COMPANIES

THE GROUP

	2011 RMB'000	2010 RMB'000
Beginning of year	84,720	113,704
Increase in investments *(Notes a to c)*	148,972	–
Liquidation of an associated company *(Note d)*	–	(71,474)
Share of results of associated companies	27,943	42,490
Dividend received	(4,326)	–
End of year	257,309	84,720

THE COMPANY

	2011 RMB'000	2010 RMB'000
Unlisted investment, at cost		
Beginning of year	75,000	113,530
Increase in investments *(Note c)*	138,972	–
Liquidation of an associated company *(Note d)*	–	(38,530)
End of year	213,972	75,000

Notes:

(a) In April 2011, the Company acquired 20.07% equity interests in Angang Vehicle Transportation Co., Ltd. ("Angang Transportation") from its then shareholders at a total cash consideration of RMB63,972,000.

(b) In May 2011, the Group made capital investment to a newly established company, Ningbo Mei Shan Bonded Port Area New Bay Terminal Management Co., Ltd. ("Ningbo Mei Shan Port") by cash injection of RMB10,000,000, representing 20% equity interests at the investee.

(c) In August 2011, the Company made further capital investment to China Shipping Finance Co., Ltd. ("CS Finance") by cash injection of RMB75,000,000. After the further investment, the Group's equity interest in CS Finance remains 25%.

(d) Shanghai Hai Xin Yuan Cang International Logistics Co., Ltd. ("Hai Xin Yuan Cang"), an associated company of the Group, completed its liquidation process on 13 August 2010. As a result, the Group recovered all of its investment in Hai Xin Yuan Cang with the carrying amount of RMB71,474,000 from the liquidation proceeds during the year ended 31 December 2010.

21 INTERESTS IN ASSOCIATED COMPANIES *(continued)*

Notes: (continued)

(e) The interests in associated companies as at 31 December 2011 included goodwill of RMB670,000 (2010: Nil). The Group's share of the result of its associated companies, all of which are unlisted, and the aggregated assets and liabilities (excluding goodwill), are as follows:

	2011				2010		
	Angang Transportation	**Ningbo Mei Shan Port**	**CS Finance**	**Total**	Hai Xin Yuan Cang	CS Finance	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Total assets	**89,979**	**10,227**	**1,524,740**	**1,624,946**	–	1,629,182	1,629,182
Total liabilities	**24,216**	**27**	**1,344,064**	**1,368,307**	–	1,544,462	1,544,462
Net assets	**65,763**	**10,200**	**180,676**	**256,639**	–	84,720	84,720
Revenue	**100,219**	**476**	**80,091**	**180,786**	–	42,263	42,263
Net profit	**2,461**	**200**	**25,282**	**27,943**	32,770	9,720	42,490
Percentage of interest held	**20.07%**	**20%**	**25%**		40%	25%	

(f) The details of the associated companies of the Group as at 31 December 2011 are set out in Note 40(b).

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES

THE GROUP

	2011	2010
	RMB'000	RMB'000
Beginning of year	**1,207,344**	1,122,075
Increase in investments *(Note a)*	**52,500**	168,000
Decrease in investment *(Note b)*	**–**	(106,568)
Share of results of jointly controlled entities	**42,615**	25,067
Share of other comprehensive income	**1,752**	453
Dividends declared by jointly controlled entities	**(9,274)**	(1,683)
Exchange differences	**(56)**	–
End of year	**1,294,881**	1,207,344

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

THE COMPANY

	2011 **RMB'000**	2010 RMB'000
Unlisted investment, at cost		
Beginning of year	**37,000**	37,000
Increase in investments *(Note a)*	**4,500**	–
End of year	**41,500**	37,000

Notes:

(a) In July 2011, the Group made capital investments to two newly established companies, Qinzhou International Container Terminal Co., Ltd. and Jinzhou Port Container-Railway Logistic Co., Ltd. by cash injections of RMB48,000,000 and RMB4,500,000, representing 40% and 45% equity interests of the investees, respectively.

(b) During the year ended 31 December 2010, the Group disposed all of its 35% equity interests in a jointly controlled entity, CSX World Terminal Yan Tai Co., Ltd. ("CSX") to Yantai Port in exchange for Yantai Port's issue of 131,230,000 shares, representing 3.9% of Yantai Port's total paid-in capital, to the Group, credited as fully paid. The investment in Yantai Port was accounted for as an available-for-sale financial asset of the Group and a gain of RMB92,272,000 on disposal of interest in CSX was recognised in the consolidated income statement for the year ended 31 December 2010 (Note 8). The gain on disposal was determined based on the difference between the fair value of the shares of Yantai Port amounting to approximately RMB198,840,000 and the carrying amount of the Group's investment in CSX upon disposal amounting to RMB106,568,000.

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

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

Notes: (continued)

(d) The interests in jointly controlled entities as at 31 December 2011 included goodwill of RMB31,959,000 (2010: RMB31,959,000).The Group's share of the results of its jointly controlled entities, all of which are unlisted, and their aggregated assets and liabilities (excluding goodwill), are as follows:

	2011				2010			
	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	1,233,674	961,740	824,838	3,020,252	1,216,328	862,205	378,740	2,457,273
Total liabilities	721,959	562,473	472,898	1,757,330	735,922	463,368	82,598	1,281,888
Net assets	511,715	399,267	351,940	1,262,922	480,406	398,837	296,142	1,175,385
Revenue	261,938	66,890	186,000	514,828	218,878	54,464	157,762	431,104
Net profit/(loss)	28,773	431	13,411	42,615	26,388	(4,482)	3,161	25,067
Percentage of interest held	40%	30%	30%~50%		40%	30%	30%~50%	

(e) The details of the jointly controlled entities of the Group as at 31 December 2011 are set out in Note 40(c).

23 FINANCIAL INSTRUMENTS BY CATEGORY

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Assets per balance sheet:				
Available-for-sale financial assets *(Note 19)*	**362,140**	362,140	**–**	–
Loans and receivables				
– Loan to a jointly controlled entity	**–**	13,000	**–**	13,000
– Trade and notes receivables *(Note 26)*	**1,801,106**	1,791,791	**1,249,925**	859,407
– Other receivables	**88,131**	65,284	**280,983**	43,721
– Cash and cash equivalents *(Note 27)*	**7,073,273**	10,648,396	**1,882,611**	5,449,384
	9,324,650	12,880,611	**3,413,519**	6,365,512
Liabilities per balance sheet:				
Other financial liabilities at amortised cost				
– Trade payables *(Note 34)*	**3,820,428**	4,339,287	**4,681,583**	5,366,066
– Accrual and other payables	**357,059**	327,996	**77,723**	80,911
– Borrowings *(Note 30)*	**15,857,846**	11,501,356	**189,027**	198,681
– Domestic corporate bonds *(Note 31)*	**1,786,627**	1,784,176	**1,786,627**	1,784,176
– Finance lease obligations *(Note 32)*	**319,377**	550,086	**–**	–
	22,141,337	18,502,901	**6,734,960**	7,429,834

24 CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counter party default rates.

(A) TRADE RECEIVABLES

As at 31 December 2011, the Group's trade receivables of RMB1,509,191,000 (2010: RMB1,618,516,000) and the Company's trade receivables of RMB1,139,956,000 (2010: RMB858,062,000) 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 26.

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

(B) CASH AND CASH EQUIVALENTS

The Group categorises 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		**The Company**	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Group 1	**391,258**	1,546,005	**88,090**	237,212
Group 2	**1,668,119**	820,174	**188,820**	435,404
Group 3*	**5,013,896**	8,282,217	**1,605,701**	4,776,768
	7,073,273	10,648,396	**1,882,611**	5,449,384

* Included cash on hand held by companies of the Group.

25 INVENTORIES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bunkers	**1,194,340**	874,042	**514,058**	475,491
Others	**12,039**	9,233	**–**	–
	1,206,379	883,275	**514,058**	475,491

26 TRADE AND NOTES RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables				
– Subsidiaries	**–**	–	**670,199**	137,796
– Fellow subsidiaries *(Note 39(c))*	**172,495**	142,470	**46,234**	65,972
– Third parties	**1,285,898**	1,375,844	**259,061**	467,353
	1,458,393	1,518,314	**975,494**	671,121
Notes receivables	**342,713**	273,477	**274,431**	188,286
	1,801,106	1,791,791	**1,249,925**	859,407

26 TRADE AND NOTES RECEIVABLES *(continued)*

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 3 months	**1,509,191**	1,618,516	**1,139,956**	858,062
4 to 6 months	**123,301**	55,084	**27,440**	8
7 to 9 months	**74,682**	71,393	**20,027**	58
10 to 12 months	**101,864**	97,103	**71,663**	143
Over 1 year	**41,036**	25,836	**5**	6,639
	1,850,074	1,867,932	**1,259,091**	864,910
Less: provision for impairment of receivables	**(48,968)**	(76,141)	**(9,166)**	(5,503)
	1,801,106	1,791,791	**1,249,925**	859,407

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		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,071,772**	982,911	**553,505**	670,587
HKD	**568**	59	**513**	–
USD	**688,440**	712,876	**659,304**	163,546
Other currencies	**40,326**	95,945	**36,603**	25,274
	1,801,106	1,791,791	**1,249,925**	859,407

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

26 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 2011, based on the invoice date, trade receivables of the Group and the Company that were aged over 3 months amounted to RMB340,883,000 and RMB119,135,000 (2010: RMB249,416,000 and RMB6,848,000), 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 RMB48,968,000 and RMB9,166,000 (2010: RMB76,141,000 and RMB5,503,000) respectively.

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**76,141**	42,618	**5,503**	7,296
(Reversal of)/provision for impairment of trade receivables *(Note 6)*	**(27,173)**	33,523	**3,663**	(1,793)
At 31 December	**48,968**	76,141	**9,166**	5,503

The creation and release of provision for impaired receivables have been included in 'selling, administrative and general expenses' in the consolidated income statement (Note 6).

27 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**5,281,128**	4,370,396	**973,403**	1,330,344
Short-term bank deposits	**1,792,145**	6,278,000	**909,208**	4,119,040
	7,073,273	10,648,396	**1,882,611**	5,449,384

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**2,265,644**	6,027,497	**1,808,505**	4,970,353
HKD	**34,331**	101,614	**16**	15
USD	**4,614,493**	4,113,277	**64,185**	393,849
Other currencies	**158,805**	406,008	**9,905**	85,167
	7,073,273	10,648,396	**1,882,611**	5,449,384

28 SHARE CAPITAL

	The Group and the Company			
	Number of shares	**A Share of RMB1 each**	**H Share of RMB1 each**	**Total**
	(thousand)	RMB'000	RMB'000	RMB'000
Issued and fully paid:				
At 1 January 2010,				
31 December 2010 and 2011	11,683,125	7,932,125	3,751,000	11,683,125

As at 31 December 2011, all issued shares are registered, fully paid and divided into 11,683,125,000 shares (2010: 11,683,125,000 shares) of RMB1.00 each, comprising 7,932,125,000 A Share and 3,751,000,000 H Share (2010: 7,932,125,000 A Share and 3,751,000,000 H Share).

29 OTHER RESERVES AND RETAINED EARNINGS

(A) OTHER RESERVES

	The Group			
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Translation RMB'000	Total RMB'000
Balance at 1 January 2010	17,029,787	1,296,857	(662,096)	17,664,548
Profit appropriation to statutory reserves	–	58,906	–	58,906
Share of other comprehensive income of a jointly controlled entity	453	–	–	453
Currency translation difference, net of tax	–	–	(245,347)	(245,347)
Balance at 31 December 2010	17,030,240	1,355,763	(907,443)	17,478,560
Balance at 1 January 2011	**17,030,240**	**1,355,763**	**(907,443)**	**17,478,560**
Share of other comprehensive income of a jointly controlled entity	**1,752**	**–**	**–**	**1,752**
Acquisition of non-controlling interests in a subsidiary *(Note 20(i))*	**(7,444)**	**–**	**–**	**(7,444)**
Currency translation difference, net of tax	**–**	**–**	**(411,806)**	**(411,806)**
Balance at 31 December 2011	**17,024,548**	**1,355,763**	**(1,319,249)**	**17,061,062**

29 OTHER RESERVES AND RETAINED EARNINGS *(continued)*

(A) OTHER RESERVES *(continued)*

		The Company	
	Capital surplus	**Statutory surplus reserve**	**Total**
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010	17,657,126	1,296,857	18,953,983
Profit appropriation to statutory reserves	–	58,906	58,906
Balance at 31 December 2010 till 31 December 2011	**17,657,126**	**1,355,763**	**19,012,889**

(B) (ACCUMULATED LOSSES)/RETAINED EARNINGS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**23,254**	(4,120,974)	**865,464**	359,627
(Loss)/profit for the year	**(2,743,469)**	4,203,134	**(1,466,147)**	564,743
Profit appropriation to statutory reserves	**–**	(58,906)	**–**	(58,906)
Others	**(639)**	–	**–**	–
At 31 December	**(2,720,854)**	23,254	**(600,683)**	865,464

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.

30 BORROWINGS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-Current				
Long-term bank borrowings	**10,808,547**	8,196,108	**–**	–
Borrowing from a related party *(Note 39(c))*	**–**	80,000	**–**	–
	10,808,547	8,276,108	**–**	–
Current				
Short-term bank borrowings	**819,117**	529,816	**189,027**	198,681
Long-term bank borrowings – current portion	**4,230,182**	2,695,432	**–**	–
	5,049,299	3,225,248	**189,027**	198,681
	15,857,846	11,501,356	**189,027**	198,681
Representing:				
Borrowing from a related party – unsecured	**–**	80,000	**–**	–
Bank borrowings				
– unsecured	**11,478,694**	9,929,512	**189,027**	198,681
– secured	**4,379,152**	1,491,844	**–**	–
	15,857,846	11,501,356	**189,027**	198,681

The maturity periods of the borrowings are as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**5,049,299**	3,225,248	**189,027**	198,681
In the second year	**2,938,735**	3,701,890	**–**	–
In the third to fifth year	**4,446,634**	2,764,767	**–**	–
After fifth year	**3,423,178**	1,809,451	**–**	–
	15,857,846	11,501,356	**189,027**	198,681

30 BORROWINGS *(continued)*

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**13,396,360**	8,756,476	**189,027**	198,681
6 to 12 months	**1,932,840**	2,115,150	**–**	–
After fifth year	**528,646**	629,730	**–**	–
	15,857,846	11,501,356	**189,027**	198,681

As at 31 December 2011, 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 RMB4,930,645,000 (2010: RMB2,074,524,000) (Note 16(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 borrowings by type and currency is as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB				
– at fixed rates	**2,132,840**	2,315,150	**–**	–
USD				
– at fixed rates	**528,646**	629,730	**–**	–
– at floating rates	**13,196,360**	8,556,476	**189,027**	198,681
	15,857,846	11,501,356	**189,027**	198,681

30 BORROWINGS *(continued)*

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

	The Group		The Company	
	2011	2010	**2011**	2010
Bank borrowings				
– RMB	**5.56%**	5.35%	**–**	–
– USD	**2.03%**	1.15%	**1.15%**	1.20%
Borrowing from a related party				
– RMB	**5.53%**	5.53%	**–**	–

The carrying amounts of the current bank borrowings approximate their fair value as at the balance sheet dates as the impact of discounting is not significant.

The carrying amounts and the fair values of the non-current borrowings, which are based on cash flows discounted using a rate of 7.05% (2010: 6.40%), are as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Carrying amounts	**15,038,729**	10,971,540	**–**	–
Fair values	**15,028,400**	10,966,360	**–**	–

The Group has the following undrawn borrowing facilities as at 31 December 2011:

	The Group	
	2011	2010
	RMB'000	RMB'000
Floating rate:		
– Expiring within one year	**3,150,450**	1,417,099
– Expiring beyond one year	**1,285,232**	–
Fixed rate:		
– Expiring beyond one year	**–**	428,850
	4,435,682	1,845,949

31 DOMESTIC CORPORATE BONDS

	The Group and the Company	
	2011	2010
	RMB'000	RMB'000
Non-current domestic corporate bonds	**1,786,627**	1,784,176

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 dominated in RMB and for a ten-year period fully repayable by 12 June 2017, and bear interest at a fixed rate of 4.51% per annum. The bonds are guaranteed by Bank of China, Shanghai branch, and have been listed on the interbank bond market in the PRC.

The bonds were initially recognised at its fair value of RMB1,800,000,000, after deducting the transaction costs that are directly attributable to the bonds amounting to approximately RMB24,512,000. As at 31 December 2011, the estimated fair value of the bonds is approximately RMB1,641,370,000 (2010: RMB1,708,118,000). 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 7.05% (2010: 6.40%) per annum.

32 FINANCE LEASE OBLIGATIONS – THE GROUP

	2011			2010		
	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	**210,449**	**15,720**	**194,729**	241,710	31,136	210,574
In the second year	**99,878**	**4,371**	**95,507**	225,590	17,115	208,475
In the third to fifth year	**26,535**	**3,422**	**23,113**	123,587	7,508	116,079
After fifth year	**6,177**	**149**	**6,028**	15,807	849	14,958
	343,039	**23,662**	**319,377**	606,694	56,608	550,086
Less: within one year (current portion)	**(210,449)**	**(15,720)**	**(194,729)**	(241,710)	(31,136)	(210,574)
	132,590	**7,942**	**124,648**	364,984	25,472	339,512

The average effective interest rate of finance lease obligations of the Group is 6.82% (2010: 6.92%) per annum.

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

All finance lease obligations are dominated in USD.

33 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	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income tax assets:				
– Deferred income tax assets to be settled after more than 12 months	**12,593**	15,606	**6,250**	6,250
Deferred income tax liabilities:				
– Deferred income tax liabilities to be settled after more than 12 months	**(31)**	(61)	**–**	–
Deferred income tax assets, net	**12,562**	15,545	**6,250**	6,250

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of year	**15,545**	19,616	**6,250**	6,250
Charged to consolidated income statement *(Note 12)*	**(2,983)**	(4,071)	**–**	–
End of year	**12,562**	15,545	**6,250**	6,250

33 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:

	Tax losses of PRC subsidiaries RMB'000	Others RMB'000	Total RMB'000
The Group			
At 1 January 2010	4,052	15,647	19,699
Charged to consolidated income statement	–	(4,093)	(4,093)
At 31 December 2010	4,052	11,554	15,606
Charged to consolidated income statement	(770)	(2,243)	(3,013)
At 31 December 2011	**3,282**	**9,311**	**12,593**
The Company			
At 1 January 2010, 31 December 2010 and 2011	–	6,250	6,250

Deferred income tax liabilities:

	Others RMB'000
The Group	
At 1 January 2010	(83)
Credited to consolidated income statement	22
At 31 December 2010	(61)
Credited to consolidated income statement	30
At 31 December 2011	**(31)**
The Company	
At 1 January 2010, 31 December 2010 and 2011	–

The Group and the Company did not recognise deferred income tax assets of RMB1,498,586,570 and RMB486,865,825, respectively, in respect of cumulative tax losses amounting to approximately RMB5,994,346,280 and RMB1,947,463,301, respectively, because it is estimated that the temporary differences cannot be reversed in the foreseeable future. Cumulative tax losses amounting to approximately RMB2,092,255,506 and RMB3,902,090,774 of the Group will expire within and above 5 years from 1 January 2012, respectively. All tax losses of the Company will expire within 5 years from 1 January 2012.

34 TRADE PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables				
– Subsidiaries	**–**	–	**3,481,825**	4,084,054
– Fellow subsidiaries *(Note 39(c))*	**1,083,587**	1,671,588	**547,118**	686,422
– Third parties	**2,736,841**	2,667,699	**652,640**	595,590
	3,820,428	4,339,287	**4,681,583**	5,366,066

The ageing analysis of the trade payables based on invoice dates is as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 3 months	**3,522,619**	4,243,731	**4,530,326**	5,357,088
4 to 6 months	**106,086**	6,940	**69,000**	6,915
7 to 9 months	**68,627**	8,229	**39,061**	312
10 to 12 months	**123,069**	17,662	**43,183**	1,204
1 to 2 years	**27**	62,725	**13**	547
	3,820,428	4,339,287	**4,681,583**	5,366,066

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,467,912**	1,929,485	**804,649**	1,994,990
HKD	**533**	27	**3,377**	1,153
USD	**2,227,107**	1,856,328	**3,485,425**	3,310,667
Other currencies	**124,876**	553,447	**388,132**	59,256
	3,820,428	4,339,287	**4,681,583**	5,366,066

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

35 PROVISIONS

	Onerous contracts RMB'000	Legal claims RMB'000	Total RMB'000
The Group			
Year ended 31 December 2010			
At 1 January 2010	67,093	25,000	92,093
Utilised during the year	(60,734)	–	(60,734)
At 31 December 2010	6,359	25,000	31,359
Year ended 31 December 2011			
At 1 January 2011	**6,359**	**25,000**	**31,359**
Utilised during the year	**(6,359)**	**–**	**(6,359)**
At 31 December 2011	**–**	**25,000**	**25,000**
The Company			
At 1 January 2010, 31 December 2010 and 2011	–	25,000	25,000

The onerous contracts provision as at 1 January 2011 represented the amount of the unavoidable costs under the vessels chartering-in contracts that exceed the future economic benefits expected to be received under the vessels chartering-out contracts. All the balance of provision was utilised and credited to the consolidated income statement within costs of services for the year ended 31 December 2011.

The provision for legal claims of RMB25,000,000 is related to legal claim brought against the Company by customers of the Company. 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 2011.

36 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	
	2011	2010
	RMB'000	RMB'000
(Loss)/profit before income tax	**(2,626,259)**	4,319,708
Depreciation *(Notes 6, 16)*	**1,451,395**	1,374,752
Amortisation *(Notes 6, 17, 18)*	**6,755**	6,510
Dividends income from available-for-sale financial assets *(Note 7)*	**(10,729)**	(10,161)
Gains on disposal of a jointly controlled entity *(Note 8)*	**–**	(92,272)
Share of results of associated companies *(Note 21)*	**(27,943)**	(42,490)
Share of results of jointly controlled entities *(Note 22)*	**(42,615)**	(25,067)
Interest expense *(Note 11)*	**158,600**	163,327
Finance charge of finance lease obligations *(Note 11)*	**29,522**	50,820
Interest income *(Note 7)*	**(104,265)**	(84,556)
Change in fair value of share-based compensation liability *(Note 9)*	**(96,098)**	33,082
(Reversal of)/provision for impairment of trade receivables *(Note 6)*	**(27,173)**	33,523
Gains on disposal of property, plant and equipment *(Note 8)*	**(51,210)**	(75,384)
Utilisation of onerous contracts *(Note 35)*	**(6,359)**	(60,734)
Operating (loss)/profit before working capital changes	**(1,346,379)**	5,591,058
Increase in inventories	**(323,104)**	(8,875)
Decrease/(increase) in trade and notes receivables	**17,858**	(254,258)
Increase in prepayments and other receivables	**(85,819)**	(24,984)
(Decrease)/increase in trade payables	**(518,859)**	225,255
Decrease in accruals and other payables	**(46,397)**	(29,910)
Net cash (used in)/generated from operations	**(2,302,700)**	5,498,286

(b) Proceeds from disposal of property, plant and equipment comprise:

	2011	2010
	RMB'000	RMB'000
Net book amount *(Note 16)*	**27,258**	55,431
Gains on disposal of property, plant and equipment *(Note 8)*	**51,210**	75,384
(Decrease)/increase of receipts in advance	**(16,568)**	23,591
Proceeds from disposal of property, plant and equipment	**61,900**	154,406

37 COMMITMENTS

(A) CAPITAL COMMITMENTS

As at 31 December 2011 and 2010, the Group and the Company had the following significant capital commitments which were not provided for in the balance sheets:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted but not provided for:				
– Vessels under construction	**6,334,295**	6,608,210	**1,675,561**	2,780,739

(B) LEASE COMMITMENTS – THE GROUP AND THE COMPANY ARE THE LESSEES

As at 31 December 2011 and 2010, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Land and buildings:				
– Within one year	**45,226**	62,379	**5,671**	7,031
– In the second to fifth year	**62,071**	57,634	**1,391**	7,062
– After fifth year	**4,941**	17,458	**–**	–
	112,238	137,471	**7,062**	14,093
Vessels chartered-in and containers under operating leases:				
– Within one year	**2,239,010**	2,482,213	**1,174,947**	594,912
– In the second to fifth year	**6,268,493**	6,426,439	**2,812,230**	1,073,863
– After fifth year	**3,348,241**	4,734,519	**1,268,826**	611,185
	11,855,744	13,643,171	**5,256,003**	2,279,960
	11,967,982	13,780,642	**5,263,065**	2,294,053

37 COMMITMENTS *(continued)*

(C) FUTURE OPERATING LEASE ARRANGEMENTS – THE GROUP AND THE COMPANY ARE THE LESSORS

As at 31 December 2011 and 2010, the Group and the Company had future aggregate minimum lease receipts under non-cancellable operating leases, where the Group and the Company are the lessors as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Vessels chartered-out under operating leases:				
– Within one year	**278,925**	511,823	**340,375**	728,762
– In the second to fifth year	**651,947**	797,713	**1,009,883**	1,163,953
– After fifth year	**434,017**	608,870	**217,759**	480,543
	1,364,889	1,918,406	**1,568,017**	2,373,258

(D) OTHER COMMITMENTS

As at 31 December 2011 and 2010, the Group had the following significant commitments which were not provided for in the balance sheets:

	The Group	
	2011	2010
	RMB'000	RMB'000
Investments:		
– Contracted but not provided for	**152,000**	–
– Authorised but not contracted for	**–**	283,891
	152,000	283,891

As at 31 December 2011, the investment commitments included capital commitments in relation to the Group's interests in a jointly controlled entity amounting to RMB152,000,000.

38 CONTINGENT LIABILITIES

As at 31 December 2011, 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 and 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. As the Group has early adopted the revised standard of HKAS 24 "Related Party Disclosure" since 1 January 2010, the Group and the Company are not required to disclose details of transactions with the government and other government-related entities.

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(A) FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010, THE DIRECTORS ARE OF THE VIEW THAT THE FOLLOWING COMPANIES ARE SIGNIFICANT RELATED PARTIES THAT HAVE TRANSACTIONS WITH 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
China Shipping Finance Co., Ltd.	Fellow subsidiary and associated company
Dalian Vanguard International Logistics Co., Ltd.	Jointly controlled entity

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 during the years and balances arising from related party transactions for the year ended 31 December 2011 and 2010.

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(B) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES:

	2011 RMB'000	2010 RMB'000
Transactions with fellow subsidiaries		
Revenue:		
Information technology services	14,845	20,060
Liner services	243,519	473,997
Expenditure:		
Lease of containers	252,422	301,536
Lease of chassis	23,502	25,705
Cargo and liner agency services	574,977	545,319
Container management services	115,229	111,637
Ship repair services	47,580	52,875
Supply of fresh water, vessel fuel, lubricants, spare parts and other materials	1,786,671	1,474,367
Depot services	14,850	12,317
Information technology services	47,976	62,429
Provision of crew members	27,325	27,553
Loading and unloading services	461,889	483,778
Ground container transport costs	–	5,986
Purchase of containers	63,744	336,434
Investment:		
Acquisition of interests in a subsidiary	33,880	–
Transactions with CS Finance		
Interest income	49,261	45,453

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(C) BALANCES WITH RELATED PARTIES

	2011 **RMB'000**	2010 RMB'000
Balances with fellow subsidiaries		
Trade receivables *(Note 26)*	**178,813**	169,730
Less: provisions	**(6,318)**	(27,260)
	172,495	142,470
Trade payables *(Note 34)*	**(1,083,587)**	(1,671,588)

	2011 **RMB'000**	2010 RMB'000
Balances with CS Finance		
Interest receivables	**629**	28,817
Deposits	**1,296,360**	3,994,545
Borrowing *(Note 30)*	**–**	(80,000)
Balances with a jointly controlled entity		
Loan to a jointly controlled entity	**–**	13,000

The balances are unsecured and interest free.

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(D) TRANSACTIONS WITH OTHER STATE-OWNED ENTERPRISES

The Group has transactions with other state-controlled entities including but not limited to the following:

- Purchases of services, bunker and spare parts etc.
- Purchase of assets
- Bank deposits and borrowings
- Interest income and expense

These transactions are conducted in the ordinary course of business of the Group.

(E) KEY MANAGEMENT COMPENSATION

	2011 **RMB'000**	2010 RMB'000
Basic salaries and allowances	**6,827**	8,781
Pension and others welfare	**1,461**	1,781
Fair value of the Rights *(Note 9)*	**(22,039)**	7,223
	(13,751)	17,785

40 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

(A) SUBSIDIARIES

As at 31 December 2011, 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%	Provision of shipping services

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	98.2%	1.8%	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 Lianyungang Co., Ltd.	12 March 2003	Limited liability company	RMB5,000,000	10%	90%	Cargo and liner agency
China Shipping Container Lines (Qinhuangdao) 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
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

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 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	RMB1,000,000	–	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
China Shipping Container Lines (Zhejiang) Co., Ltd.	18 June 2003	Limited liability company	RMB7,000,000	45%	55%	Cargo and liner agency
Dandong China Shipping Container Lines Co., Ltd.	18 April 2003	Limited liability company	RMB500,000	–	100%	Cargo and liner agency
Dongguan China Shipping Container Lines Co., Ltd.	14 May 2004	Limited liability company	RMB500,000	10%	90%	Cargo and liner agency
Fangchenggang China Shipping Container Lines Co., Ltd.	6 May 2003	Limited liability company	RMB500,000	10%	90%	Cargo and liner agency
Jiangmen China Shipping Container Lines Co., Ltd.	21 August 2003	Limited liability company	RMB500,000	10%	90%	Cargo and liner agency
Jinzhou China Shipping Container Lines Co., Ltd.	18 March 2003	Limited liability company	RMB1,500,000	–	100%	Cargo 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		Principal activities
				Directly held	Indirectly held	
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
China Shipping Container Lines Qinzhou Co., Ltd.	26 March 2010	Limited liability company	RMB1,500,000	–	100%	Cargo 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
Zhangzhou China Shipping Container Lines Co., Ltd.	11 June 2010	Limited liability company	RMB1,550,000	–	100%	Cargo and liner agency
Tangshan China Shipping Container Lines Co., Ltd.	27 August 2010	Limited liability company	RMB500,000	–	100%	Cargo and liner agency
China Shipping Container Lines Wuhu Co., Ltd.	29 March 2005	Limited liability company	RMB1,500,000	–	100%	Cargo and liner agency
Nantong China Shipping Container Lines Co., Ltd.	21 June 2005	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency
China Shipping Container Lines Wuhan Co., Ltd.	26 May 2005	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency
Jiujiang China Shipping Container Lines Co., Ltd.	27 April 2005	Limited liability company	RMB5,000,000	–	100%	Cargo and liner agency
Zhangjiagang China Shipping Container Lines Co., Ltd.	15 March 2005	Limited liability company	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	RMB239,000,000	100%	–	Placement, storage and other services for refrigerated containers

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	
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	RMB8,000,000	–	100%	Cargo and liner agency
Universal Logistics(China Shipping, Shenzhen) Co., Ltd.	25 July 2006	Limited liability company	RMB5,000,000	–	100%	Provision of shipping services
Shenzhen China Shipping Refrigeration Storage & Transportation Co., Ltd.	27 October 2006	Limited liability company	RMB2,000,000	–	100%	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	RMB800,000,000	–	55%	Operation of container terminal
Jiaxing China Shipping Container Lines Co., Ltd.	28 December 2011	Limited liability company	RMB5,000,000	–	100%	Cargo 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 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	HKD66,000,000	–	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
CSCL Mercury Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Owning of vessel
CSCL Mars Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Owning of vessel
CSCL Neptune Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Owning of vessel
CSCL Venus Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Owning of vessel
CSCL Star Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Owning of vessel
CSCL Uranus Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Owning of vessel

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	
CSCL Saturn Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Owning of vessel
CSCL Jupiter Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Owning of vessel
Incorporated and operate in Panama						
PH. Xiang Zhu Shipping S.A.	8 August 2008	Limited liability company	USD2	–	100%	Owning of vessel
PH. Xiang Da Shipping S.A.	8 August 2008	Limited liability company	USD2	–	100%	Owning of vessel
PH. Xiang Xiu Shipping S.A.	8 August 2008	Limited liability company	USD2	–	100%	Owning of vessel
PH. Xiang Wang Shipping S.A.	8 August 2008	Limited liability company	USD2	–	100%	Owning of vessel
PH. Xiang Xing Shipping S.A.	8 August 2008	Limited liability company	USD2	–	100%	Owning of vessel

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	USD1	–	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 COMPANIES

As at 31 December 2011, the Group 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						
China Shipping Finance Co., Ltd.	30 December 2009	Limited liability company	PRC	RMB600,000,000	25%	Provision of finance service
Angang Vehicle Transportation Co., Ltd.	12 October 1989	Limited liability company	PRC	RMB136,600,000	20.07%	Provide vehicle transportation service
Ningbo Meishan Bonded Port Area New Bay Terminal Management Co., Ltd.	1 April 2011	Limited liability company	PRC	RMB100,000,000	20%	Operation of container terminal

China Shipping Finance Co., Ltd. and Angang Vehicle Transportation Co., Ltd. are associated companies directly held by the Company.

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

(C) JOINTLY CONTROLLED ENTITIES

As at 31 December 2011, 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 Zhanjianggang 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 October 2008	Limited liability company	PRC	RMB74,000,000	50%	Logistics
Yingkou New Century Container Terminal Co., Ltd.	24 December 2007	Limited liability company	PRC	RMB40,000,000	40%	Operation of container terminal

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
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
Jinzhou Port Container-Railway Logistic Co., Ltd	31 October 2011	Limited liability company	PRC	RMB10,000,000	45%	Operation of container terminal
Qinzhou International Container Terminal Co., Ltd.	1 April 2010	Limited liability company	PRC	RMB500,000,000	40%	Operation of container terminal

Dalian Vanguard International Logistics Co., Ltd. and Jinzhou Port Container-Railway Logistic Co., Ltd are jointly controlled entities 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

	2007 RMB'000	2008 RMB'000 (Restated)	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Revenue	39,072,489	34,888,595	19,740,331	34,808,706	**28,246,498**
Operating profit/(loss)	4,384,116	376,690	(6,231,995)	4,466,298	**(2,508,695)**
Finance costs	(561,492)	(331,483)	(254,147)	(214,147)	**(188,122)**
Profit/(loss) before income tax	3,836,455	73,997	(6,449,276)	4,319,708	**(2,626,259)**
Income tax (expense)/credit	(601,820)	1,683	(22,466)	(86,467)	**(74,214)**
Profit/(loss) for the year	3,234,635	75,680	(6,471,742)	4,233,241	**(2,700,473)**
Profit for the year attributable to non-controlling interests	(4,297)	(28,596)	(17,306)	(30,107)	**(42,996)**
Profit/(loss) for the year attributable to equity holders of the Company	3,230,338	47,084	(6,489,048)	4,203,134	**(2,743,469)**
Dividends	5,333,475	–	–	–	**–**

CONSOLIDATED ASSETS AND LIABILITIES

	2007 RMB'000	2008 RMB'000 (Restated)	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Non-current assets	30,043,799	34,921,991	34,779,624	35,498,563	**39,094,542**
Current assets	21,881,545	14,852,556	9,512,678	13,517,562	**10,317,948**
Current liabilities	7,172,038	9,150,083	7,608,711	8,654,025	**9,791,948**
Non-current liabilities	9,085,845	8,128,553	10,705,393	10,399,857	**12,719,853**
Net assets	35,667,461	32,495,911	25,978,198	29,962,243	**26,900,689**

Notes:

(a) The financial figures for the years 2010 and 2011 were extracted from the financial statements as set out in this Annual Report.

(b) The financial figures for years from 2007 to 2009 were extracted from the 2010 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 year 2009 were made on the financial figures for year 2007.

NOTICE IS HEREBY GIVEN that the annual general meeting for the year 2011 ("**AGM**") of China Shipping Container Lines Company Limited (the "**Company**") will be held at 2:00 p.m. on Tuesday, 26 June 2012 at Eiffelton Hotel, 1888 Pu Ming 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 and its subsidiaries for the year ended 31 December 2011;

2. to consider and approve the proposed profit distribution plan of the Company for the year ended 31 December 2011;

3. to consider and approve the report of the board (the "**Board**") of directors (the "**Directors**") of the Company for the year ended 31 December 2011;

4. to consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2011;

5. to consider and approve the annual report of the Company prepared in accordance with requirements of the jurisdiction where its shares are listed for the year ended 31 December 2011;

6. to consider and approve the appointment of Ernst & Young, Hong Kong Certified Public Accountants as the Company's international auditor for the year of 2012, 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 for the year of 2012, 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 ended 31 December 2012; and

9. to consider and approve the work report of independent non-executive Directors for the year ended 31 December 2011.

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

Shanghai, the PRC
27 April 2012

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 Saturday, 26 May 2012 to Tuesday, 26 June 2012 (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 May 2012 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 Friday, 25 May 2012.

The address of Computershare is as follows:
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, 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 Wednesday, 6 June 2012.

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: (8621) 6596 6666
Fax: (8621) 6596 6813

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

(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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of Shareholders at a general meeting must be taken by way of poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, each of the resolutions set out in the notice of the AGM will be voted on by poll. Results of the poll voting will be published on the website of the Stock Exchange at www.hkexnews.hk after the AGM.

(H) The AGM is estimated to last for half a day. Shareholders who attend the AGM in person or by proxy shall bear their own transportation and accommodation expenses.