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

ANNUAL REPORT 2012

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 2012 comprised of 145 vessels, with nearly 600,000TEU of total operating capacity, 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. Huang Xiaowen *(Vice Chairman)*
Mr. Zhang Guofa
Mr. Zhao Hongzhou

NON-EXECUTIVE DIRECTORS

Mr. Zhang Jianhua
Mr. Wang Daxiong
Mr. Ding Nong
Mr. Zhang Rongbiao
Mr. Xu Hui

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

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

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

INTERNATIONAL AUDITOR

Ernst & Young

DOMESTIC AUDITOR

Baker Tilly China

LEGAL ADVISERS TO THE COMPANY

King & Wood Mallesons

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 ("Stock Exchange")

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 2012 AND 2011 KEY FINANCIAL FIGURES

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

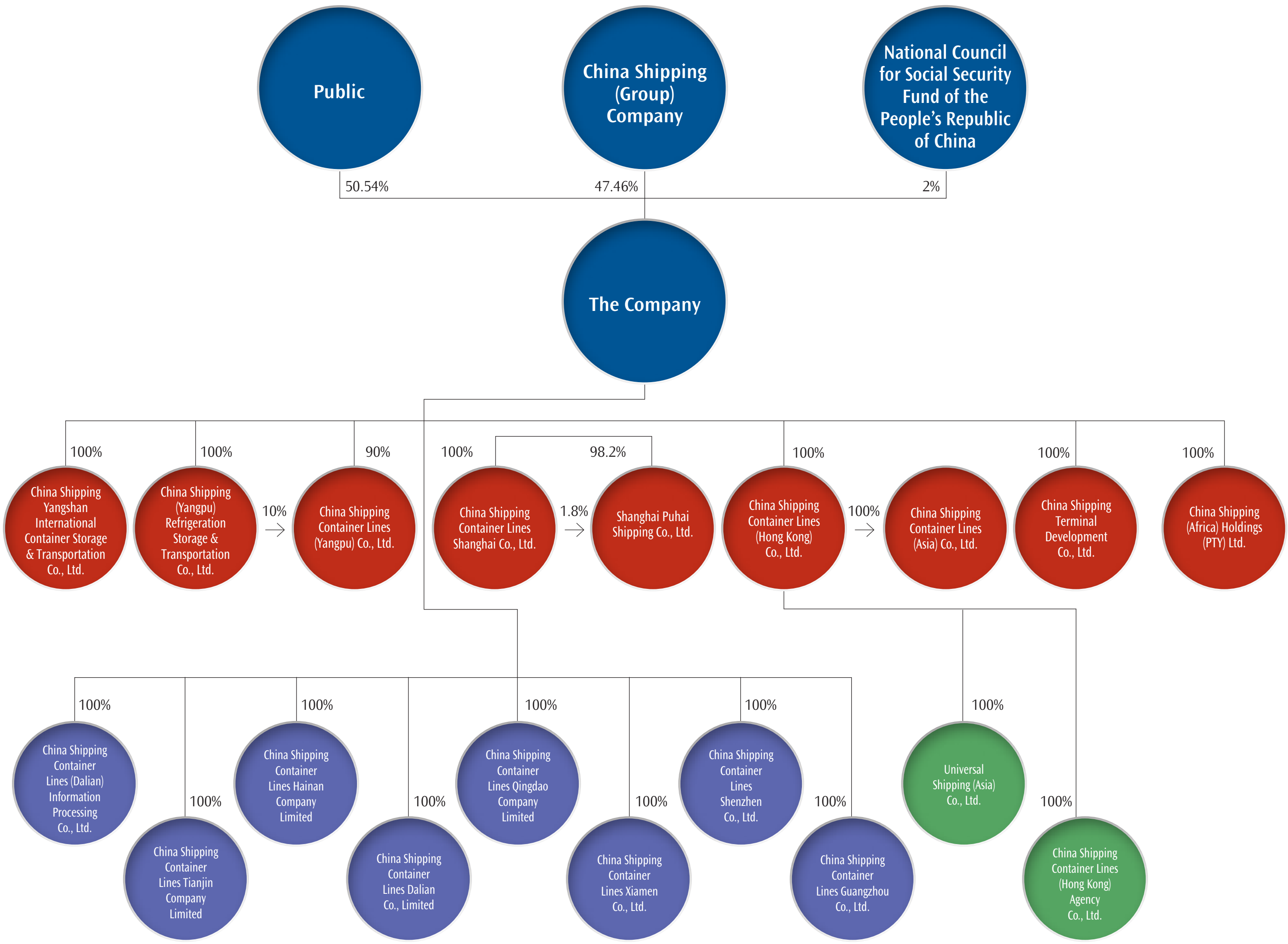
For the year ended 31 December	**2012** **RMB'000**	2011 RMB'000	Change (%)
Revenue	**32,551,070**	28,246,498	15.2%
Operating profit/(loss)	**613,220**	(2,508,695)	124.4%
Profit/(loss) before income tax	**154,532**	(2,626,259)	105.9%
Profit/(loss) for the year attributable to equity holders of the Parent	**524,921**	(2,743,469)	119.1%
Basic earnings/(loss) per share	**RMB0.045**	RMB(0.235)	119.1%
Gross loss margin	**(0.7%)**	(7.5%)	(90.2%)
Profit/(loss) margin before income tax	**0.5%**	(9.3%)	105.1%
Gearing ratio	**37.1%**	40.5%	(8.4%)

Consolidated Assets and Liabilities Under HKFRS

As at 31 December	**2012** **RMB'000**	2011 RMB'000	Change (%)
Total assets	**51,205,263**	49,412,490	3.6%
Non-current assets	**38,281,157**	39,094,542	(2.1%)
Current assets	**12,924,106**	10,317,948	25.3%
Total liabilities	**23,731,062**	22,511,801	5.4%
Current liabilities	**6,350,317**	9,791,948	(35.1%)
Net current assets	**6,573,789**	526,000	1,149.8%
Net assets	**27,473,661**	26,900,689	2.1%

Shareholding Structure

The following chart shows the simplified corporate and shareholding structure of the Company and its principal subsidiaries:



Brief particulars of the subsidiaries, associated companies and jointly controlled entities of the Company are contained in Note 40 to the consolidated financial statements.

2012 Major Events

- On 7 January, China Shipping Container Lines Company Limited ("CSCL") was selected as one of the"Top 100 Chinese Brands" of 2011 at the seventh Annual Conference on Asian Brands.

- In January, CSCL was awarded the title of "2011 Enterprises with High Public Satisfaction in Shanghai".

- On 13 January, CSCL convened the first extraordinary general meeting of 2012.

- On 9 February, the management of CSCL met with the management of COSCO to conduct talks to strengthen collaboration.

- On 16 February, Mr. Xi Jinping, the then Vice President of the People's Republic of China, led a group of delegates and visited the CSCL West Basin Container Terminal situated in Los Angeles, California, United States. Mr. Li Shaode, Chairman of CSCL and Mr. Huang Xiaowen, managing director of CSCL and others were at the terminal to welcome the delegates.

- On 9 March, the naming and delivery ceremony for "CSCL Uranus", which has a capacity of 14,100TEU, was held at Samsung Heavy Industry's shipyard on Geoje Island, South Korea.

- On 11 April, China Shipping Container Lines Company Limited was awarded the title of "Top 100 Contributing Companies in the Shanghai Free Trade Zones in 2011"by the Shanghai Free Trade Zones Management Committee at the 2012 Conference of Occupant Enterprises at Shanghai Free Trade Zones.

- On 26 April, the naming and delivery ceremony for "New Qinzhou", which has a capacity 4,700TEU, was held at the dockyard of Jiangnan Changxing Heavy Industries.

- On 10 May, China Shipping Container Lines Company Limited entered into a strategic collaboration agreement with Zhong Nam Group Company Limited (USA). On the principle of complementing each other's strengths and benefits, the two competent parties of the agreement are linked together, which creates a win-win situation and expedites development of both parties.

- On 19 May, the "Gold Round Table Forum with Board of Directors of Chinese Listed Companies and the Eighth Award Ceremony of Gold Round Table Award" was held in Beijing. CSCL was among this year's "Gold Round Table Award" top 100s and was awarded the "Outstanding Board of Directors Award".

- On 22 May, the naming and delivery ceremony for "CSCL Neptune", which has a capacity of 14,100 TEU, was held at Samsung Heavy Industry's shipyard.

- On 19 June, the naming and delivery ceremony for "New Hangzhou", which has a capacity 4,700 TEU was held at the dockyard of Jiangnan Changxing Heavy Industries.

- On 26 June, CSCL convened the annual general meeting for 2011. On the same day, CSCL convened the 22nd meeting of the third session of the Board.

- On 27 June, CSCL convened the conference which celebrated the 91st anniversary of the establishment of Chinese Communist Party and the 15th anniversary of the inception of the Company.

- On 10 July, the naming and delivery ceremony for "New Zhengzhou", which has a capacity 4,700 TEU, was held at the dockyard of Jiangnan Changxing Heavy Industries.

- On 17 July, the CSCL Mid-year Working Conference 2012 was held in Yangshan, Shanghai.

- On 17 August, the naming and delivery ceremony for "New Lanzhou", which has a capacity 4,700 TEU, was held at the dockyard of Jiangnan Changxing Heavy Industries.

- On 29 August, China Shipping Container Lines Company Limited convened the 25th meeting of the third session of the Board and the 10th meeting of the third session of the Supervisory Committee respectively.

2012 Major Events

- On 29 August, managing director Mr. Zhao Hongzhou, chief accountant Mr. Liu Chong, and Company secretary Mr. Ye Yumang and others attended the press conference and investor recommendation conference held at the Island Shangri-La Hotel in Hong Kong and also announced the interim results of China Shipping Container Lines Company Limited for the 6 months ended 30 June 2012.

- On 14 September, Anji Automotive Logistics Co., Ltd. of SAIC Group, China Shipping Container Lines Company Limited of China Shipping Group and China Shipping Car Carrier Co., Ltd. held a signing ceremony for the three-way strategic alliance framework agreement. The entering of this agreement signifies a new platform of collaboration between the three parties.

- On 10 October, CSCL and COSCO announced collaboration of trade lanes in the Chinese domestic container market. The two parties signed the CSCL and COSCO Domestic Trade Lanes Collaboration Agreement which plans to jointly input capacity and operate Northeast/Northern China to Fujian/Shantou trade lanes. This is the first collaboration of the two companies on Chinese domestic container trade lanes.

- On 24 October, in order to strengthen the establishment of a shipping logistics platform in Hainan Province by China Shipping Group and the Hainan Province Government, to respond to the calls of the provincial government and to take up social responsibility, a "Marine Silk Road" connecting Hainan Province and ASEAN regions was developed by the Company. This contributes to the establishment of simplified trade environments in Hainan Province. CSCL also officially launched the international shipping lane between Ho Chi Minh City, Vietnam and Haikou.

- On 30 October, in order to celebrate the 15th anniversary of the establishment of CSCL, to review and recognize the Company's achievements in production operations, corporate management, development transformation, team building, contributions to the Chinese Communist Party and corporate culture, to commend outstanding employees on the cargo canvassing marketing line, to bring further cohesiveness to employees and to boost morale, the Company convened the 15th anniversary of the establishment of CSCL and cargo canvassing marketing commendation conference.

- On 27 November, at the International Shipping and Auxiliary Companies Credit Quality Assessment Results Release Conference held by the Shanghai Municipal Transport and Port Authority and Shanghai Shipping Exchange, CSCL was rated as an AA grade international shipping and auxiliary credit quality company in 2011 and was ranked at 7th among the 89 participating international shipping companies.

- On 28 December, in order to better implement the spirit of the 18th National Congress of the Chinese Communist Party, CSCL held a conference themed "Learn from the Spirit of the 18th National Congress" and a research conference at the CCP School of China Shipping.

- On 28 December, the first Chinese Listed Companies Environmental Responsibility Research and Projection Forum and Awarding Ceremony of the Top 100 Environmentally Responsible Companies among Chinese Listed Companies Rankings was held in Beijing. The theme of the event was "Opening a New Age for Environmental Civilization". CSCL was granted the "Chinese Listed Companies Environmental Responsibility Transportation and Delivery Industry Leadership Award" and the "Top 100 Environmentally Responsible Companies among Chinese Listed Companies Award".


CSCL STAR
HONGKONG


CHINA SHIPPING LINE


EVERGREEN
CHINA

Chairman's Statement

In 2012, the container shipping market was trapped in a complicated situation caused by unstable global economy which was unseen before in past years and made market extremely volatile. Container transportation demand gradually picked up from the doldrums at the beginning of the year. Freight rates recovered since the end of the first quarter and even temporarily moved upward, with freight rates of some trade lanes reaching historical heights in the third quarter, but ultimately lost momentum in the fourth quarter due to weak demand in European markets. On the negative side, new capacity kept entering the market, despite the supply-demand pressure on trade lanes was relieved to a certain extent due to container liners adopting such policies as slow steaming, idling transportation capacity and adjusting fleet structure, but in general the oversupply situation failed to reverse.

In the face of such complicated and competitive market conditions, the Group conducted thorough research on market trends and adopted practical and effective measures, grasped market opportunities and strived to enhance efficiency, thus achieving relatively good results within the industry, and turned losses into profits.

For the year 2012, the Group's revenue was RMB32,551,070,000, representing an increase of 15% compared with 2011. The Group's loaded container volume was 8,030,428TEU, representing an increase of 8% compared with 2011. Profit attributable to equity holders of the Company was RMB524,921,000, and basic earnings per share was RMB0.045.

OPERATION REVIEW

In 2012, the Group kept up with market changes and based on analysis of market conditions, grasped opportunities arising from volatile markets and flexibly adapted a series of measures to enhance efficiency. Rational analysis of the market was conducted and focus was placed on trade lanes efficiency as shipping capacity was flexibly allocated. Guided by market and customer demand, marketing campaign was strengthened and cargo source was optimized. Market changes were closely followed and stability and recovery plans for freight rates were formulated in a timely manner, which enhanced efficiency of trade lanes. We stayed on top of market rhythm and enhanced the adjustment and optimization of our container vessel fleet structure. Refined management was thoroughly implemented while costs and expenses were strictly controlled. The "Large Cooperation" strategy was also implemented, which strengthened collaboration with external parties and improved the trade lanes network.

As at 31 December 2012, the total shipping capacity of the Group's fleet was 595,000TEU, representing a decrease of 1.4% compared with the same period last year. As at 31 December 2012, two vessels (each with capacity of 14,100TEU) and four new vessels (each with capacity of 4,700TEU) were delivered for use. Also, fleet structure was further optimized as the Group stepped up its processing efforts in surrendering leases of old and small vessels. The stabilization of the total shipping capacity of our fleet also helped relieve the Group's pressure to digest new shipping capacity amidst stagnant conditions within the industry.

Chairman's Statement

As at 31 December 2012, the Group made flexible adjustments to trade lane distribution according to actual demand. Shipping capacity input of the East and the West trade lanes were adjusted, the network coverage of the South and the North trade lanes were improved and collaboration with external parties in domestic lanes was strengthened, further optimizing its trade lane distribution. The Group also continued to promote the implementation of the "Large Cooperation" strategy and expanded the scope of collaboration with other shipping companies, thus diversifying our trade lane products, expanding our service area and enhancing the quality of our trade lanes.

In the second half of 2012, in order to cope with the Company's plan to adjust and optimize the container structure, the Group took advantage of the opportunity when prices for second hand containers were high and sold a proportion of its self-owned containers which were acquired at bottom price of their value, realizing larger appreciation in value and reflecting the Company's enhanced ability to manage its assets. Self-owned containers accounted for 49% of total containers before the sale and went down to the current 18%, providing the Company with the opportunity to purchase new containers at the right time on the market and ample room to optimize its container structure. As at 31 December 2012, total number of containers possessed by the Company was 1,023,000TEU.

In addition to the foregoing, the Group also strengthened internal control management and enhanced the Company's ability to guard against risk. More resources were allocated to training talent, which expedited the build up of a first-rate vessel crew and provided a good development platform for its staff. The Group lived up to the principles of low carbon operation and greatly promoted green voyage to realize its corporate social responsibility. In 2012, the Group was granted the "Chinese Listed Companies Environmental Responsibility Transportation and Delivery Industry Leadership Award" and the "Top 100 Environmentally Responsible Companies among Chinese Listed Companies Award" of the Top 100 Environmentally Responsible Companies among Chinese Listed Companies Rankings.

Chairman's Statement

FUTURE PROSPECT

Looking ahead to 2013, the global economy on the whole is expected to make a lukewarm recovery. The US economy is fundamentally solid and is expected to stabilize and recover gradually. The European sovereign debt crisis may be mitigated and the European economy is likely to bottom out slowly. Asia will display stable growth trends and emerging economies can be expected to pick up the pace of development, which will increase the proportion of regional trade.

According to predicted figures released by Alphaliner in March this year, 258 shipping vessels with a total capacity of 1,589,000TEU will be delivered in 2013, bringing the new global capacity up by 7.3%, which means the oversupply situation of shipping capacity will see no genuine improvement in the near future. How to tackle such large shipping capacity growth when demand shows no signs of improvement remains a common challenge for shipping companies. After two years of difficult operations, the majority of shipping companies may become more prudent in putting capacity on trade lanes.

Despite freight rates improving at the beginning of 2012 compared with the same period last year, it is still difficult for the shipping container market to remain optimistic in 2013. Uncertainties in areas such as global economy and trade development, volatile fuel prices and competition will continue to hinder the development of the industry.

In 2013, the Group shall calmly analyze market trends, take proactive measures, adjust structure, reduce costs and stabilize growth. We shall explore the market for opportunities and grasp them, enhancing overall efficiency. We shall pick up the pace for the adjustment of our fleet structure at the appropriate time and raise our core competitiveness. Our overseas network construction will be expedited and the trade lanes service network will be improved. We shall collaborate more thoroughly with external trade lanes, integrating resources and lowering costs. We shall also allocate more resources to market expansion and marketing campaign and earnestly implement the high net-worth customer strategy. Cost control shall be refined and by increasing income and reducing costs, the potential method of cost control shall be found. Our extended services shall be improved as we enhance the development of the container terminal business and our comprehensive logistics service capability. We shall also take good care of our employees, carry out our corporate social responsibility and enhance corporate cohesion.

Confronting a constantly evolving and developing container shipping market, the Group will leverage on its healthy financial position to further enhance comprehensive competitiveness and service quality, adapt to new situations, meet new challenges and seek new opportunities for development.

Li Shaode
Chairman

Shanghai, the People's Republic of China
26 March 2013


CSCL STAR
HONGKONG


CHINA SHIPPING LINE

Management Discussion and Analysis

REVIEW ON OVERALL OPERATIONAL PERFORMANCE

For the year ended 31 December 2012, the Group recorded a revenue of RMB32,551,070,000, representing an increase of 15.2% as compared with 2011; profit before income tax was RMB154,532,000; net profit attributable to equity holders of the Parent amounted to RMB524,921,000. Loaded cargo volume for the whole year amounted to 8,030,428TEU, representing an increase of 8.0% as compared with 2011. For the year ended 31 December 2012, the average freight rate per TEU for international trade lanes of the Group amounted to RMB5,845, representing an increase of 9.2% as compared with 2011. It was primarily due to a temporary recovery of international trade lanes market in 2012 as demand rose and freight rates of main trade lanes made seasonal recoveries. Average freight rate for domestic lanes was RMB1,586, representing a decrease of 4.0% as compared with 2011, which was primarily due to the domestic transportation industry being subject to value-added tax ("VAT") instead of business tax.

As at 31 December 2012, the total shipping capacity of the Group amounted to 594,991TEU, representing a decrease of 1.4% as compared with 2011.

FINANCIAL REVIEW

REVENUE

The Group's revenue increased by RMB4,304,572,000, from RMB28,246,498,000 in 2011 to RMB32,551,070,000 in 2012, representing an increase of 15.2%. The increase in revenue was primarily due to:

Increase in volume of loaded cargoes

The volume of loaded cargoes in 2012 amounted to 8,030,428TEU, representing an increase of 8.0% as compared with 2011. It was primarily due to an increase in demand in both international and domestic trade lanes market. The Company adjusted capacity input in a timely manner and optimized network distribution and collaboration with other trade lanes. The loaded container volume for both domestic and foreign trade lanes presented certain increase.

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

Principal Markets	**2012** ***(TEU)***	2011 *(TEU)*	Changes *(%)*
Pacific trade lanes	**1,313,915**	1,238,811	6.1%
Europe/Mediterranean trade lanes	**1,367,765**	1,177,546	16.2%
Asia Pacific trade lanes	**1,634,489**	1,398,536	16.9%
China Domestic trade lanes	**3,649,670**	3,544,064	3.0%
Others	**64,589**	79,045	-18.3%
Total	**8,030,428**	7,438,002	8.0%

Increase in Freight Rates

The Group's average freight rate per TEU in 2012 amounted to RMB3,909, representing an increase of 8.9% as compared with 2011. Among which, the average freight rate per TEU for international trade lanes amounted to RMB5,845, representing an increase of approximately 9.2% as compared with 2011. In 2012, the container shipping market improved from market conditions in 2011. Market demand recovered temporarily as main trade lanes in Europe and America displayed seasonal recovery, leading to remarkable rebound in international freight rates as compared with the same period last year. Average freight rates for domestic lanes fell by RMB66 as compared with 2011 to RMB1,586, which was mainly due to the domestic transport industry being subject to VAT instead of business tax.

COSTS OF SERVICES

For the year ended 31 December 2012, total costs of services amounted to RMB32,791,753,000, representing an increase of 8.0% as compared with 2011. Due to the effective control of costs by the Group, costs of services per TEU was RMB4,083, which remained the same as 2011.

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

- Container and cargo costs amounted to RMB11,230,690,000, representing an increase of 11.8% as compared with RMB10,049,046,000 for the same period of 2011, mainly due to the increase in the volume of loaded cargoes for long trade lanes. The port costs amounted to RMB1,974,880,000, representing an increase of 8.2% as compared with the corresponding period of 2011, primarily because of the increase in international trade lanes capacity. Due to an increase in the volume of loaded cargoes for international trade lanes, the Group's stevedore charges for loaded and empty containers amounted to RMB6,961,286,000, representing an increase of 15.1% as compared with the corresponding period of 2011. Due to an increase in loaded cargo volume for foreign trade lanes, charges for repositioning empty containers and rental fees of containers, the container management cost amounted to RMB2,294,524,000, representing an increase of 5.6% as compared with the corresponding period of 2011.

- As at 31 December 2012, vessel and voyage costs amounted to RMB14,985,642,000, representing an increase of 3.8% as compared with the corresponding period of 2011, mainly due to the increase in fuel costs. As at 31 December 2012, fuel costs amounted to RMB10,259,746,000, representing an increase of 9.5% as compared with the corresponding period of 2011. The increase in fuel costs was mainly due to the continuous increase in international crude oil price. The "fuel price lock-in" policy adopted in 2011 by the Group offset part of the effects from the increase in oil price.

- As at 31 December 2012, sub-route and other costs amounted to RMB6,575,421,000, representing an increase of 11.7% as compared with the corresponding period of 2011. 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 RMB240,683,000 in 2012 (2011: gross loss of RMB2,124,156,000).

Management Discussion and Analysis

INCOME TAX EXPENSE

From 1 January 2012 to 31 December 2012, the corporate income tax ("CIT") rate applicable to the Company was 25%. 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 new 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 2012, the Group's selling, administrative and general expenses were RMB958,246,000, representing an increase of 39.0% as compared with 2011. It was primarily due to an increase in employees' salaries and greater change to the fair value of share appreciation rights granted to employees as compared with the same period last year.

OTHER GAINS, NET

For the year ended 31 December 2012, the Group's other gains, net was RMB1,212,614,000, representing an increased by RMB1,090,401,000 as compared with 2011. It mainly consisted of gain from the disposal of a proportion of self-owned containers by the Group.

PROFIT/LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Due to the above reasons, the profit attributable to the equity holders of the Company for the year 2012 was RMB524,921,000, representing an increase of RMB3,268,390,000 as compared with the loss attributable to the equity holders of the Company of RMB2,743,469,000 in 2011.

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 2012, the Group's total bank and shareholder borrowings were RMB16,892,084,000. The maturity profile is spread over a period between 2013 and 2022 with RMB1,528,272,000 repayable within one year, RMB4,387,980,000 repayable within the second year, RMB8,816,735,000 repayable within the third to the fifth year, and RMB2,159,097,000 repayable after the fifth year. The Group's long-term bank and shareholder borrowings are mainly used to finance the construction of vessels and ports.

As at 31 December 2012, the Group's long-term bank borrowings were secured by mortgages over certain containers, container vessels, and port and depot infrastructure with a total book value of RMB6,033,486,000 (as at 31 December 2011: RMB4,930,645,000).

As at 31 December 2012, the Group's bonds payable in ten-year period amounted to RMB1,789,078,000, all proceeds from the bonds were used in the construction of vessels. The bonds were issued with guarantee provided by the Bank of China, Shanghai branch.

As at 31 December 2012, the Group's RMB borrowings at fixed interest rates amounted to RMB3,985,840,000, with annual interest rates ranging from 5.02% to 6.35%. USD borrowings at fixed interest rates amounted to RMB1,393,579,000, with annual interest rates ranging from 3.5% to 4.9% and USD borrowings at floating interest rates amounted to RMB11,512,665,000, 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.

Management Discussion and Analysis

As at 31 December 2012, the Group's obligations under finance leases amounted to RMB348,018,000, with the maturity profile ranging from 2013 to 2019. The amount repayable within one year is RMB119,634,000; the amount repayable within the second year is RMB35,864,000; the amount repayable within the third to the fifth year is RMB118,553,000 and the amount repayable after the fifth year is RMB73,967,000. The Group's obligations under the finance leases are used in the lease of new containers.

NET CURRENT ASSETS

As at 31 December 2012, the Group's net current assets amounted to RMB6,573,789,000. Current assets are mainly comprised of inventories of RMB1,238,030,000, trade and notes receivables of RMB2,263,700,000, prepayments and other receivables of RMB590,406,000 and cash and bank deposits and restricted deposits of RMB8,831,970,000. Current liabilities are mainly comprised of trade payables of RMB3,883,845,000, accrual and other payables of RMB778,327,000, current income tax liabilities of RMB15,239,000, long-term bank borrowings due in one year of RMB1,528,272,000, finance lease obligations payable in one year of RMB119,634,000 and provisions of RMB25,000,000.

CASH FLOWS

For the year 2012, the Group's net cash inflow generated from operating activities was RMB136,312,000, denominated principally in RMB and USD, representing an increase of RMB2,530,607,000 from net cash used in operating activities of RMB2,394,295,000 in 2011. Cash and cash equivalents balances at the end of 2012 increased by RMB1,757,697,000 as compared with 31 December 2011, mainly reflecting inflow of net cash generated from operating activities, financing activities and investing activities. The cash inflow from financing activities of the Group during year 2012 is mainly from the addition of bank borrowings, for the purposes of short-term business needs and purchase and construction of vessels, containers and port infrastructure.

The following table provides the information regarding the Group's cash flow for the years ended 31 December 2012 and 2011:

Unit: RMB

	2012	2011
Net cash generated from/(used in) operating activities	**136,312,000**	(2,394,295,000)
Net cash generated from/(used in) investing activities	**1,391,750,000**	(5,387,526,000)
Net cash generated from financing activities	**233,437,000**	4,346,749,000
Exchange losses on cash	**(3,802,000)**	(140,051,000)
Net increase/(decrease) in cash and cash equivalents	**1,757,697,000**	(3,575,123,000)

Management Discussion and Analysis

NET CASH GENERATED FROM OPERATING ACTIVITIES

For the year ended 31 December 2012, the net cash inflow generated from operating activities was RMB136,312,000, representing an increase of RMB2,530,607,000 from the net cash outflow of RMB2,394,295,000 in 2011. The increase in the net cash generated from operating activities of the Group was attributable to the improvement in the Group's revenue and the operating profit margin in 2012.

NET CASH GENERATED FROM INVESTING ACTIVITIES

For the year ended 31 December 2012, net cash generated from investing activities was RMB1,391,750,000, representing an increase of RMB6,779,276,000 from the net cash outflow for the year 2011 of RMB5,387,526,000. It was primarily due to the Group's reduced investment expenditure in vessel construction and a significant increase in cash inflow from the disposal of a proportion of self-owned containers in 2012.

NET CASH GENERATED FROM FINANCING ACTIVITIES

For the year ended 31 December 2012, net cash generated from financing activities was RMB233,437,000, representing a decrease of RMB4,113,312,000 as compared with the net cash generated from financing activities of RMB4,346,749,000 in 2011. In 2012, Group's bank borrowings amounted to RMB11,010,034,000, repayment of bank borrowings amounted to RMB9,930,172,000 and repayment of principal of finance leases amounted to RMB239,788,000.

AVERAGE TURNOVER DAYS OF TRADE AND NOTES RECEIVABLES

As at 31 December 2012, the gross balance of trade and notes receivables of the Group amounted to RMB2,329,101,000, representing an increase of RMB479,027,000 as compared with 31 December 2011, and the balance of trade receivables from related parties amounted to RMB385,232,000, representing an increase of RMB212,737,000 as compared with 31 December 2011. It was primarily due to the Group's revenue increasing by 15.2% in 2012 as compared with last year, which led to an increase of balance of trade receivables. However, as the Group strengthened collection management of receivables, the average turnover days of trade and notes receivables in 2012 was lower than that of last year.

GEARING RATIO

As at 31 December 2012, the Group's net gearing ratio (i.e. net debts over shareholders' equity) was 37.1%, which was lower than 40.5% in 2011. The decrease in gearing ratio was mainly due to: On one hand, better operations led to increased cash amounts; on the other hand, profits increased the Company's net assets for 2012. These factors led to the decrease in net gearing ratio.

FOREIGN EXCHANGE RISK AND HEDGING

Most of the revenue of the Company are settled in USD. The Group recorded a net exchange gains of RMB15,680,000, which was mainly due to fluctuations of US and EU currency exchange rates. The exchange difference which was charged to shareholders' equity amounted to RMB19,451,000. The Company 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.

Management Discussion and Analysis

CAPITAL EXPENDITURE

During the year ended 31 December 2012, the Group's expenditures on the purchase of container vessels and vessels under construction amounted to RMB1,977,592,000, expenditures on purchase of containers amounted to RMB62,680,000, expenditures on other production infrastructure, office equipment and motor vehicles amounted to RMB74,835,000, and equity investments amounted to RMB19,800,000.

COMMITMENTS

As at 31 December 2012, capital commitments of the Group which had been contracted but not provided for in relation to vessels under construction were RMB4,515,252,000; contracted but not provided for investment commitments was RMB332,000,000 and authorised but not contracted was RMB94,200,000. Furthermore, the operating lease commitments of the Group relating to land and buildings, and vessels and containers are RMB125,520,000 and RMB10,863,214,000, respectively.

CONTINGENT LIABILITIES

As at 31 December 2012, 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 2012, the Group had 4,806 employees. 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 3,132 crew members in total who mainly worked on the Group's self-owned or bare boat chartered vessels. As at 31 December 2012, total expenses were approximately RMB2,008,017,000.

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. According to the Rights Scheme, 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 62

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. Mr. Li is also currently the president and the Party secretary of China Shipping (Group) Company 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 the 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 55

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 Company Limited and the Chairman of a number of companies including 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 and is a senior engineer. Mr. Xu joined the Company in November 2011.

Biographies of Directors, Supervisors and Senior Management

MR. HUANG XIAOWEN (黃小文), AGE 50

Vice chairman and executive Director of the Company. Mr. Huang is also the vice president and a Party member of China Shipping (Group) Company and chairman of China Shipping Agency Company Limited, China Shipping Logistics Co., Ltd. and China Shipping Terminal Development Co., Ltd. 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 was the General Manager of the Company from January 2006 to August 2012. He was the vice Party secretary of the Company from January 2007 to August 2012. He became the vice president and a Party member of China Shipping (Group) Company since May 2012. 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 "multipurpose 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. ZHANG GUOFA (張國發), AGE 56

Executive Director of the Company. Mr. Zhang is also the vice president and a Party member of China Shipping (Group) Company and vice chairman 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 of the Department of Water Transport of the Ministry of Communications. 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 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.

Biographies of Directors, Supervisors and Senior Management

MR. ZHAO HONGZHOU (趙宏舟), AGE 45

Executive Director, general manager and vice Party secretary of the Company. Mr. Zhao is fully in charge of the Company's administrative work, and was the department head of Container Shipping main office of China Ocean Shipping (Group) Company. From 1997 to November 2002, he was the vice department head and department head of the executive department of China Shipping (Group) Company. From November 2002 to August 2012, 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. He is also a senior engineer. Mr. Zhao joined the Company in November 2002.

NON-EXECUTIVE DIRECTORS

MR. ZHANG JIANHUA (張建華), AGE 62

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.

Biographies of Directors, Supervisors and Senior Management

MR. WANG DAXIONG (王大雄), AGE 52

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, a director of China Merchants Bank and chairman of China Shipping (Hainan) Haisheng Shipping and Enterprises Co., Ltd.. Mr. Wang began his career in the shipping industry in 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. DING NONG (丁農), AGE 51

Non-executive Director of the Company. He is a deputy general manager and a member of the Party Committee of China Shipping (Group) Company and a director of China Shipping Development Company Limited. Mr. Ding started his career in August 1982 and served consecutively as chief ship engineer of Guangzhou Maritime Transportation Bureau, deputy manager of the Guangzhou Shipping Taihua Tanker Company, deputy general manager of Guangzhou Shipping (Group) Co., Ltd. (the cargo company owned by China Shipping Development Company Limited), general manager of China Shipping Suppliers & Trading Co., Ltd., general manager and Party secretary of China Shipping & Sinopec Suppliers Co., Ltd., assistant to the president of China Shipping (Group) Company and general manager and deputy Party secretary of China Shipping International Ship Management Co., Ltd. Mr. Ding has been acting as deputy general manager of China Shipping (Group) Company and a member of the Party Committee since April 2012. Mr. Ding graduated from Shanghai Maritime University with a Master's degree in transportation planning and management and is a senior engineer. He joined the Company in December 2012.

Biographies of Directors, Supervisors and Senior Management

MR. ZHANG RONGBIAO (張榮標), AGE 51

Non-executive Director of the Company. He is the chairman, general manager and Party secretary of Guangzhou Shipping (Group) Company, supervisor of China Shipping Development Company Limited, director of China Shipping (Hainan) Haisheng Shipping and Enterprises Co., Ltd. He is also an auditor, accountant and engineer. 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. Mr. Zhang joined the Company in June 2011.

MR. XU HUI (徐輝), AGE 50

Non-executive Director of the Company. He began his career in the shipping industry in 1982. Between December 1990 and January 1996, Mr. Xu held the post of chief ship 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 to February 2013, he was the general manager of Shanghai Shipping (Group) Company. From February 2013 till now, he is the general manager of China Shipping & Sinopec Suppliers Co., Ltd. Mr. Xu graduated from Jimei University in 1982, majoring in engineering. Mr. Xu joined the Company in October 2005.

Biographies of Directors, Supervisors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. SHEN KANGCHEN (沈康辰), AGE 72

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 under the guidance of academician Xu Zhi Lun. 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 from February 1985 to February 1988. From March 1988 to November 1991, he was a professor and the vice president of Shanghai Maritime University. From December 1991 to April 1999, he was a professor and the president of Shanghai Maritime University. He has been invited to act as a visiting scholar of New Jersey Industry College from August 1997 to January 1998. He was the head of Network Computing Institute of Shanghai Maritime University from May 1999 to July 2002. From 2004 to December 2008, he was the chief engineer of Shanghai Branch of CABR Technology Co., Ltd. Mr. Shen was appointed as an independent non-executive Director of the Company in June 2007.

MR. JIM POON (盤占元), AGE 73

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. 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 education 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 of the Company in June 2007.

Biographies of Directors, Supervisors and Senior Management

MR. SHEN ZHONGYING (沈重英), AGE 68

Independent non-executive Director of the Company. He is also an independent Director of Shanghai AJ Corporation and China Enterprise Company Limited. 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 was appointed as an independent non-executive Director of the Company in October 2007.

MR. WU DAQI (吳大器), AGE 58

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 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. Mr. Wu was appointed as an independent non-executive Director of the Company in December 2009.

Biographies of Directors, Supervisors and Senior Management

MS. ZHANG NAN (張楠), AGE 64

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. Ms. Zhang was appointed as an independent non-executive Director of the Company in June 2010.

SUPERVISORS

MR. CHEN DECHENG (陳德誠), AGE 62

Shareholder Representative Supervisor and Chairman of Supervisory Committee. He started his shipping career in 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 has served as Shareholder Representative Supervisor of the Company since August 2006.

Biographies of Directors, Supervisors and Senior Management

MR. KOU LAIQI (寇來起), AGE 62

Shareholder Representative Supervisor of the Company. 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 has served as Shareholder Representative Supervisor of the Company since June 2008.

MR. TU SHIMING (屠士明), AGE 49

Secretary to the Disciplinary committee, Employee Representative 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's degree in accounting from Shanghai University of Finance and Economics in 1990. Mr. Tu was a Shareholder Representative Supervisor of the Company from October 2005 to June 2008. Since joining the Company in April 2011, he has served as Employee Representative Supervisor from April 2011.

MR. WANG XIUPING (王修平), AGE 49

Employee Representative 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 joined the Company in January 1999 and has served as Employee Representative Supervisor of the Company since February 2004. He has extensive experience in management. Mr. Wang was awarded the Golden Anchor Award in 2002 by the National Committee of the China Seamen's Union.

Biographies of Directors, Supervisors and Senior Management

MR. HUA MIN (華民), AGE 62

Independent 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 Independent Supervisor of the Company in March 2004.

MS. PAN YINGLI (潘英麗), AGE 57

Independent Supervisor of the Company. Ms. Pan is also the director of the Modern Finance Research Center of Shanghai Jiao Tong University, a professor at Antai Economics & Administration College of Shanghai Jiao Tong University, an executive director of China Global Economy Society, vice president of Shanghai World Economy Association, vice president of Shanghai Institute of International Financial Centers, chief expert of Pan Yingli (International Financial Center Construction) Studio at Shanghai Institute of Development Strategies under Development Research Center of Shanghai Municipal Government and the recipient of special subsidy from the State Council. Since November 2011, she began serving as an independent Director of China Merchants Bank Co., Ltd. Ms. Pan was appointed as Independent Supervisor of the Company in March 2004.

COMPANY SECRETARY

MR. YE YUMANG (葉宇芒), AGE 47

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. In April 2013, he was granted the Senior Board Secretary Award and Outstanding Board Secretary for 2011-2012 by the Listed Companies Association of Shanghai. Mr. Ye joined the Company in November 2002.

Biographies of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

MR. HUANG XINMING (黃新明), AGE 59

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 Shipping (Group) Company. From December 1995 to December 1998, he was deputy general manager of Shanghai Shipping (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 extensive 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 48

Deputy general manager of the Company. Mr. Li assists the 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 experience 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.

Biographies of Directors, Supervisors and Senior Management

MR. FENG XINGGUO (馮幸國), AGE 55

Deputy general manager, senior captain and senior engineer 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. SUI JUN (隋軍), AGE 41

Deputy general manager, member of the Party committee of the Company. Mr. Sui was the manager of the external trade department of the Dalian International Shipping Co., Ltd., deputy general manager, general manager (Dalian Branch) of CS International Shipping Co., Ltd., general manager of Dalian CS Logistics Co., Ltd. and general manager of CS Northern Logistics Co., Ltd. He was the general manager of CSCL (Dalian branch) since January 2003, and deputy Party secretary of CSCL (Dalian branch) since August 2007. From February 2012 till December 2012, he was also the assistant to the general manager of CSCL. Mr. Sui was previously enrolled in the China Europe International Business School EMBA program and Dalian Maritime University Transportation Plan and Management Department (post graduate/ Master's degree). Mr. Sui joined the Company in December 2012.

Biographies of Directors, Supervisors and Senior Management

MR. LIU CHONG (劉沖), AGE 43

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 (Hainan) Haisheng Shipping and Enterprises 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's degree in 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 2012 (the "Year").

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 73 of this report.

DIVIDENDS

The accumulated loss calculated under PRC accounting standards of the Company and the Group as at 31 December 2012 was RMB1,239 million and RMB2,384 million, respectively. It was proposed that no profit distribution would be made for the year 2012 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 page 80 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.

Report of the Directors

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 ("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 standards and regulations; and (ii) accounting principles generally accepted in Hong Kong.

As at 31 December 2012, the accumulated loss of the Company, calculated based on the above principles, amounted to approximately RMB1,238,727,000, which is prepared in accordance with the PRC accounting standards and regulations.

PRE-EMPTIVE RIGHTS

Under the articles of association 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 176.

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 2012.

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 (the "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 2012 and on the principle of linking company's management with operation results.

Report of the Directors

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. Huang Xiaowen
Mr. Zhang Guofa
Mr. Zhao Hongzhou

NON-EXECUTIVE DIRECTORS:

Mr. Zhang Jianhua
Mr. Wang Daxiong
Mr. Lin Jianqing[(1)]
Mr. Ding Nong
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, the term of service of the Directors and Supervisors shall be 3 years.

Note:

1. Mr. Lin Jianqing resigned on 18 June 2012, which became effective on 26 June 2012.

Report of the Directors

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 connected transactions and 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.

Save as disclosed in the report of the directors (including but not limited to the connected transactions and continuing connected transactions stated below), 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 of the Company 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 of the Company, 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 34 of this report.

Each of Li Shaode, Xu Lirong, Huang Xiaowen, Zhang Guofa, Wang Daxiong and Ding Nong was as at 31 December 2012 the Chairman, the Managing Director, the Vice President, the Vice President, the Vice President and the Vice President respectively of China Shipping Group, which was a company having, as at 31 December 2012, 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, 7 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 proposed to the annual general meetings of the Company held on 20 June 2006, 26 June 2007 and 26 June 2008.

Report of the Directors

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

As at 31 December 2012, 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)
Huang Xiaowen	3,334,050	Beneficial owner	0.089%(Long position)
Zhang Guofa	2,218,050	Beneficial owner	0.059%(Long position)
Zhao Hongzhou	2,604,000	Beneficial owner	0.069%(Long position)
Zhang Jianhua	1,240,000	Beneficial owner	0.033%(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 (the"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 2012, 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 2012, 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%
UBS AG[(1)]	H Shares	362,942,296(L) 225,291,530(S)	Beneficial owner, persons having a security interest in shares and interest of corporation controlled by the substantial shareholder	9.68(L) 6.01(S)	3.11(L) 1.93(S)
Blackrock, Inc.	H Shares	241,749,648(L) 26,990,093(S)	Interest of corporation controlled by the substantial shareholder	6.44(L) 0.72(S)	2.07(L) 0.23(S)
Deutsche Bank Aktiengesellscahft[(2)]	H Shares	196,335,635(L) 183,681,800(S)	Beneficial owner, investment manager and persons having a security interest in shares	5.23(L) 4.90(S)	1.68(L) 1.57(S)
Earnest Partners, LLC	H Shares	187,526,050(L)	Investment manager	5.00(L)	1.61(L)
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

Report of the Directors

Notes:

(1) According to the form of disclosure of interests submitted by UBS AG on 3 January 2013 (the date of the relevant event being 31 December 2012), these shares were held through certain subsidiaries of UBS AG. The 362,942,296 H shares (long position) were held as to 103,211,940 H shares in the capacity of beneficial owner; 7,874,000 shares were held in the capacity of persons having a security interest in shares and 251,856,356 shares were held in the capacity of interest of corporation controlled by the substantial shareholder. The 225,291,530 H shares (short position) were held as to 97,248,874 H shares in the capacity of beneficial owner and 128,042,656 shares were held in the capacity of interest of corporation controlled by the substantial shareholder.

(2) According to the form of disclosure of interests submitted by Deutsche Bank Aktiengesellscahft on 20 December 2012 (the date of the relevant event being 17 December 2012), these shares were held through certain subsidiaries of Deutsche Bank Aktiengesellscahft. The 196,335,635 H shares (long position) were held as to 79,008,570 H shares in the capacity of beneficial owner; 140,000 shares were held in the capacity of investment manager and 117,187,065 shares were held in the capacity of persons having a security interest in shares. The 183,681,800 H shares (short position) were held as to 67,523,500 H shares in the capacity of beneficial owner and 116,158,300 shares were held in the capacity of persons having a security interest in shares.

Save as disclosed above, as at 31 December 2012, 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.

DIRECTORS AND EMPLOYEES OF THE SUBSTANTIAL SHAREHOLDERS

Certain Directors and Supervisors of the Company are the director or employee of the China Shipping (Group) (details of which are set out in page 39 of this Annual Report), 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 Rule 13.51(B) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), changes in the information of Directors or Supervisors of the Company subsequent to the date of its 2012 Interim Report were as follows:

DIRECTORS

Name	Details of changes
Lin Jianqing	Mr. Lin resigned as the Company's non-executive Director on 18 June 2012, which became effective on 26 June 2012.
Ding Nong[(1)]	Mr. Ding was appointed as a non-executive Director of the Company upon the approval of an ordinary resolution proposed at the extraordinary general meeting of the Company held on 5 December 2012.

Notes:

1 Ding Nong ("Mr. Ding"), age 51, is currently a non-executive Director of the Company, a deputy general manager and a member of the Party Committee of China Shipping (Group) Company and a director of China Shipping Development Company Limited. Mr. Ding started his career in August 1982 and served consecutively as chief ship engineer of Guangzhou Maritime Transportation Bureau, deputy manager of the Guangzhou Shipping Taihua Tanker Company, deputy general manager of Guangzhou Shipping (Group) Co., Ltd. (the cargo company owned by China Shipping Development Company Limited), general manager of China Shipping Suppliers & Trading Co., Ltd., general manager and party secretary of China Shipping & Sinopec Suppliers Co., Ltd., assistant to the president of China Shipping (Group) Company and general manager and deputy Party secretary of China Shipping International Ship Management Co., Ltd. Mr. Ding has been acting as deputy general manager of China Shipping (Group) Company and a member of the Party Committee since April 2012. Mr. Ding graduated from Shanghai Maritime University with a Master's degree in transportation planning and management and is a senior engineer. He joined the Company in December 2012.

Save as disclosed above, Mr. Ding did not hold any other positions in the Company and/or its subsidiaries in the last three years. Save as disclosed above, Mr. Ding 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. Ding does not have other major appointments and professional qualifications. Save as disclosed above, Mr. Ding 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. Ding will not receive any remuneration from the Company and its subsidiaries.

SUPERVISORS

Since the date of 2012 Interim Report of the Company, there was no changes in information of Supervisors.

Report of the Directors

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 2012, 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. ESTABLISHMENT OF A JOINT VENTURE COMPANY

- Date and parties of the transaction:

  China Shipping Container Lines (Hong Kong) Co., Ltd. ("CSCL HK", a wholly- owned subsidiary of the Company), China Shipping Development (H.K.) Marine Co., Limited ("CSD HK") and China Shipping Regional Holdings Sdn Bhd ("CS Regional Holdings") entered into the Joint Venture Agreement ("Joint Venture Agreement") on 29 August 2012 for the establishment of CS Petroleum in Singapore.

- Connected relationship of the parties of the transaction:

  CSCL HK is a wholly-owned subsidiary of the Company and China Shipping (Group) Company ("China Shipping") is the controlling shareholder of the Company. CSD HK is a wholly owned subsidiary of China Shipping Development Company Limited ("CSDC"), which in turn is a 30%-controlled company held by China Shipping. CS Regional Holdings is a wholly-owned subsidiary of China Shipping. Accordingly, CSD HK and CS Regional Holdings are regarded as connected persons of the Company. Thus, the establishment of CS Petroleum Company by CSCL HK, CSD HK, CS Regional Holdings (the "JV Partners") constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Report of the Directors

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

  The establishment of CS Petroleum Company is mainly to execute and propel marine fuel purchasing of the JV Partners and their respective holding companies, subsidiaries or associated companies (including the Group). By virtue of centralized purchase, taking advantage of economies of scale, increasing bargaining power and entrusting professional company to operate in a centralized manner, CS Petroleum Company will analyze fuel market direction better and seize opportunities, appropriately purchase fuel and reduce purchasing cost so as to the possible extent guarantee quality and quantity of fuel and effectively control and reduce fuel costs. The Board (including the independent non-executive directors) believes that the terms of the transaction contemplated under the Joint Venture 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 total registered capital of CS Petroleum Company is proposed to be US$5,000,000, out of which 91% shall be contributed by CSCL HK (i.e. US$4,550,000), 5% shall be contributed by CSD HK (i.e.US$250,000) and 4% shall be contributed by CS Regional Holdings (i.e.US$200,000).Such capital contributions shall be made in cash and in one tranche by the JV Partners within one month after completion of incorporation registration of CS Petroleum Company. Upon its establishment, the equity interests in CS Petroleum Company will be owned by the JV Partners proportionally according to their respective contributions mentioned above.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

As at 31 December 2012, 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 2012 in relation to those continuing connected transactions. Terms used in the following tables shall have the same meanings as defined in the Company's announcement dated 20 September 2012.

No.	Particulars of transaction	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Transaction amount for the year ended 31 December 2012	Annual cap amount for the year ended 31 December 2012
					RMB'000	RMB'000
(A)	**Revenue from connected transactions**					
1	Master Liner Services Agreement in respect of services to be provided by the Group	10 May 2004, 10 May 1013	The Company and China Shipping (Group) Company ("China Shipping") (1)	Liner services	271,447	965,400
2	First Master IT Service Agreement in respect of products and services to be provided by the Group	10 May 2004, 10 May 1013	The Company and China Shipping (1)	IT Service	10,057	20,000
(B)	**Cost of connected transactions**					
3	Revised Master Provision of Containers Agreement in respect of containers leased to the Group	10 April 2007, 10 April 2016	The Company and China Shipping (1)	Lease of containers	235,795	491,140
4	Master Provision of Chassis Agreement in respect of container chassis etc. to be provided to the Group	10 May 2004, 10 May 2013	The Company and China Shipping (1)	Lease of container chassis	23,566	32,840
5	First Master Liner and Cargo Agency Agreement in respect of services to be provided to the Group	10 May 2004, 10 May 2013	The Company and China Shipping (1), Shanghai Puhai Shipping Co., Ltd., PT Zhonghai Indo Shipping (2), China Shipping (Bangkok) Co., Ltd. (2)	Cargo and liner agency services	574,862	850,970

Report of the Directors

No.	Particulars of transaction	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Transaction amount for the year ended 31 December 2012 RMB'000	Annual cap amount for the year ended 31 December 2012 RMB'000
6	First Master Container Management Agreement in respect of services etc. to be provided to the Group	10 May 2004, 10 May 2013	The Company and China Shipping [1], China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd., Shanghai Puhai Shipping Co., Ltd.	Container management services	137,430	170,290
7	Master Ship Repair Services Agreement in respect of services to be provided to the Group	10 May 2004, 10 May 2013	The Company and China Shipping [1]	Ship repair services	36,001	75,580
8	Master Supply Agreement in respect of products and services to be provided to the Group	10 May 2004, 10 May 2013	The Company and China Shipping [1], China Shipping & Sinopec Suppliers Co. [2]	Supply of fresh water, vessel fuel, lubricants, spare parts and other materials	2,171,813	2,500,000
9	Master Depot Services Agreement in respect of services to be provided to the Group	10 May 2004, 10 May 2013	The Company and China Shipping [1], Shanghai China Shipping Container Terminal Co., Ltd., China Shipping Zhanjianggang Container Terminal Co., Ltd.	Depot services	10,569	20,790
10	First Master IT Service Agreement in respect of products and services to be provided to the Group	10 May 2004, 10 May 2013	The Company and China Shipping [1]	IT Service	31,634	82,000
11	Master Provision of Crew Members Agreement in respect of crew members to be provided to the Group	10 May 2004, 10 May 2013	The Company and China Shipping [1]	Provision of crew members	39,787	50,850

Report of the Directors

No.	Particulars of transaction	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Transaction amount for the year ended 31 December 2012 RMB'000	Annual cap amount for the year ended 31 December 2012 RMB'000
12	First Master Loading and Unloading Agreement and Second Master Loading and Unloading Agreement in respect of services to be provided to the Group	10 May 2004, 10 May 2013	First Master Loading and Unloading Agreement: The Company and China Shipping (1), Shanghai China Shipping Container Terminal Co., Ltd., China Shipping Zhanjianggang Container Terminal Co., Ltd., Dalian Dagang Container Terminal Co., Ltd.(2); Second Master Loading and Unloading Agreement: The Company and West Basin Container Terminal LLC (2)	Loading and unloading services	551,652	849,930
13	Revised Master Provision of Containers Agreement in respect of containers to be purchased by the Group	10 April 2007, 10 April 2016	The Company and China Shipping (1)	Manufacture of containers	212,432	579,490
14	Master Agreement in respect of products or services to be provided to the Group	10 May 2004, 10 May 2013	The Company and China Shipping (1)	Property rental	19,421	19,800
(C)	**Connected transactions for financial services**					
15	Financial Service Framework Agreement in respect of maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group at CS Finance Company	31 December 2009, 31 December 2015	The Company and China Shipping (1)	Deposit services	4,566,106	6,000,000

Report of the Directors

No.	Particulars of transaction	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Transaction amount for the year ended 31 December 2012 RMB'000	Annual cap amount for the year ended 31 December 2012 RMB'000
16	Financial Service Framework Agreement in respect of maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted to the Group by CS Finance Company	31 December 2009, 31 December 2015	The Company and China Shipping [(1)]	Loan services	29,244	1,900,000

Notes:

1. China Shipping is a controlling shareholder of the Company (as defined in the Listing Rules), which constitutes a connected person of the Company

2. Such companies are connected persons of China Shipping (as defined in the Listing Rules), which constitute connected persons of the Company

The reasons for the above continuing connected transactions (excluding the deposit services and loan services under the connected transactions for financial services), and the nature and extent of the interests of the related party in the relevant continuing connected transactions are as follows:

The Company was established in 1997 as the container shipping arm of China Shipping. Due to the long established and close business relationship between the members of the Group and the China Shipping Group, a number of transactions have been entered into and are to be entered into between the Group and the relevant Connected Persons and their respective subsidiaries and associates, which are individually significant and collectively essential to the core business and operation of container marine transportation of the Group.

In addition, as China Shipping is one of the key state-owned enterprises and is a large shipping conglomerate that operates across different regions, sectors and countries, and the relevant Connected Persons (most of them are associates of China Shipping) are well-known marine transportation corporations with outstanding competency in shipping industry and have developed good experience and service systems in respect of the products and services under the continuing connected transactions set out above. The cooperation with China Shipping and other Connected Persons enables the Group to fully leverage on their advantages to achieve better operating performance.

Finally, the terms and conditions provided by the relevant Connected Persons in relation to the continuing connected transactions set out above are generally more favourable to the Group than those provided by independent third parties to the Group, or those provided by the relevant Connected Persons to independent third parties.

Report of the Directors

The reasons for providing the deposit services and loan services under the connected transactions for financial services, and the nature and extent of the interests of the related party in the relevant continuing connected transactions are as follows:

The terms and conditions of deposit services, loan services, settlement services and other financial services provided by CS Finance Company under the Financial Services Framework Agreement are generally more favourable to the Group than those provided by independent third parties, or those provided by CS Finance Company to independent third parties. Furthermore, the Group is not restricted under the Financial Services Framework Agreement to approach, and in fact may choose, any bank or financial institution to satisfy its financial service needs. Its criteria in making the choice could be made on costs and quality of services. Therefore, the Group may, but is not obliged to, continue to use CS Finance Company's deposit services, loan services, settlement services and other financial services if the service quality provided is competitive. Having such flexibility afforded under the Financial Services Framework Agreement, the Group is able to better manage its current capital and cash flow position.

In addition, it is also expected that CS Finance Company will mainly provide more efficient deposit services, loan services and settlement services to the Group, as compared to independent third-party banks.

For further details regarding the above continuing connected transactions and connected transactions, please refer to Note 39 to the consolidated financial statements. The Company confirmed that it has disclosed the connected transactions and continuing connected transactions pursuant to the definition of "continuing connected transaction" (as the case may be) of Chapter 14A of the Listing Rules and pursuant to the disclosure requirements of Chapter 14A of the Listing Rules.

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, Ernst & Young, 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, 30 September 2011, 20 September 2012 and 5 December 2012 made by the Company in respect of each of the disclosed continuing connected transactions.

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 2012 are set out in Note 2.4 to the consolidated financial statements.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2012, 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.

Report of the Directors

CODE ON CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices ("Code on Corporate Governance Practices") as set out in Appendix 14 of the Listing Rules have been amended and revised as the Code on Corporate Governance ("Code on Corporate Governance"), which became effective on 1 April 2012. The Board confirms that the Company has complied with all code provisions of the Code on Corporate Governance Practices (from 1 January 2012 to 31 March 2012) and the Code on Corporate Governance (from 1 April 2012 to 31 December 2012) during the year ended 31 December 2012.

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 2012 have been reviewed by the audit committee of the Company.

AUDITORS

Auditors appointed by the Company in the past 3 years are as follows:

2010 and 2011	:	PricewaterhouseCoopers
2012	:	Ernst & Young

The financial statements set out in this annual report have been audited by Ernst & Young 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 RMB464,000 which was used in education and poverty aid projects in Yongde, Yunan Province.

On behalf of the Board

Li Shaode
Chairman

Shanghai, the People's Republic of China, 26 March 2013

Corporate Governance Report

The Group has always strived to enhance corporate governance standards and views corporate governance as a part of value creation and a reflection of the commitment of all Directors and senior management to comply with corporate governance. Transparency is maintained for shareholders and we aim to maximize the interests of shareholders.

The Code on Corporate Governance Practices ("Code on Corporate Governance Practices") as set out in Appendix 14 of the Listing Rules have amended and revised as the Code on Corporate Governance ("Code on Corporate Governance"), which became effective on 1 April 2012. The Board confirms that the Company has complied with all code provisions of the Code on Corporate Governance Practices (from 1 January 2012 to 31 March 2012) and the Code on Corporate Governance (from 1 April 2012 to 31 December 2012) during the year ended 31 December 2012.

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. 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, as well as the vice chairman of the third session of the Board as approved by the 14th meeting of the third session of the Board. As approved by the 22nd meeting of the third session of the Board, Mr. Zhang Guofa resigned as vice chairman and Mr. Huang Xiaowen was concurrently appointed as vice chairman of the third session of the Board. On 18 June 2012, Mr. Lin Jianqing resigned as non-executive Director of the third session of the Board due to change of work positions. As approved by the second extraordinary general meeting for the year 2012, Mr. Ding Nong was appointed as non-executive Director of the third session of the Board. As at 31 December 2012, the members of the third session of the Board of the Company includes:

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

Non-executive Directors:
Mr. Zhang Jianhua
Mr. Wang Daxiong
Mr. Ding Nong
Mr. Zhang Rongbiao
Mr. Xu Hui

Corporate Governance Report

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.

There is no relationship (including financial, business, family or other material/relevant relationship(s)) among the Board members, especially among the Chairman and General Manager.

In 2012, 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. 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.

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 Company Secretary provides information regarding the latest developments in relation to the Listing Rules and other applicable regulatory requirements for all Directors. The Company confirms that the Company Secretary attended over 15 hours of professional training during the year. 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/her/their duties to the Company effectively.

3. CORPORATE GOVERNANCE FUNCTION

The Board is responsible for formulation of the corporate governance function of the Company and performance of the following corporate governance duties:

(1) to formulate and review the Group's policies and practices on corporate governance;

(2) to review and monitor the training and continuing professional development of the directors and senior management;

(3) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(4) to formulate, review and monitor the code of conduct of Directors and employees;and

(5) to review the Group's compliance with the Code on Corporate Governance Practices and the Code on Corporate Governance and disclosure in the Corporate Governance Report.

4. CHAIRMAN AND GENERAL MANAGER

In 2012, Mr. Li Shaode served as the Chairman of the Company, and Mr. Huang Xiaowen (until 10 August 2012) and Mr. Zhao Hongzhou (until 31 December 2012) were the General Managers respectively. Messrs. Li Shaode, Huang Xiaowen and Zhao Hongzhou were also executive Directors of the Company. The articles of association of the Company require that the Chairman and the General Manager should perform their responsibilities separately. The Managing Director is responsible for the management of the Company's production operations, the organization and implementation the Company's Board resolutions, the organization and implementation the Company's annual operation plan and investment proposal, the formulation of the internal management organization plan of the Company, the formulation of fundamental management system of the Company, the formulation of the fundamental rules of the Company, To recommend appointment or dismissal of the Deputy Manager and financial controller of the Company, to appoint or dismiss personnel other than those required to be appointed or dismissed by the Board and perform other duties delegated by the articles of association and the Board. The Deputy Manager and other senior management personnel are responsible for assisting the Managing Director.

Corporate Governance Report

5. TRAINING OF THE DIRECTORS AND CONTINUING PROFESSIONAL DEVELOPMENT

(1) Newly appointed Directors

Each newly appointed Director will receive a set of training materials which cover the legal responsibilities of the Directors, the specific legal responsibilities, rules governing the dealings of the securities of listed company, disclosure of price sensitive information, discloseable transactions, connected transactions, other continuing responsibilities, corporate governance code and disclosure of interests under the SFO to ensure the newly appointed Directors fully understand their duties under the Listing Rules and other regulations. In December 2012, the newly appointed Director, Mr. Ding Nong attended such training.

(2) The Board of the Company shall be re-elected every three years. The current session of the Board commenced on June 2010 and attended the training organized by the Shanghai Securities Regulatory Bureau of China Securities Regulatory Commission pursuant to the relevant requirements. In 2012, Mr. Xu Lirong,the Vice Chairman, attended the above training.

(3) The Company will provide information about the updated or amended version of relevant laws and regulation on irregular basis to Directors for learning purposes. The Company Secretary will organise talks about applicable laws, regulations and its latest developments for Directors in order to help the Directors to perform their duties. In compliance with the continuing professional development requirement under the Code on Corporate Governance, the Directors attended the training regarding the functions and duties of Directors.

According to the Company's records, in order to comply with the new regulation of the Code on Corporate Governance regarding continuing professional development, the Directors received the following training in the current year:

	Updates on the Board practice and development, corporate governance and regulation	**Risk management and strategy/ business/industry specific**
Director	**Reading materials**	**Briefings, seminars or training**
DIRECTORS		
Li Shaode	√	√
Xu Lirong	√	√
Huang Xiaowen	√	√
Zhang Guofa	√	√
Zhao Hongzhou	√	√
NON-EXECUTIVE DIRECTORS		
Zhang Jianhua	√	√
Lin Jianqing(1)	√	√
Wang Daxiong	√	√
Xu Hui	√	√
Zhang Rongbiao	√	√

Director	Updates on the Board practice and development, corporate governance and regulation Reading materials	Risk management and strategy/ business/industry specific Briefings, seminars or training
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Shen Kangchen	√	√
Jim Poon (also known as Pan Zhanyuan)	√	√
Shen Zhongying	√	√
Wu Daqi	√	√
Zhang Nan	√	√

Note:

(1) Mr. Lin Jianqing resigned as the Company's non-executive Director on 18 June 2012, which became effective on 26 June 2012.

(4) The Company will provide latest information about the operation of the Company to the Board through weekly reports, physical board meetings and will reply the questions raise by the directors, so that the directors can perform their duties.

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

Corporate Governance Report

The third session of the Board held 14 meetings during 2012. Record of attendance for each Director is set out as follows:

Attendance of Directors at Board Meetings and General Meetings

	Attendance of Board Meetings						Attendance of General meetings [1]	
Name of Director	Board meetings to attend this year	Meetings attended in person	Meetings attended through appointee	Meetings attended by way of telecommunication	Attendance rate (%)	Unable to attend in person for two consecutive board meetings	Annual general meetings attended	Extraordinary general meetings attended
Executive Directors:								
Li Shaode	14	12	2	10	100	No	0/1	0/2
Xu Lirong	14	11	3	10	100	No	0/1	0/2
Huang Xiaowen	14	14	0	10	100	No	1/1	2/2
Zhang Guofa	14	10	4	10	100	No	0/1	0/2
Zhao Hongzhou	14	14	0	10	100	No	1/1	1/2
Non-executive Directors:								
Zhang Jianhua	14	11	3	10	100	No	0/1	0/2
Wang Daxiong	14	10	4	10	100	No	0/1	0/2
Lin Jianqing [2]	6	4	2	4	100	No	0/1	0/2
Ding Nong	3	2	1	2	100	No	0/1	0/2
Zhang Rongbiao	14	11	3	10	100	No	0/1	0/2
Xu Hui	14	13	1	10	100	No	1/1	1/2
Independent Non-executive Directors:								
Shen Kangchen	14	14	0	10	100	No	1/1	2/2
Jim Poon	14	13	1	10	100	No	1/1	2/2
Shen Zhongying	14	14	0	10	100	No	1/1	2/2
Wu Daqui	14	14	0	10	100	No	1/1	1/2
Zhang Nan	14	14	0	10	100	No	1/1	2/2

Note:

(1) The number of meetings attended include the actual number of meetings attended by Directors/ number of general meetings Directors are entitled to attend.

(2) Mr. Lin Jianqing resigned as the Company's non-executive Director on 18 June 2012, which became effective on 26 June 2012.

7. SUPPLY OF AND ACCESS TO INFORMATION

All Directors of the Company 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.

8. 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 one meeting in 2012 to review the appointment and resignation of the directors and make recommendation hereon, and the attendance rate of the Directors was 100%. Record of attendance for each Director is set out as follows:

Executive Directors

Directors	Number of meetings attended	Attendance rate
Li Shaode	1	100%
Xu Lirong	1	100%
Huang Xiaowen	1	100%
Zhang Guofa	1	100%
Zhao Hongzhou	1	100%

Non-executive Directors

Directors	Number of meetings attended	Attendance rate
Zhang Jianhua	1	100%
Lin Jianqing	1	100%
Wang Daxiong	1	100%
Xu Hui	1	100%
Zhang Rongbiao	1	100%

Independent non-executive Directors

Directors	Number of meetings attended	Attendance rate
Shen Kangchen	1	100%
Jim Poon (also known as Pan Zhanyuan)	1	100%
Shen Zhongying	1	100%
Wu Daqi	1	100%
Zhang Nan	1	100%

9. 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, who is an independent non-executive director, 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 six meetings in 2012. The average attendance rate was 100% During the sixth to the seventh 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 2011 financial report of the Group with relevant staffs and domestic and overseas auditors and submitted reviewing opinions to the Board. The eighth meeting of the third session of Audit Committee of the Board reviewed the Group's first quarterly report and provided suggestions to the Board in relation to the appointment of external auditors for 2012. The ninth meeting reviewed the resolution regarding the change in the estimated useful life of the Company's container assets and made recommendations to the Board. The tenth meeting of the third session of Audit Committee of the Board reviewed the financial report for the first half year of 2012, internal control report and the communication of relevant staff of the Company with domestic and overseas auditors, and submitted reviewing opinions to the Board. The eleventh meeting reviewed the Group's third quarterly report for 2012 and made recommendations to the Board. Record of attendance for each member of the Audit Committee is set out as follows:

Directors	**Number of meetings attended/ Number of meetings held**	**Attendance rate**
Wu Daqi *(independent non-executive Director) (Chairman)*	6/6	100%
Shen Kangchen *(independent non-executive Director)*	6/6	100%
Wang Daxiong *(non-executive Director)*	6/6	100%

Corporate Governance Report

(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, who is an independent non-executive director, was the Chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are 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 one meeting in 2012. The average attendance rate was 100%. The third 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 2011 at the meeting. The resolution regarding remuneration of the Directors and Supervisors for the year 2012 was reviewed at the meeting and was recommended to the Board for approval. Record of attendance for each member of the Remuneration Committee is set out as follows:

Directors	**Number of meetings attended/ Number of meetings held**	**Attendance rate**
Shen Kangchen *(independent non-executive Director) (Chairman)*	1/1	100%
Wu Daqi *(independent non-executive Director)*	1/1	100%
Zhang Jianhua *(non-executive Director)*	1/1	100%

Corporate Governance Report

(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. The Investment Strategy Committee of the third session of the Board consists of Mr. Li Shaode, Mr. Huang Xiaowen, Mr. Ma Zehua, Mr. Zhang Guofa, who are a executive directors, Mr. Lin Jianqing, Mr. Wang Daxiong, who are non-executive directors, Mr. Jim Poon (also known as Pan Zhanyuan), Mr. Shen Zhongying and Ms. Zhang Nan, who are independent non-executive directors. 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, at the 17th meeting of the third session of the Board, Mr. Xu Lirong, who is an executive director, was selected as a member of the third session of the Investment Strategy Committee of the Board. Following the resignation of Mr. Lin Jianqing as non-executive Director of the Company on 18 June 2012, he ceased to be a member of the Investment Strategy Committee. On 5 December 2012, at the 28th meeting of the third session of the Board, the members of the Investment Strategy Committee of the Board were adjusted, and Mr. Ding Nong, who is a non-executive director was appointed as a member of the Committee.

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 did not hold any meetings in 2012.

(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 Mr. Shen Zhongying, Mr. Jim Poon (also known as Pan Zhanyuan), Ms. Zhang Nan, who are independent non-executive directors, Mr. Zhang Guofa, who is an executive director, and Mr. Wang Daxiong, who is a non-executive director. Mr. Shen Zhongying, who is an independent non-executive director, 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.

Corporate Governance Report

In 2012, the third session of Nomination Committee held three meetings. The average attendance rate was 100%. The resolutions regarding change of Vice Chairman of the Company, the resignation of Mr. Lin Jianqing as Director of the Board, the appointment of Mr. Ding Nong as Director of the Board, change of the Company's General Manager and engaging the Vice General Manager 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. Record of attendance rate each member of the Nomination Committee is set out as follows:

Directors	**Number of meetings attended/ Number of meetings held**	**Attendance rate**
Shen Zhongying *(independent non-executive Director) (Chairman)*	3/3	100%
Jim Poon (also known as Pan Zhanyuan) *(Independent non-executive Director)*	3/3	100%
Zhang Nan *(Independent non-executive Director)*	3/3	100%
Zhang Guofa *(executive Director)*	3/3	100%
Wang Daxiong *(non-executive Director)*	3/3	100%

10. 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 2012, its Directors and Supervisors have complied with the requirements relating to Directors' and Supervisors' dealing in securities as set out in the Model Code.

11. 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.

Corporate Governance Report

12. 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	26 June 2012
Wang Daxiong	25 June 2010	until the conclusion of the annual general meeting for the year 2012, i.e. in or around June 2013
Ding Nong	5 December 2012	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
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

Baker Tilly China and Ernst & Young were appointed as the domestic and foreign external auditors of the Company respectively at the 2011 annual general meeting by the shareholders until the conclusion of the next annual general meeting.

The Company has paid Ernst & Young RMB7,800,000 as remuneration for its auditing service and related service provided for the year 2012. The Company has paid Baker Tilly China RMB6,000,000 as remuneration for its auditing service and related service provided for the year 2012. The Company has paid Baker Tilly China RMB700,000 as remuneration for its internal control and auditing service provided for the year 2012.

2. ACKNOWLEDGEMENT OF THE DIRECTORS AND AUDITORS

All Directors of the Company have confirmed their responsibility for preparing the financial statements of the Company for the year ended 31 December 2012.

Ernst & Young, 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 2012.

C. INTERNAL CONTROL

The Board of the Company is responsible for the internal control system of the Company and its subsidiaries and review of its effectiveness. The Board of the Company will assess and review the effectiveness of the internal control system through discussion with senior management, internal audit team and external auditors and refer to the report submitted by the internal audit team. The internal audit team will review all the important controls, including financial control, operation and compliance control and risk management function, based on its audit plan. The internal audit team will report its findings to Board of the Company and make recommendations regarding the improvement of the internal control of the Company. The Audit Committee of the Board has considered the recommendations made by the external auditor in the meeting of the Audit Committee of the Board.

The Board of the Company will review the effectiveness of the internal control system of the Company and its subsidiaries. The Board of the Company will review the effectiveness of the internal control with reference to the assessment of the Audit Committee of the Board, management, internal audit team and external auditors. The annual review will also consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

For the year ended 31 December 2012, according to the assessment of the Audit Committee, senior management and the internal audit team, the Board of the Company has reviewed the internal control system of the Company and its subsidiaries.

D. SHAREHOLDER RIGHTS

1. PROCEDURES FOR EXTRAORDINARY GENERAL MEETINGS ("EXTRAORDINARY GENERAL MEETINGS") CONVENED BY SHAREHOLDERS

Shareholders demanding the convention of an extraordinary general meeting shall proceed as follows:

(1) Shareholders individually or collectively holding 10% or more of the Company's shares shall be entitled to propose to the Board of Directors the convening of an extraordinary general meeting, provided that such proposal shall be made in writing. The Board of Directors shall, in accordance with the laws, administrative regulations and these Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within 10 days after receiving such proposal. The aforementioned number of shares held are calculated based on the number shares held by the shareholder on the date of submission of the written proposal.

(2) In the event that the Board of Directors does not agree to convene an extraordinary general meeting or does not furnish any reply within 10 days after receiving such proposal, shareholders individually or collectively holding 10% or more of the Company's shares shall be entitled to propose to the Supervisory Committee the convening of the extraordinary general meeting, provided that such proposal shall be made in writing.

Corporate Governance Report

(3) Failure of the Supervisory Committee to issue the notice of the general meeting shall be deemed as failure of the Supervisory Committee to convene and preside over a general meeting, and shareholders individually or collectively holding 10% or more of the Company's shares for 90 consecutive days or more may convene and preside over the meeting on a unilateral basis. The procedures of convening of the meeting should be similar to those of convening a general meeting by the Board of Directors as far as possible. The location of the meeting should also be at the location of the Company.

(4) Where the shareholder(s) decide(s) to convene the general meeting by itself/themselves, it/they shall send out a written notice to the Board, and shall put on the records of the dispatched office of CSRC at the locality of the Company and the stock exchange. The convening shareholder shall submit relevant evidence to the local office of CSRC at the place where the Company is located and the stock exchange(s) upon the issuance of the notice of general meeting and the announcement of the resolutions of the general meeting.

(5) The Board of Directors and the secretary to the Board of Directors shall cooperate with respect to matters relating to a general meeting convened by shareholders at its/their own discretion. The Board of Directors shall provide the register of shareholders as of the date of record date.

(6) The reasonable expenses to a general meeting convened by shareholders at their own discretion shall be borne by the Company and deducted from the monies payable by the Company to the defaulting directors.

2. PROCEDURES FOR THE PROPOSAL OF MOTIONS AT GENERAL MEETINGS

At general meetings of the Company, shareholder(s) severally or jointly holding more than 3% of the Company's shares may propose motions to the Company.

Shareholder(s) severally or jointly holding 3% or more of the Company's shares may submit an extraordinary motions in writing to the convener 10 days before a general meeting is convened; the convener shall issue a supplementary notice of general meeting within two days upon receipt of such extraordinary motions, to announce the particulars of the extraordinary motions.

3. PROCEDURES FOR SHAREHOLDERS TO RECOMMEND AN INDIVIDUAL FOR ELECTION FOR DIRECTOR

Shareholder nominees who fulfil requirements can participate in elections for the position of director at the Company's annual general meeting and extraordinary general meeting. According to the articles of association:

(1) List of candidates for directors shall be submitted as a resolution to be resolved at general meetings. Candidates for directors other than independent directors shall be nominated by the Board, the Supervisory Committee, or shareholder(s) severally or jointly holding more than 3% of the total number of shares attached with voting rights of the Company, and shall be elected at a general meeting of the Company. Candidates for independent directors shall be nominated by the Board, the Supervisory Committee, or shareholder(s) severally or jointly holding more than 1% of the total number of shares attached with voting rights of the Company, and shall be elected at a general meeting of the Company.

(2) A written notice of the intent of candidates nominated for directors and the candidates' clear indication of their acceptance of nomination shall be delivered to the Company after the date of delivery of the notice of the general meeting at which the director is to be elected and at least seven days before the date of such meeting, and the notice period shall not be shorter than seven days.

(3) Resolutions in respect of the election of directors shall be passed using an accumulative voting method.

(4) The Company shall announce the general meeting voting results in a timely manner. Appointed directors shall enter into an appointment contract with the Company.

4. PROCEDURES FOR SHAREHOLDERS TO MAKE INQUIRIES TO THE BOARD OF DIRECTORS

Shareholders can at any time submit their inquiries and questions in writing to the Board of Directors through the Company secretary. The Company secretary can be contacted through the following methods:

3rd Floor, 450 Fu Shan Road, Shanghai, The PRC

Postal code: 200122

Email: yym@cnshipping.com

Shareholders can also make inquiries to the Board at the Company's general meetings.

E. 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.

F. SUBSTANTIAL CHANGE TO THE COMPANY'S ARTICLES OF ASSOCIATION

On 5 December 2012, the Company convened the second extraordinary general meeting of 2012 where the resolution Regarding the Proposed Amendment to the Company's Articles of Association was considered and passed. This was done so to reflect the actual situation of the Company and comply with the requirements of"Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies" (Zheng Jian Fa [2012] No.37) issued by the China Securities Regulatory Commission. For details of the specific amendments, please refer to the Company's notice of extraordinary general meeting dated 19 October 2012.

Report of the Supervisory Committee

To the shareholders:

For the year ended 31 December 2012 (for the purpose of the Report of the Supervisory Committee, the "Reporting Period"), pursuant to the PRC Company Law, the Securities Law, the articles of association of the Company and the 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. WORKING STATUS OF THE SUPERVISORY COMMITTEE IN 2012

1. MEETINGS CONDUCTED BY THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee held 5 meetings in total:

1. On 28 March 2012, the eighth meeting of the third session of the Supervisory Committee was held in Shanghai. Except for supervisor Ms. Pan Yingli who appointed chairman of the supervisory committee Mr. Chen Decheng to attend the meeting on her behalf, and supervisor Mr. Hua Min who did not attend the meeting for personal reasons, all the other supervisors had attended the meeting, and the meeting was conducted in accordance with the procedures prescribed by the PRC Company Law and the articles of association. During the meeting, we reviewed and approved resolutions regarding the Company's financial report for the year 2011, the Company's profit distribution for the year 2011, the Company's annual report for the year 2011 (the full text and summary) and the Supervisory Committee's report for the year 2011.

2. On 25 April 2012, the ninth meeting of the third session of the Supervisory Committee was held by way of telecommunication. Except for supervisor Mr. Hua Min who did not attend the meeting for personal reasons, all supervisors had attended the meeting and the meeting was conducted in accordance with the procedures prescribed by the PRC Company Law and the articles of association. At the meeting, the supervisor reviewed and approved the resolution regarding the Company's first quarterly report for the year 2012.

3. On 20 July 2012, the tenth meeting of the third session of the Supervisory Committee was held by way of telecommunication. Except for supervisor Mr. Hua Min who did not attend the meeting for personal reasons, all supervisors had attended the meeting and the meeting was conducted in accordance with the procedures prescribed by the PRC Company Law and the articles of association. At the meeting, the supervisor reviewed and approved the resolution regarding the change in the estimated useful life of the Company's container assets.

4. On 29 August 2012, the eleventh 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 reasons. At the meeting, the supervisors reviewed and approved the resolutions regarding the Company's interim financial report for the year 2012 and the Company's half-year report for the year 2012 (the full text and summary).

Report of the Supervisory Committee

5. On 30 October 2012, the twelfth meeting of the third session of the Supervisory Committee was held by way of telecommunication. Except for supervisor Mr. Hua Min who did not attend the meeting for personal reasons, all supervisors attended the meeting and the meeting was conducted in accordance with the procedures prescribed by the PRC Company Law and the articles of association. At the meeting, the supervisors reviewed and approved the resolution regarding the Company's third quarterly report for the year 2012.

2. WORKING STATUS OF THE SUPERVISORY COMMITTEE IN OTHER ASPECTS

1. Attending General Managers' meetings, Board meetings and shareholder s' general meetings of the Company.

   During the Reporting Period, by attending such General Manager's meetings, the supervisors gained understanding of the implementation of the Board decisions executed by General Managers and gave reasonable opinion regarding operation and financial management and internal control, thus leading to the standardization and normalization of supervisory duties.

   During the Reporting Period, members of the Supervisory Committee attended all Board meetings convened by the Board in 2012. By reviewing information prepared for the board meeting beforehand, listening to opinion and relevant feedback from the Board and management, members of the Supervisory Committee familiarized themselves with the Company's operating status, operation and financial management and internal control in a timely manner, thus maximizing the benefit to the work performed by the Supervisory Committee.

   All general meetings convened in 2012 by the Company were attended by members of the Supervisory Committee. By attending shareholders' general meetings and interacting with minority shareholders, the supervisors ensured the interests of the minority shareholders could be better protected.

2. Research on subsidiaries of the Company, strengthening supervisory management.

   In June 2012, members of the Supervisory Committee initiated inspection and research on China Shipping Container Lines (Hong Kong) Co., Ltd., a subsidiary of the Company. The supervisors listened to a report on the production and operation status, financial management status, internal control system establishment and implementation made by the management of the Company and interacted with members of the management team. Research was initiated with an aim to improve the function of the Supervisory Committee on various areas.

Report of the Supervisory Committee

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 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 2012 objectively and completely reflected the Company's financial status and operating results for the year 2012. Baker Tilly China and Ernst & Young issued standard and unqualified audit opinion respectively.

3. 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 2012 Self-assessment Report on Internal Control submitted by the Board and has no objection to such report.

In 2013, we will continue to perform strictly the supervisory functions endowed on us by the relevant laws and regulations and the articles of association and practically protect and safeguard the legitimate interests of the Company and its shareholders.

China Shipping Container Lines Company Limited
Supervisory Committee

26 March 2013

Independent Auditors' Report

ERNST & YOUNG
安 永

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 73 to 175, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made 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.

Independent Auditors' Report

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 auditors' judgement, 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 auditors consider 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 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst&Young
Certified Public Accountants

22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
26 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	Year ended 31 December 2012 RMB'000	2011 RMB'000
Revenue	5	**32,551,070**	28,246,498
Costs of services	6	**(32,791,753)**	(30,370,654)
Gross loss		**(240,683)**	(2,124,156)
Selling, administrative and general expenses	6	**(958,246)**	(689,451)
Other income	7	**599,535**	182,699
Other gains, net	8	**1,212,614**	122,213
Operating profit/(loss)		**613,220**	(2,508,695)
Finance costs	11	**(549,131)**	(188,122)
Share of results of associated companies	21	**39,277**	27,943
Share of results of jointly-controlled entities	22	**51,166**	42,615
Profit/(loss) before income tax		**154,532**	(2,626,259)
Income tax expense	12	**419,078**	(74,214)
Profit/(loss) for the year		**573,610**	(2,700,473)
Profit/(loss) attributable to:			
Owners of parent		**524,921**	(2,743,469)
Non-controlling interests		**48,689**	42,996
		573,610	(2,700,473)
Earnings/(loss) per share for profit/(loss) attributable to ordinary equity holders of the parent			
(Expressed in RMB per share)			
– Basic and diluted	15	**RMB0.045**	RMB(0.235)
Dividends	14	**–**	–

The notes on pages 82 to 175 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

		Year ended 31 December	
		2012	2011
	Notes	**RMB'000**	RMB'000
Profit/(loss) for the year		**573,610**	(2,700,473)
Other comprehensive income/(loss)			
Share of other comprehensive income of a jointly			
– controlled entity	*22*	**–**	1,752
Currency translation differences	*29*	**(19,451)**	(411,806)
Total comprehensive income/(loss) for the year		**554,159**	(3,110,527)
Attributable to:			
Owners of parent		**505,495**	(3,153,523)
Non-controlling interests		**48,664**	42,996
Total comprehensive income/(loss) for the year		**554,159**	(3,110,527)

The notes on pages 82 to 175 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**35,676,940**	37,049,240
Leasehold land and land use rights	*17*	**92,981**	95,388
Intangible assets	*18*	**28,730**	22,991
Deferred income tax assets	*33*	**496,859**	12,593
Available-for-sale financial assets	*19*	**362,140**	362,140
Interests in associated companies	*21*	**293,965**	257,309
Interests in jointly-controlled entities	*22*	**1,329,542**	1,294,881
		38,281,157	39,094,542
Current assets			
Inventories	*25*	**1,238,030**	1,206,379
Trade and notes receivables	*26*	**2,263,700**	1,801,106
Prepayments and other receivables		**590,406**	237,190
Restricted cash	*27*	**1,000**	–
Cash and cash equivalents	*27*	**8,830,970**	7,073,273
		12,924,106	10,317,948
Total assets		**51,205,263**	49,412,490
EQUITY			
Equity attributable to ordinary equity holders of the Parent			
Share capital	*28*	**11,683,125**	11,683,125
Special reserves	*29(a)*	**2,229**	–
Other reserves	*29(b)*	**17,041,861**	17,061,062
Accumulated losses	*29(c)*	**(2,198,638)**	(2,720,854)
		26,528,577	26,023,333
Non-controlling interests		**945,084**	877,356
Total equity		**27,473,661**	26,900,689

Consolidated Statement of Financial Position

	Notes	As at 31 December 2012 RMB'000	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings	*30*	**15,363,812**	10,808,547
Domestic corporate bonds	*31*	**1,789,078**	1,786,627
Finance lease obligations	*32*	**228,384**	124,648
Deferred income tax liabilities	*33*	**11**	31
		17,381,285	12,719,853
Current liabilities			
Trade payables	*34*	**3,883,845**	3,820,428
Accrual and other payables		**778,327**	663,417
Short-term borrowings	*30*	**–**	819,117
Long-term borrowings – current portion	*30*	**1,528,272**	4,230,182
Finance lease obligations – current portion	*32*	**119,634**	194,729
Current income tax liabilities		**15,239**	39,075
Provisions	*35*	**25,000**	25,000
		6,350,317	9,791,948
Total liabilities		**23,731,602**	22,511,801
Total equity and liabilities		**51,205,263**	49,412,490
Net current assets		**6,573,789**	526,000
Total assets less current liabilities		**44,854,946**	39,620,542

The notes on pages 82 to 175 are an integral part of these consolidated financial statements.

Li Shaode
Director

Zhao Hongzhou
Director

Company Statement of Financial Position

As at 31 December 2012

	Notes	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**17,956,752**	17,818,028
Leasehold land and land use rights	*17*	**10,877**	11,226
Intangible assets	*18*	**11,206**	4,104
Deferred income tax assets	*33*	**491,889**	6,250
Interests in subsidiaries	*20*	**14,974,207**	14,955,401
Interests in associated companies	*21*	**213,972**	213,972
Interests in jointly-controlled entities	*22*	**41,500**	41,500
		33,700,403	33,050,481
Current assets			
Inventories	*25*	**493,746**	514,058
Trade and notes receivables	*26*	**1,246,185**	1,249,925
Prepayments and other receivables		**688,297**	280,983
Cash and cash equivalents	*27*	**4,225,897**	1,882,611
		6,654,125	3,927,577
Total assets		**40,354,528**	36,978,058
EQUITY			
Share capital	*28*	**11,683,125**	11,683,125
Special reserves	*29(a)*	**449**	–
Other reserves	*29(b)*	**19,012,889**	19,012,889
Accumulated losses	*29(c)*	**(1,083,225)**	(600,683)
Total equity		**29,613,238**	30,095,331

Company Statement of Financial Position

	Notes	As at 31 December 2012 RMB'000	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings	*30*	**2,923,969**	–
Domestic corporate bonds	*31*	**1,789,078**	1,786,627
		4,713,047	1,786,627
Current liabilities			
Trade payables	*34*	**4,464,521**	4,681,583
Accrual and other payables		**709,036**	186,584
Short-term borrowings	*30*	**817,115**	189,027
Long-term borrowings – current portion	*30*	**12,571**	–
Current income tax liabilities		**–**	13,906
Provision	*35*	**25,000**	25,000
		6,028,243	5,096,100
Total liabilities		**10,741,290**	6,882,727
Total equity and liabilities		**40,354,528**	36,978,058
Net current assets/(liabilities)		**625,882**	(1,168,523)
Total assets less current liabilities		**34,326,285**	31,881,958

The notes on pages 82 to 175 are an integral part of these consolidated financial statements.

Li Shaode
Director

Zhao Hongzhou
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

		Attributable to owners of parent					
	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		–	(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 82 to 175 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of parent						
	Share capital RMB'000	Special reserves RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2012	11,683,125	–	17,061,062	(2,720,854)	26,023,333	877,356	26,900,689
Profit for the year	–	–	–	524,921	524,921	48,689	573,610
Currency translation differences	–	–	(19,426)	–	(19,426)	(25)	(19,451)
Total comprehensive (loss)/income for the year ended 31 December 2012	–	–	(19,426)	524,921	505,495	48,664	554,159
Transaction with owners							
Capital injection from non-controlling interests	–	–	–	–	–	47,853	47,853
Dividends to non-controlling interests	–	–	–	–	–	(28,635)	(28,635)
Accrued special reserve during the year	–	164,475	–	(164,475)	–	–	–
Used special reserve during the year	–	(162,246)	–	162,246	–	–	–
Others	–	–	225	(476)	(251)	(154)	(405)
Balance at 31 December 2012	11,683,125	2,229	17,041,861	(2,198,638)	26,528,577	945,084	27,473,661

The notes on pages 82 to 175 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	Year ended 31 December 2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	*36(a)*	**229,588**	(2,302,700)
Income tax paid		**(93,276)**	(91,595)
Net cash generated from/(used in) operating activities		**136,312**	(2,394,295)
Cash flows from investing activities			
Purchase of items of property, plant and equipment and intangible assets		**(2,115,107)**	(5,385,603)
Proceeds from disposal of property, plant and equipment	*36(b)*	**3,389,312**	61,900
Increase in investments in jointly-controlled entities and associated companies		**(19,800)**	(201,472)
Decrease in loan to a jointly–controlled entity		**–**	13,000
Acquisition of non-controlling interest of a subsidiary		**–**	(34,021)
Dividends received from an associated company		**12,621**	4,326
Dividends received from jointly-controlled entities		**26,318**	9,682
Dividends received from available-for-sale financial assets	*7*	**11,497**	10,729
Interest received		**86,909**	133,933
Net cash generated from/(used in) investing activities		**1,391,750**	(5,387,526)
Cash flows from financing activities			
Interest paid		**(620,547)**	(331,271)
Capital injection from non-controlling shareholders		**47,853**	90,000
Proceeds from short-term and long-term borrowings		**11,010,034**	7,736,196
Repayments of short-term and long-term bank borrowings		**(9,930,172)**	(2,899,536)
Capital element of finance lease payments		**(239,788)**	(212,959)
Interest element of finance lease payments		**(29,350)**	(29,522)
Dividends paid to non-controlling interests		**(4,593)**	(6,159)
Net cash generated from financing activities		**233,437**	4,346,749
Net increase/(decrease) in cash and cash equivalents		**1,761,499**	(3,435,072)
Cash and cash equivalents at beginning of year	*27*	**7,073,273**	10,648,396
Exchange losses on cash and cash equivalents		**(3,802)**	(140,051)
Cash and cash equivalents at end of year	*27*	**8,830,970**	7,073,273

The notes on pages 82 to 175 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 Shares"), 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 Shares"), 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 26 March 2013.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure of requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for cash-settled share-based compensation plan which has been measured at fair value as explained in the accounting policies set out below. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

2.1 BASIS OF PREPARATION *(continued)*

BASIS OF CONSOLIDATION *(continued)*

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

Notes to the Consolidated Financial Statements

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have a material impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly-Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

JOINT VENTURES

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

JOINTLY-CONTROLLED ENTITIES

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in a jointly-controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

ASSOCIATES

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Notes to the Consolidated Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BUSINESS COMBINATIONS AND GOODWILL *(continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly-controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are 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	12 years
Port and depot infrastructure	20 to 50 years
Loading machinery	8 to 20 years
Motor vehicles, computer, office equipment and furniture	3 to 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Notes to the Consolidated Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION *(continued)*

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year when the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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 this 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.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

(a) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INTANGIBLE ASSETS (OTHER THAN GOODWILL) *(continued)*

(b) Computer software

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASES

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

SALE AND LEASEBACK TRANSACTIONS

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognised immediately.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

Available-for-sale financial assets

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for “Revenue recognition” below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

Available-for-sale financial assets (continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and 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 (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT OF FINANCIAL ASSETS *(continued)*

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Notes to the Consolidated Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. These techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INCOME TAX *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) 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;

(b) from chartering of vessels under operating leases, over the periods of the respective leases on the straight-line basis;

(c) from container terminal operation, when the services are rendered;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

SHARE-BASED PAYMENTS

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the binomial option valuation model, taking into account the terms and conditions upon which the instruments were granted (Note 9). The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is measured at the end of each reporting period up to and including the settlement date, with changes in fair value recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

OTHER 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 HKD1,250 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.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

DIVIDENDS

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

FOREIGN CURRENCIES

Certain subsidiaries incorporated outside Mainland China have Hong Kong dollars ("HK$"), United States dollars ("US$") and South African rand ("ZAR") as their functional currencies, respectively. The functional currency of Mainland China subsidiaries is the RMB. As the Group mainly operates in Mainland China, the RMB is used as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized recognised in the income statement.

Notes to the Consolidated Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FOREIGN CURRENCIES *(continued)*

Differences arising on settlement or translation of monetary items are recognised in the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measure in fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference is on the items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of non-PRC established subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their income statements are translated into RMB at the weighted average rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC established subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC established companies which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Lease accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases and, in respect of finance leases, determining the appropriate discount rate implicit in the lease to discount minimum lease payments. In respect of certain leases classified as finance leases, it has not been possible to reliably estimate lessors' residual values and management has been required to independently estimate an appropriate discount rate. Judgement is also required in respect of the treatment of gains and losses arising on the sale and leaseback of assets. The accounting policy for leases is set out in Notes 2.4.

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Impairment of container vessels and containers

The Group assesses whether vessels and containers have any indication of impairment, in accordance with the accounting policy stated in Note 2.4 in the annual financial statements for the year ended 31 December 2012. As at 31 December 2012, after reviewing the external and internal evidences, the directors considered there was no indication of impairment, accordingly no assessment of the recoverable amounts of the assets has been conducted.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

ESTIMATION UNCERTAINTY *(continued)*

(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. The estimated useful life of containers was changed from 8-10 years to 12 years effective from 1 April 2012 based on the actual use of the assets. The change in estimate does not have a material impact to the Group.

Were the useful lives to differ by 10% from management's estimates as at 31 December 2012 with all other variables held constant, the estimated depreciation expense of property, plant and equipment for the year would be approximately RMB138,828,000 lower or RMB169,679,000 higher for the year ended 31 December 2012.

Were the residual values to differ by 10% from management's estimates as at 31 December 2012 with all other variables held constant, the estimated depreciation expense of property, plant and equipment for the year would be approximately RMB22,169,000 lower or higher for the year ended 31 December 2012.

(iii) Income taxes and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred 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 2.4. 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.

4 FINANCIAL RISK MANAGEMENT

4.1 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 2012, if RMB had strengthened/weakened by 5% against the USD/HKD with all other variables held constant, post-tax profit for the year would have been RMB74,451,150 higher/lower (2011: post-tax loss of RMB131,185,827 lower/higher), 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 2012 and 2011, around 39% and 27% of the Group's borrowings, domestic corporate bonds, and finance lease obligations were at fixed rates respectively. During 2012 and 2011, 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.

Notes to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(a) Market risk (continued)

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

As at 31 December 2012, if interest rates had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been RMB178,310,882 lower/higher (2011: post-tax loss of RMB110,048,000 higher/lower), mainly as a result of higher/lower interest expense on floating rate bank borrowings.

(iii) Price risk

The container transport and logistics activities are sensitive to economic fluctuations. The Group is exposed to freight rate risk. The Group's revenue will increase/decrease by RMB311,538,000 (2011: increase/decrease RMB266,923,000) for a 1% increase/reduction of the average container freight rates with all other variables held constant.

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 2012, the Group did not have bunker forward contracts (2011: 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-Statement of Financial position financial guarantees is related to the Company which provides to subsidiaries loans and other banking facilities amounting to approximately RMB5,605 million (2011: RMB7,330 million) as at 31 December 2012, being the face value of the borrowings under guarantee and with a maturity term to year 2015 (2011: to year 2014).

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(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 Statement of Financial position liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

For the year ended 31 December 2012, the Group's operating loss and profit for the year amounted to RMB613,220,000 and RMB573,610,000, respectively. The net operating cash inflow amounted to RMB136,312,000.

The directors of the Company believe that based on the Group's available unused banking facilities in excess of RMB808 million and its cash and cash equivalents of RMB8,832 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 statement of financial position 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 statement of financial position date).

Notes to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(c) Liquidity risk (continued)

The Group

	Less than 1 year RMB'000	**Between 1 and 2 years** RMB'000	**Between 2 and 5 years** RMB'000	**Over 5 years** RMB'000
At 31 December 2012				
Borrowings *(Note 30)*	**1,528,272**	**4,283,980**	**8,923,135**	**2,156,697**
Domestic corporate bonds *(Note 31)*	**–**	**–**	**–**	**1,800,000**
Interest payables in relation to the borrowings and domestic corporate bonds	**609,445**	**565,148**	**628,579**	**97,514**
Finance lease obligations *(Note 32)*	**136,414**	**48,457**	**142,855**	**78,899**
Trade payables *(Note 34)*	**3,883,845**	**–**	**–**	**–**
Accrual and other payables	**656,505**	**–**	**–**	**–**
At 31 December 2011				
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 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	–	–	–

Notes to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 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 2012				
Borrowings *(Note 30)*	**829,686**	**12,571**	**2,911,398**	**–**
Domestic corporate bonds *(Note 31)*	**–**	**–**	**–**	**1,800,000**
Interest payables in relation to the borrowings and domestic corporate bonds	**212,652**	**210,501**	**224,071**	**–**
Trade payables *(Note 34)*	**4,464,521**	**–**	**–**	**–**
Accrual and other payables	**528,329**	**–**	**–**	**–**
Financial guarantee contracts	**750,489**	**358,274**	**3,268,460**	**–**
At 31 December 2011				
Borrowings *(Note 30)*	189,027	–	–	–
Domestic corporate bonds *(Note 31)*	–	–	–	1,800,000
Interest payables in relation to the 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	–

Notes to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.2 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 statement of financial position) less cash and cash equivalents.

The gearing ratios of the Group at 31 December 2012 and 2011 were as follows:

	2012 **RMB'000**	2011 RMB'000
Borrowings *(Note 30)*	**16,892,084**	15,857,846
Domestic corporate bonds *(Note 31)*	**1,789,078**	1,786,627
Finance lease obligations *(Note 32)*	**348,018**	319,377
Less: Cash and cash equivalents *(Note 27)*	**(8,831,970)**	(7,073,273)
Net debt	**10,197,210**	10,890,577
Total equity	**27,473,661**	26,900,689
Gearing ratio (net debt/total equity)	**37.1%**	40.5%

Note:

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

4.3 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 2012 and 2011, the Group did not have any financial asset or liability that was measured at fair value.

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 profit/(loss), which is reconciled to profit/(loss) before income tax.

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

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

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Pacific	**10,405,292**	8,783,838
Europe/Mediterranean	**8,646,234**	6,604,389
Asia Pacific	**5,996,221**	4,886,381
China Domestic	**6,171,166**	6,210,270
Others	**1,332,157**	1,761,620
Turnover	**32,551,070**	28,246,498

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(continued)*

The segment information for the year ended 31 December 2012 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	32,154,349	582,049	(185,328)	32,551,070
Less: inter-segment revenue	–	(185,328)	185,328	–
Revenue of the Group, from external customers	32,154,349	396,721	–	32,551,070
Segment operating profit	436,096	177,124	–	613,220
Finance costs	(506,357)	(42,774)	–	(549,131)
Share of results of				
– Associated companies	765	757	–	1,522
– Jointly-controlled entities	5,294	45,872	–	51,166
Segment (loss)/profit before income tax	(64,202)	180,979	–	116,777
Unallocated share of results of				
– An associated company				37,755
Profit before income tax				154,532
Income tax expense				419,078
Profit for the year				573,610
Other items				
Depreciation and amortisation	1,454,853	81,402	–	1,536,255
Additions to non-current assets (other than financial instruments and deferred income tax assets)	2,346,148	119,056	–	2,465,204
Statement of financial position				
Segment assets	44,863,329	4,156,229	(296,801)	48,722,757
Jointly-controlled entities	45,812	1,283,730	–	1,329,542
Associated companies	65,824	20,957	–	86,781
Available-for-sale financial assets	–	362,140	–	362,140
Total segment assets	44,974,965	5,823,056	(296,801)	50,501,220
Unallocated assets				
– An associated company				207,184
– Deferred income tax assets				496,859
Total assets				51,205,263
Segment liabilities	21,643,887	2,373,498	(296,801)	23,720,584
Unallocated liabilities				
– Deferred income tax liabilities				11
– Current income tax liabilities				11,007
Total liabilities				23,731,602

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
Statement of financial position				
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

Notes to the Consolidated Financial Statements

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.

No revenue from a single customer or a group of customers under common control derived 10% or more of the Group's revenue for the years ended 31 December 2012 and 2011.

6 COSTS AND EXPENSES BY NATURE

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

	2012	2011
	RMB'000	RMB'000
Costs of services		
Container repositioning and management	**8,449,877**	7,583,310
Bunkers consumed	**10,259,746**	9,367,069
Operating lease rentals	**3,371,930**	3,772,534
Port charges	**1,974,880**	1,824,843
Depreciation *(Note 16)*	**1,497,543**	1,423,229
Employee benefit expenses *(Note 9)*	**1,436,785**	1,128,050
Utilisation of onerous contracts *(Note 35)*	**–**	(6,359)
Sub-route costs and others	**5,800,992**	5,277,978
	32,791,753	30,370,654
Selling, administrative and general expenses		
Employee benefit expenses *(Note 9)*	**579,296**	366,856
Rental expenses	**62,396**	59,118
Telecommunication and utilities expenses	**42,462**	39,038
Depreciation *(Note 16)*	**29,573**	28,166
Repair and maintenance expenses	**4,235**	4,573
Auditors' remuneration	**13,800**	13,740
Amortisation *(Notes 17, 18)*	**9,139**	6,755
Provision for/(reversal of) impairment of trade receivables *(Note 26)*	**16,433**	(27,173)
Office expenses and others	**200,912**	198,378
	958,246	689,451
	33,749,999	31,060,105

Notes to the Consolidated Financial Statements

7 OTHER INCOME

	2012	2011
	RMB'000	RMB'000
Interest income	**183,225**	103,870
Government grant related to income	**123,040**	51,690
Refund of value-added tax ("VAT") *(Note a)*	**267,751**	–
Dividends income from available-for-sale financial assets	**11,497**	10,729
Interest income from loan to a jointly-controlled entity	**–**	395
Information technology services fees	**14,022**	16,015
	599,535	182,699

Note:

(a) For the year ended 31 December 2012, the Company, Shanghai Puhai Shipping Lines Co., Ltd. and Yangshan International Container Storage & Transportation Co., Ltd., subsidiaries of the Group, are entitled to a refund of VAT in accordance with "Circular on Issues Concerning the Transitional Preferential Policies in the Pilot Collection of Value-Added Tax in Lieu of Business Tax in Transportation and Certain Areas of Modern Services Industries", the appendix 3 of Cai Shui [2011] No.111 "Circular on Carrying out the Pilot Collection of Value-Added Tax in Lieu of Business Tax to be imposed on Transportation Industry and Part of Modern Services Industry in Shanghai" ("the Circular").

8 OTHER GAINS, NET

	2012	2011
	RMB'000	RMB'000
Gains on disposal of items of property, plant and equipment (Note a)	**1,145,291**	51,210
Compensation	**51,643**	–
Net foreign exchange gains	**15,680**	71,003
	1,212,614	122,213

Note:

(a) During the year, China Shipping Container Lines (Hong Kong) Co., Ltd. ("CSCL HK") and China Shipping Container Lines (Asia) Co., Limited ("CSCL Asia"), subsidiaries of the Group, entered into agreements ("the Sale Agreements") with certain container leasing companies ("Purchasers") pursuant to which CSCL HK and CSCL Asia agreed to sell containers of the Group ("the Containers") of an aggregate net book value of RMB2,152,086,000 as of the dates when relevant containers were disposed of for a total consideration of RMB3,246,548,000. A gain of RMB1,094,462,000 is recognized in other gains, net as the terms of the Sale Agreements and Leaseback Agreements are demonstrably at fair value.

Notes to the Consolidated Financial Statements

8 OTHER GAINS, NET *(continued)*

Note: (continued)

The said consideration was agreed after arm's length negotiations between CSCL (HK), CSCL (Asia) and the Purchasers with reference to the assets valuation report on the Containers dated 20 September 2012 issued by an independent and qualified PRC valuer, China Tong Cheng Assets Appraisal Co., Ltd.

CSCL (HK), CSCL (Asia) (as lessees) and the Purchasers (as lessor) also entered into leaseback agreements ("the Leaseback Agreements") on the same dates of signing of the Sale Agreements pursuant to which CSCL (HK) and CSCL (Asia) leased the Containers from the Purchasers for a period of two to four years upon the terms and conditions as contained therein ("the Leaseback transactions"). The Leaseback transactions are accounted for as operating leases as the Group does not retain the risks and rewards incident to the ownership of the Containers.

9 EMPLOYEE BENEFIT EXPENSES

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

	2012	2011
	RMB'000	RMB'000
Staff salaries and hiring of crews	**1,266,939**	1,008,769
Social welfare benefits	**741,078**	582,235
Change in fair value of share-based compensation liabilities	**8,064**	(96,098)
	2,016,081	1,494,906

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 Shares, 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.

9 EMPLOYEE BENEFIT EXPENSES *(continued)*

Until the liabilities relating to the Rights are settled, the Group re-measures the fair value of the liabilities at each statement of financial position date by using the binomial option valuation model. 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:

	2012		2011	
	Average exercise price (HKD per share)	**Unit of Rights (thousands)**	Average exercise price (HKD per share)	Unit of Rights (thousands)
At 1 January	**2.83**	**96,457**	2.82	102,948
Forfeited	**2.83**	**(2,607)**	2.70	(6,491)
At 31 December	**2.83**	**93,850**	2.83	96,457

Up to 31 December 2012, no rights granted have been exercised (2011: Nil). As at 31 December 2012, the expiry dates of the outstanding Rights were between 2013 and 2015.

The fair value of the Rights is estimated on each balance sheet date by using the binomial option valuation model based on an expected volatility from 54.61% to 65.79%, exercise price shown above, no expected dividend yield and risk-free interest rates from 6.24% to 7.08%. The volatility compared with the valuation report measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company and other comparable companies.

During the year ended 31 December 2012, the Group recognised a loss of approximately RMB8,064,000 (2011: a gain of RMB96,098,000) as a result of the increase in fair value of the share-based compensation liability related to the Rights from approximately RMB32,685,000 as at 31 December 2011 to approximately RMB40,749,000 as at 31 December 2012. As at 31 December 2012, the unrecognised compensation cost of the outstanding Rights is approximately RMB2,100,000 (2011: RMB3,200,000) which is expected to be recognised within the next two years.

Notes to the Consolidated Financial Statements

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 2012					
Directors					
Mr. Li Shaode	–	–	–	–	3,382,100
Mr. Xu Lirong	–	–	–	–	–
Mr. Zhang Guofa	–	–	–	–	2,218,050
Mr. Huang Xiaowen	–	1,495	121	1,616	3,334,050
Mr. Zhao Hongzhou	–	2,373	237	2,610	2,604,000
Mr. Zhang Jianhua	–	–	–	–	1,240,000
Mr. Wang Daxiong	–	–	–	–	1,240,000
Mr. Xu Hui	–	–	–	–	1,085,000
Mr. Ding Nong *(a)*	–	–	–	–	–
Mr. Lin Jianqing	–	–	–	–	525,450
Mr. Zhang Rongbiao	–	–	–	–	–
Ms. Zhang Nan	100	–	–	100	–
Mr. Wu Daqi	–	–	–	–	–
Mr. Shen Kangchen	100	–	–	100	–
Mr. Jim Poon	300	–	–	300	–
Mr. Shen Zhongying	100	–	–	100	–
Supervisors					
Mr. Chen Decheng	100	–	–	100	948,600
Mr. Wang Xiuping	–	660	165	825	1,395,000
Mr. Kou Laiqi	–	–	–	–	156,550
Mr. Tu Shiming	–	2,208	230	2,438	246,450
Mr. Hua Min	100	–	–	100	–
Ms. Pan Yingli	100	–	–	100	–
Senior management					
Mr. Huang Xinming	–	2,628	165	2,793	2,604,000
Mr. Li Zhigang	–	2,260	238	2,498	1,399,650
Mr. Feng Xingguo	–	2,181	232	2,413	1,240,000
Mr. Liu Chong	–	2,208	236	2,444	–
Mr. Zhang Mingwen *(b)*	–	8	12	20	–
Mr. Ye Yumang	–	638	161	799	1,240,000
	900	16,659	1,797	19,356	24,858,900

Notes:

(a) Appointed on 5 December 2012;

(b) Appointed on 21 November 2012.

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 1 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
Senior management					
Mr. Huang Xinming	–	910	229	1,139	2,604,000
Mr. Li Zhigang	–	774	195	969	1,399,650
Mr. Feng Xingguo	–	774	176	950	1,240,000
Mr. Liu Chong *(g)*	–	157	31	187	–
Mr. Ye Yumang	–	468	132	599	1,240,000
Mr. Zhao Xiaoming *(h)*	–	621	160	781	2,174,650
	1,000	6,664	1,676	9,338	28,862,300

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

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

Note:

(a) Resigned on 30 September 2011;

(b) Appointed on 22 November 2011;

(c) Resigned on 28 April 2011;

(d) Appointed on 28 April 2011;

(e) Appointed on 28 April 2011;

(f) Resigned on 28 April 2011;

(g) Appointed on 26 October 2011;

(h) Resigned on 26 October 2011.

No directors or supervisors of the Company waived any emoluments during the year ended 31 December 2012 (2011: Nil). No discretionary bonus was paid to any of the directors or supervisors of the Company during the year ended 31 December 2012 (2011: Nil).

In year 2012, fair value of the Rights granted to the directors and supervisors of the Company increased by approximately RMB2,136,000 (2011: decreased by approximately RMB22,039,000).

(B) FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included one director, one supervisor and three members of senior management (2011: two directors and three members of senior management), details of whose remuneration are set out in Note 10(a) above.

(C) During the year ended 31 December 2012, 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 (2011: Nil).

11 FINANCE COSTS

	2012 **RMB'000**	2011 RMB'000
Interest expenses:		
– Borrowings and domestic corporate bonds	**713,203**	342,146
– Finance lease obligations	**29,350**	29,522
Total interest expenses	**742,553**	371,668
Less: amount capitalised in vessels under construction and construction in progress	**(193,422)**	(183,546)
	549,131	188,122

The capitalisation rate applied to funds borrowed and bonds issued generally and utilised for the vessels under construction is 3.75% (2011: 2.29%) per annum for the year ended 31 December 2012.

12 INCOME TAX EXPENSE

	2012 **RMB'000**	2011 RMB'000
Current income tax		
– Hong Kong profits tax *(Note (a))*	**2,823**	3,557
– PRC corporate income tax *(Note (b))*	**62,385**	67,674
Deferred income tax *(Note 33)*	**(484,286)**	2,983
	(419,078)	74,214

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax is provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits of the Group's companies operated in Hong Kong for the year ended 31 December 2012.

Notes to the Consolidated Financial Statements

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 five years from 2008 to 2012. The applicable income tax rate of the Company for 2012 is 25% (2011:24%). 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 dividends received by the Company from its overseas subsidiaries are subject to CIT at a rate of 25%.

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

	2012	2011
	RMB'000	RMB'000
Profit/(loss) before income tax	**154,532**	(2,626,259)
Less: Share of results of associated companies	**(39,277)**	(27,943)
Share of results of jointly-controlled entities	**(51,166)**	(42,615)
	64,089	(2,696,817)
Tax calculated at an income tax rate of 25% (2011: 24%)	**16,022**	(647,236)
Tax losses for which no deferred income tax asset was recognised	**282,064**	824,894
Recognition of tax losses previously not recognised	**(485,639)**	–
Utilisation of tax losses for which no deferred income tax asset was recognised	**–**	(8,863)
Dividend income not subject to tax	**(2,874)**	(2,575)
Income not subject to tax	**(228,041)**	–
Effect of different tax rate or tax base of subsidiaries and others	**(610)**	(92,006)
	(419,078)	74,214

13 PROFIT ATTRIBUTABLE TO OWNERS OF PARENT

The profit attributable to owners of parent includes a loss of RMB482,542,000 which has been dealt with in the financial statements of the Company (2011: loss of RMB1,466,147,000).

14 DIVIDENDS

The directors do not recommend a dividend in respect of the year ended 31 December 2012 (2011: Nil).

15 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of parent by the weighted average number of ordinary shares in issue during the year.

	2012	2011
Profit/(loss) attributable to ordinary equity holders of the Company (RMB'000)	**524,921**	(2,743,469)
Weighted average number of ordinary shares in issue (thousands)	**11,683,125**	11,683,125
Basic earnings/(loss) per share (RMB)	**0.045**	(0.235)

Diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share, as the Company does not have any potential dilutive ordinary shares during the year ended 31 December 2012 (2011: Nil).

Notes to the Consolidated Financial Statements

16 PROPERTY, PLANT AND EQUIPMENT

	The Group									
	Container vessels	Vessels under construction	Improvement under operating leases	Buildings	Construction in progress	Containers	Port and depot infrastructure	Loading machinery	Motor vehicles, computer office equipment and furniture	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011										
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
Year ended 31 December 2012										
Opening 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**
Exchange difference	**(24,276)**	**(3,995)**	**(2)**	**(1)**	**(135)**	**(6,146)**	**–**	**–**	**(205)**	**(34,760)**
Transfers	**4,057,997**	**(4,057,997)**	**–**	**25,095**	**(790,296)**	**172,890**	**–**	**587,858**	**4,453**	**–**
Additions	**25,470**	**1,811,731**	**6,875**	**–**	**155,400**	**400,975**	**6,791**	**11,377**	**34,107**	**2,452,726**
Disposals	**(58,294)**	**–**	**–**	**–**	**–**	**(2,194,082)**	**–**	**(4,493)**	**(6,281)**	**(2,263,150)**
Depreciation *(Note 6)*	**(1,134,165)**	**–**	**(4,353)**	**(10,405)**	**–**	**(249,264)**	**(18,608)**	**(53,937)**	**(56,384)**	**(1,527,116)**
Closing net book amount	**27,477,295**	**2,237,195**	**13,985**	**264,452**	**1,739,011**	**1,669,022**	**942,629**	**1,129,264**	**204,087**	**35,676,940**
At 31 December 2012										
Cost	**34,166,375**	**2,237,195**	**104,086**	**330,666**	**1,739,011**	**2,581,886**	**1,071,949**	**1,470,253**	**553,518**	**44,254,939**
Accumulated depreciation and impairment losses	**(6,689,080)**	**–**	**(90,101)**	**(66,214)**	**–**	**(912,864)**	**(129,320)**	**(340,989)**	**(349,431)**	**(8,577,999)**
Net book amount	**27,477,295**	**2,237,195**	**13,985**	**264,452**	**1,739,011**	**1,669,022**	**942,629**	**1,129,264**	**204,087**	**35,676,940**

Notes to the Consolidated Financial Statements

16 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Company

	Container vessels RMB'000	Vessels under construction RMB'000	Buildings RMB'000	Construction in progress RMB'000	Motor vehicles, computer office equipment and furniture RMB'000	Total RMB'000
At 1 January 2011						
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
Year ended 31 December 2012						
Opening net book amount	**15,396,381**	**2,190,563**	**155,339**	**8,525**	**67,220**	**17,818,028**
Transfers	**1,806,502**	**(1,806,502)**	**–**	**(9,179)**	**9,179**	**–**
Additions	**9,229**	**883,032**	**–**	**2,586**	**2,272**	**897,119**
Disposals	**(19,996)**	**–**	**–**	**–**	**(8,881)**	**(28,877)**
Depreciation	**(706,479)**	**–**	**(6,738)**	**–**	**(16,301)**	**(729,518)**
Closing net book amount	**16,485,637**	**1,267,093**	**148,601**	**1,932**	**53,489**	**17,956,752**
At 31 December 2012						
Cost	**21,673,068**	**1,267,093**	**195,778**	**1,932**	**196,115**	**23,333,986**
Accumulated depreciation and impairment losses	**(5,187,431)**	**–**	**(47,177)**	**–**	**(142,626)**	**(5,377,234)**
Net book amount	**16,485,637**	**1,267,093**	**148,601**	**1,932**	**53,489**	**17,956,752**

Notes to the Consolidated Financial Statements

16 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) As at 31 December 2012, the net book value of the Group's containers held under finance leases amounted to approximately RMB724,841,978 (2011: RMB690,473,610).

(b) As at 31 December 2012, 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 RMB6,033,486,000 (2011: RMB4,930,645,000) (Note 30).

(c) As at 31 December 2012, 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 RMB427,613,000 and RMB6,350,489,000, respectively (2011: RMB2,150,642,000 and RMB5,580,683,000, respectively).

(d) During the year ended 31 December 2012, the capitalised borrowing costs of the Group and the Company included in vessels under construction and construction in progress amounted to approximately RMB193,422,000 and RMB72,878,000 (2011: RMB183,546,000 and RMB71,501,000), respectively.

(e) As at 31 December 2012, the accumulated impairment losses of the container vessels of the Group included under "accumulated depreciation and impairment losses" amounted to RMB26,363,000 (2011: RMB26,363,000).

(f) Depreciation expenses of RMB1,497,543,000 (2011: RMB1,423,229,000) has been charged to consolidated income statement within costs of services, and RMB29,573,000 (2011: RMB28,166,000) has been charged to consolidated income statement within selling, administrative and general expenses (Note 6).

17 LEASEHOLD LAND AND LAND USE RIGHTS

	The Group	The Company
	RMB'000	RMB'000
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
Year ended 31 December 2012		
Opening net book value	**95,388**	**11,226**
Amortisation charge for the year *(Note 6)*	**(2,407)**	**(349)**
Closing net book amount	**92,981**	**10,877**
At 31 December 2012		
Cost	**107,889**	**13,918**
Accumulated amortisation	**(14,908)**	**(3,041)**
Net book amount	**92,981**	**10,877**

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

Notes to the Consolidated Financial Statements

18 INTANGIBLE ASSETS

	The Group			The Company
	Port line use rights RMB'000	Computer software RMB'000	Total RMB'000	Computer software RMB'000
Year ended 31 December 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
Year ended 31 December 2012				
Opening net book value	**2,731**	**20,260**	**22,991**	**4,104**
Exchange difference	**–**	**(7)**	**(7)**	**–**
Additions	**–**	**12,478**	**12,478**	**8,796**
Amortisation charge for the year *(Note 6)*	**(58)**	**(6,674)**	**(6,732)**	**(1,694)**
Closing net book amount	**2,673**	**26,057**	**28,730**	**11,206**
At 31 December 2012				
Cost	**2,903**	**45,899**	**48,802**	**16,120**
Accumulated amortisation	**(230)**	**(19,842)**	**(20,072)**	**(4,914)**
Net book amount	**2,673**	**26,057**	**28,730**	**11,206**

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

	2012 RMB'000	2011 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 returns through dividend income. They included a 14% equity interest in Tianjin Universal International Port Co., Ltd. of RMB160,300,000 (2011: RMB160,300,000), a 15% equity interest in Lianyungang Electronic Port Information Development Co., Ltd. of RMB3,000,000 (2011: RMB3,000,000) and a 3.9% equity interest in Yantai Port Co., Ltd. ("Yantai Port") of RMB198,840,000 (2011: 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 estimates 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

	2012 RMB'000	2011 RMB'000
Investments in subsidiaries – unlisted shares, at cost	**14,974,207**	14,955,401

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

(i) In September 2012, the Company made capital investment to a newly established subsidiary, China Shipping (Africa) Holdings (PTY) Ltd. by cash injection of RMB12,578,000, representing a 100% equity interest at the subsidiary; and

(ii) The fair value of share option benefits amounting to approximately RMB31,545,000 (2011: RMB25,317,000) 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 2012 is set out in Note 40(a).

Notes to the Consolidated Financial Statements

21 INTERESTS IN ASSOCIATED COMPANIES

THE GROUP

	2012 RMB'000	2011 RMB'000
Beginning of year	257,309	84,720
Increase in investments *(Notes a to d)*	10,000	148,972
Share of results of associated companies	39,277	27,943
Dividend received	(12,621)	(4,326)
End of year	293,965	257,309

THE COMPANY

	2012 RMB'000	2011 RMB'000
Unlisted investment, at cost		
Beginning of year	213,972	75,000
Increase in investments *(Notes b and d)*	–	138,972
End of year	213,972	213,972

Notes:

(a) In April 2012, the Group made further capital investment in Ningbo Mei Shan Bonded Port- Area New Bay Terminal Management Co., Ltd. ("Ningbo Mei Shan Port") by cash injection of RMB10,000,000. After this investment, the Group's equity interest in Ningbo Mei Shan Port remains 20%.

(b) 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.

(c) In May 2011, the Group made capital investment to a newly established company, Ningbo Mei Shan Port by cash injection of RMB10,000,000, representing 20% equity interests at the investee.

(d) 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%.

21 INTERESTS IN ASSOCIATED COMPANIES *(continued)*

Notes: (continued)

(e) The interests in associated companies as at 31 December 2012 included goodwill of RMB670,000 (2011: RMB670,000). 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:

	2012				2011			
	Angang Trans-portation RMB'000	**Ningbo Mei Shan Port RMB'000**	**CS Finance RMB'000**	**Total RMB'000**	Angang Trans-portation RMB'000	Ningbo Mei Shan Port RMB'000	CS Finance RMB'000	Total RMB'000
Total assets	**93,039**	**21,050**	**2,504,626**	**2,618,715**	89,979	10,227	1,524,740	1,624,946
Total liabilities	**27,884**	**94**	**2,297,442**	**2,325,420**	24,216	27	1,344,064	1,368,307
Net assets	**65,155**	**20,956**	**207,184**	**293,295**	65,763	10,200	180,676	256,639
Revenue	**90,792**	**1,500**	**110,834**	**203,126**	100,219	476	80,091	180,786
Net profit	**764**	**757**	**37,756**	**39,277**	2,461	200	25,282	27,943
Percentage of interest held	**20.07%**	**20%**	**25.00%**		20.07%	20%	25%	

(f) The details of the associated companies of the Group as at 31 December 2012 are set out in Note 40(b).

22 INTERESTS IN JOINTLY-CONTROLLED ENTITIES

THE GROUP

	2012 RMB'000	2011 RMB'000
Beginning of year	**1,294,881**	1,207,344
Increase in investments *(Notes a to b)*	**9,800**	52,500
Share of results of jointly-controlled entities	**51,166**	42,615
Share of other comprehensive income	**–**	1,752
Others	**225**	–
Dividends declared by jointly-controlled entities	**(26,272)**	(9,274)
Exchange differences	**(258)**	(56)
End of year	**1,329,542**	1,294,881

Notes to the Consolidated Financial Statements

22 INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

THE COMPANY

	2012 RMB'000	2011 RMB'000
Unlisted investment, at cost		
Beginning of year	41,500	37,000
Increase in investments *(Note b)*	–	4,500
End of year	41,500	41,500

Notes:

(a) In October 2012, the Group made capital investments in a newly established company, Lianyungang Xindongrun Port Stevedoring Co., Ltd. by cash injections of RMB9,800,000, representing a 49% equity interest of the investees.

(b) 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.

(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.

(d) The interests in jointly-controlled entities as at 31 December 2012 included goodwill of RMB31,959,000 (2011: 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:

	2012				2011			
	Guangzhou Nansha Port Stevedoring Corporation Limited RMB'000	Dalian International Container Terminal Co., Ltd. RMB'000	Others RMB'000	Total RMB'000	Guangzhou Nansha Port Stevedoring Corporation Limited RMB'000	Dalian International Container Terminal Co., Ltd. RMB'000	Others RMB'000	Total RMB'000
Total assets	1,257,716	956,528	851,676	3,065,920	1,233,674	961,740	824,838	3,020,252
Total liabilities	715,133	555,174	498,030	1,768,337	721,959	562,473	472,898	1,757,330
Net assets	542,583	401,354	353,646	1,297,583	511,715	399,267	351,940	1,262,922
Revenue	287,246	87,579	229,758	604,583	261,938	66,890	186,000	514,828
Net profit	37,426	1,966	11,774	51,166	28,773	431	13,411	42,615
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 2012 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Assets per statement of financial position:				
Available-for-sale financial assets *(Note 19)*	**362,140**	362,140	**–**	–
Loans and receivables				
– Trade and notes receivables *(Note 26)*	**2,263,700**	1,801,106	**1,246,185**	1,249,925
– Other receivables	**244,000**	88,131	**478,749**	280,983
– Restrict cash *(Note 27)*	**1,000**	–	**–**	–
– Cash and cash equivalents *(Note 27)*	**8,830,970**	7,073,273	**4,225,897**	1,882,611
	11,701,810	9,324,650	**5,950,831**	3,413,519
Liabilities per statement of financial position:				
Other financial liabilities at amortised cost				
– Trade payables *(Note 34)*	**3,883,845**	3,820,428	**4,464,521**	4,681,583
– Accrual and other payables	**656,505**	357,059	**528,329**	77,723
– Borrowings *(Note 30)*	**16,892,084**	15,857,846	**3,753,655**	189,027
– Domestic corporate bonds *(Note 31)*	**1,789,078**	1,786,627	**1,789,078**	1,786,627
– Finance lease obligations *(Note 32)*	**348,018**	319,377	**–**	–
	23,569,530	22,141,337	**10,535,583**	6,734,960

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 counterparty default rates.

(A) TRADE RECEIVABLES

As at 31 December 2012, the Group's trade receivables of RMB2,240,303,000 (2011: RMB1,509,191,000) and the Company's trade receivables of RMB1,216,479,000 (2011: RMB1,139,956,000) were due within three months. Trade receivables that were due within three months mainly represent those due from customers with good credit history and a low default rate. Trade receivables that were either past due or impaired are 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 etc.)
- Group 2 – Top four banks in the PRC (China Construction Bank, Bank of China, Agricultural Bank of China and Industrial and Commercial Bank of China)
- Group 3 – Other reputable PRC banks

The management considered the credit risk in respect of cash and bank deposits with financial institutions is relatively small as each counterparty 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 a crisis.

	The Group		**The Company**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Group 1	**1,726,376**	391,258	**132,555**	88,090
Group 2	**3,841,855**	1,668,119	**3,481,817**	188,820
Group 3*	**3,262,739**	5,013,896	**611,525**	1,605,701
	8,830,970	7,073,273	**4,225,897**	1,882,611

* Included cash on hand held by companies of the Group

25 INVENTORIES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bunkers	**1,196,394**	1,194,340	**466,356**	514,058
Others	**41,636**	12,039	**27,390**	–
	1,238,030	1,206,379	**493,746**	514,058

26 TRADE AND NOTES RECEIVABLES

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

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables				
– Subsidiaries	**–**	–	**289,229**	670,199
– Fellow subsidiaries *(Note 39(c))*	**385,232**	172,495	**38,663**	46,234
– Third parties	**1,684,558**	1,285,898	**773,614**	259,061
	2,069,790	1,458,393	**1,101,506**	975,494
Notes receivable	**193,910**	342,713	**144,679**	274,431
	2,263,700	1,801,106	**1,246,185**	1,249,925

Notes to the Consolidated Financial Statements

26 TRADE AND NOTES RECEIVABLES *(continued)*

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 3 months	**2,240,303**	1,509,191	**1,216,479**	1,139,956
4 to 6 months	**82,066**	123,301	**53,958**	27,440
7 to 9 months	**3,109**	74,682	**946**	20,027
10 to 12 months	**–**	101,864	**–**	71,663
Over 1 year	**3,623**	41,036	**–**	5
	2,329,101	1,850,074	**1,271,383**	1,259,091
Less: provision for impairment of receivables	**(65,401)**	(48,968)	**(25,198)**	(9,166)
	2,263,700	1,801,106	**1,246,185**	1,249,925

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,319,041**	1,071,772	**901,944**	553,505
HKD	**47,351**	568	**26**	513
USD	**839,829**	688,440	**329,119**	659,304
Other currencies	**57,479**	40,326	**15,096**	36,603
	2,263,700	1,801,106	**1,246,185**	1,249,925

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 a range within three months are granted to those customers with a 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 2012, based on the invoice date, trade receivables of the Group and the Company that were aged over three months amounted to RMB88,798,000 and RMB54,904,000 (2011: RMB340,883,000 and RMB119,135,000), 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 RMB65,401,000 and RMB25,198,000 (2011: RMB48,968,000 and RMB9,166,000), respectively.

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

	The Group		**The Company**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**48,968**	76,141	**9,166**	5,503
Provision for/(reversal of) impairment of trade receivables *(Note 6)*	**16,433**	(27,173)	**16,032**	3,663
At 31 December	**65,401**	48,968	**25,198**	9,166

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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at banks and in hand	**5,134,814**	5,281,128	**905,871**	973,403
Short-term bank deposits	**3,697,156**	1,792,145	**3,320,026**	909,208
	8,831,970	7,073,273	**4,225,897**	1,882,611
Less: Restricted cash	**(1,000)**	–	**–**	–
	8,830,970	7,073,273	**4,225,897**	1,882,611

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**4,624,308**	2,265,644	**3,941,974**	1,808,505
HKD	**35,398**	34,331	**61**	16
USD	**4,029,804**	4,614,493	**257,901**	64,185
Other currencies	**141,460**	158,805	**25,961**	9,905
	8,830,970	7,073,273	**4,225,897**	1,882,611

28 SHARE CAPITAL

	The Group and the Company			
	Number of shares	**A Share of RMB1 each**	**H Share of RMB1 each**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Issued and fully paid:				
At 1 January 2011,				
31 December 2011 and 2012	11,683,125	7,932,125	3,751,000	11,683,125

As at 31 December 2012, all issued shares are registered, fully paid and divided into 11,683,125,000 shares (2011: 11,683,125,000 shares) of RMB1.00 each, comprising 7,932,125,000 A Shares and 3,751,000,000 H Shares (2011: 7,932,125,000 A Shares and 3,751,000,000 H Shares).

29 OTHER RESERVES AND RETAINED EARNINGS

(A) SPECIAL RESERVE

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**–**	–	**–**	–
Accrued during the year	**164,475**	–	**146,428**	–
Used during the year	**(162,246)**	–	**(145,979)**	–
At 31 December	**2,229**	–	**449**	–

According to "Circular on Printing and Distributing the Administrative Measures for the Withdrawal and Use of Expenses for Safety Production of Enterprises" issued by the Ministry of Finance and the Safety Production General Bureau on 14 February 2012, the Group is required to accrue "Safety Fund" to improve the production safety. The accrual standard rate is 1% of the revenue from transportation services of the PRC entities of the Group. The fund is accrued according to revenue and in a progressive way monthly.

(B) OTHER RESERVES

	The Group			
	Capital surplus	Statutory surplus reserve	Translation	Total
	RMB'000	RMB'000	RMB'000	RMB'000
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	–	–	(411,806)	(411,806)
Balance at 31 December 2011	17,024,548	1,355,763	(1,319,249)	17,061,062
Balance at 1 January 2012	**17,024,548**	**1,355,763**	**(1,319,249)**	**17,061,062**
Currency translation difference	**–**	**–**	**(19,426)**	**(19,426)**
Others	**225**	**–**	**–**	**225**
Balance at 31 December 2012	**17,024,773**	**1,355,763**	**(1,338,675)**	**17,041,861**

Notes to the Consolidated Financial Statements

29 OTHER RESERVES AND RETAINED EARNINGS *(continued)*

(B) OTHER RESERVES *(continued)*

	The Company		
	Capital surplus	**Statutory surplus reserve**	**Total**
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2011 till 31 December 2012	17,657,126	1,355,763	19,012,889

(C) ACCUMULATED LOSSES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**(2,720,854)**	23,254	**(600,683)**	865,464
Profit/(loss) for the year	**524,921**	(2,743,469)	**(482,093)**	(1,466,147)
Accrued special reserve during the year	**(164,475)**	–	**(146,428)**	–
Used special reserve during the year	**162,246**	–	**145,979**	–
Others	**(476)**	(639)	**–**	–
At 31 December	**(2,198,638)**	(2,720,854)	**(1,083,225)**	(600,683)

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 their 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 this 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, the 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Long-term bank borrowings	**13,363,812**	10,808,547	**923,969**	–
Borrowing from a related party *(Note 39(c))*	**2,000,000**	–	**2,000,000**	–
	15,363,812	10,808,547	**2,923,969**	–
Current				
Short-term bank borrowings	**–**	819,117	**–**	189,027
Long-term bank borrowings				
– current portion	**1,528,272**	4,230,182	**12,571**	–
Borrowing from a subsidiary	**–**	–	**817,115**	–
	1,528,272	5,049,299	**829,686**	189,027
	16,892,084	15,857,846	**3,753,655**	189,027
Representing:				
Borrowing from a related party				
– unsecured	**2,000,000**	–	**2,817,115**	–
Bank borrowings				
– unsecured	**10,125,924**	11,478,694	**936,540**	189,027
– secured	**4,766,160**	4,379,152	**–**	–
	16,892,084	15,857,846	**3,753,655**	189,027

Notes to the Consolidated Financial Statements

30 BORROWINGS *(continued)*

The maturity periods of the borrowings are as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**1,528,272**	5,049,299	**829,686**	189,027
In the second year	**4,387,980**	2,938,735	**12,571**	–
In the third to fifth year	**8,816,735**	4,446,634	**2,911,398**	–
After fifth year	**2,159,097**	3,423,178	**–**	–
	16,892,084	15,857,846	**3,753,655**	189,027

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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**11,634,164**	13,396,360	**817,115**	189,027
6 to 12 months	**121,500**	1,932,840	**–**	–
In the second to fifth year	**4,402,380**	–	**2,936,540**	–
After fifth year	**734,040**	528,646	**–**	–
	16,892,084	15,857,846	**3,753,655**	189,027

As at 31 December 2012, the secured long-term bank borrowings of the Group were secured by the following collateral:

(i) Legal mortgage over certain container vessels, containers and port and depot infrastructure of the Group with a net book value of approximately RMB6,033,486,000 (2011: RMB4,930,645,000) (Note 16(b)), and

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

30 BORROWINGS *(continued)*

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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB				
– at fixed rates	**3,985,840**	2,132,840	**2,000,000**	–
USD				
– at fixed rates	**1,393,579**	528,646	**936,540**	–
– at floating rates	**11,512,665**	13,196,360	**817,115**	189,027
	16,892,084	15,857,846	**3,753,655**	189,027

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings				
– RMB	**6.35%**	5.56%	**–**	–
– USD	**2.55%**	2.03%	**3.60%**	1.15%
Borrowing from a related party				
– RMB	**5.02%**	5.53%	**5.02%**	–

The carrying amounts of the current bank borrowings approximate their fair values 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 6.55% (2011: 7.05%), are as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Carrying amounts	**16,892,084**	15,038,729	**2,936,540**	–
Fair values	**16,878,632**	15,028,400	**2,928,445**	–

Notes to the Consolidated Financial Statements

30 BORROWINGS *(continued)*

The Group has the following undrawn borrowing facilities as at 31 December 2012:

	The Group	
	2012	2011
	RMB'000	RMB'000
Floating rate:		
– Expiring within one year	**807,812**	3,150,450
– Expiring beyond one year	**–**	1,285,232
	807,812	4,435,682

31 DOMESTIC CORPORATE BONDS

	The Group and the Company	
	2012	2011
	RMB'000	RMB'000
Non-current domestic corporate bonds	**1,789,078**	1,786,627

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 denominated 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 their 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 2012, the estimated fair value of the bonds is approximately RMB1,662,124,000 (2011: RMB1,641,370,000). 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 6.55% (2011: 7.05%) per annum.

32 FINANCE LEASE OBLIGATIONS – THE GROUP

	2012			2011		
	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	**136,414**	**16,780**	**119,634**	210,449	15,720	194,729
In the second year	**48,457**	**12,593**	**35,864**	99,878	4,371	95,507
In the third to fifth year	**142,855**	**24,302**	**118,553**	26,535	3,422	23,113
After fifth year	**78,899**	**4,932**	**73,967**	6,177	149	6,028
	406,625	**58,607**	**348,018**	343,039	23,662	319,377
Less: within one year (current portion)	**(136,414)**	**(16,780)**	**(119,634)**	(210,449)	(15,720)	(194,729)
	270,211	**41,827**	**228,384**	132,590	7,942	124,648

The average effective interest rate of finance lease obligations of the Group is 6.40% (2011: 6.82%) 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 denominated in USD.

Notes to the Consolidated Financial Statements

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**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income tax assets:				
– Deferred income tax assets to be settled after more than 12 months	**496,859**	12,593	**491,889**	6,250
Deferred income tax liabilities:				
– Deferred income tax liabilities to be settled after more than 12 months	**(11)**	(31)	**–**	–
	496,848	12,562	**491,889**	6,250

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

	The Group		**The Company**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of year	**12,562**	15,545	**6,250**	6,250
Charged to consolidated income statement *(Note 12)*	**484,286**	(2,983)	**485,639**	–
End of year	**496,848**	12,562	**491,889**	6,250

Notes to the Consolidated Financial Statements

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 2011	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
Charged to consolidated income statement	485,639	(1,373)	484,266
At 31 December 2012	**488,921**	**7,938**	**496,859**
The Company			
At 1 January 2011, 31 December 2011 and 2012	–	6,250	6,250
Charged to consolidated income statement	485,639	–	485,639
At 31 December 2012	**485,639**	**6,250**	**491,889**

Deferred income tax liabilities:

	Others RMB'000
The Group	
At 1 January 2011	(61)
Credited to consolidated income statement	30
At 31 December 2011	(31)
Credited to consolidated income statement	20
At 31 December 2012	**(11)**
The Company	
At 1 January 2011, 31 December 2011 and 2012	–

Notes to the Consolidated Financial Statements

33 DEFERRED INCOME TAX *(continued)*

As at 31 December 2012, the Group and the Company recognised income tax assets of RMB485,639,000, in respect of cumulative tax losses amounted to RMB1,942,556,000 ("The Cumulative Tax Losses"), because it is estimated that taxable profits will be available against which the Cumulative Tax Losses will be utilised according to a profit forecast of the Group.

No deferred tax assets has been recognised by the Group and the Company on cumulative tax losses amounting to approximately RMB1,410,814,000 and RMB996,350,000, respectively, because it is uncertain that the temporary differences can be reversed in the foreseeable future. Tax losses amounting to approximately RMB1,277,956,000 and RMB132,858,000 of the Group will expire within and above 5 years from 1 January 2013, respectively. All tax losses of the Company will expire within 5 years from 1 January 2013.

34 TRADE PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables				
– Subsidiaries	**–**	–	**3,304,164**	3,481,825
– Fellow subsidiaries *(Note 39(c))*	**937,097**	1,083,587	**402,048**	547,118
– Third parties	**2,946,748**	2,736,841	**758,309**	652,640
	3,883,845	3,820,428	**4,464,521**	4,681,583

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 3 months	**3,742,546**	3,522,619	**4,446,147**	4,530,326
4 to 6 months	**70,593**	106,086	**5,247**	69,000
7 to 9 months	**7,898**	68,627	**2,481**	39,061
10 to 12 months	**37,792**	123,069	**271**	43,183
1 to 2 years	**25,016**	27	**10,375**	13
	3,883,845	3,820,428	**4,464,521**	4,681,583

Notes to the Consolidated Financial Statements

34 TRADE PAYABLES *(continued)*

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,584,610**	1,467,912	**3,534,388**	804,649
HKD	**81,012**	533	**25,991**	3,377
USD	**2,097,789**	2,227,107	**832,513**	3,485,425
Other currencies	**120,434**	124,876	**71,629**	388,132
	3,883,845	3,820,428	**4,464,521**	4,681,583

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

35 PROVISIONS

	Onerous contracts	**Legal claims**	**Total**
	RMB'000	RMB'000	RMB'000
The Group			
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
Year ended 31 December 2012			
At 1 January 2012	**–**	**25,000**	**25,000**
Utilised during the year	**–**	**–**	**–**
At 31 December 2012	**–**	**25,000**	**25,000**
The Company			
At 1 January 2011, 31 December 2011 And 2012	–	25,000	25,000

The provision for legal claims of RMB25,000,000 is related to a legal claim brought against the Company by customers of the Company. In the opinion of the Company's directors, after taking into account legal advice, the outcome of this legal claim will not give rise to any significant loss beyond the amounts provided as at 31 December 2012.

Notes to the Consolidated Financial Statements

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of the profit/(loss) before income tax to net cash generated from/(used in) operations:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Profit/(loss) before income tax	**154,532**	(2,626,259)
Depreciation *(Notes 6, 16)*	**1,527,116**	1,451,395
Amortisation *(Notes 6, 17, 18)*	**9,139**	6,755
Dividend income from available-for-sale financial assets *(Note 7)*	**(11,497)**	(10,729)
Share of results of associated companies *(Note 21)*	**(39,277)**	(27,943)
Share of results of jointly-controlled entities *(Note 22)*	**(51,166)**	(42,615)
Interest expense *(Note 11)*	**519,781**	158,600
Finance charge of finance lease obligations *(Note 11)*	**29,350**	29,522
Interest income	**(163,256)**	(104,265)
Change in fair value of share-based compensation liability *(Note 9)*	**8,064**	(96,098)
Provision for/(reversal of) impairment of trade receivables *(Note 6)*	**16,433**	(27,173)
Gains on disposal of items of property, plant and equipment *(Note 8)*	**(1,145,291)**	(51,210)
Utilisation of onerous contracts *(Note 35)*	**–**	(6,359)
Operating profit/(loss) before working capital changes	**853,928**	(1,346,379)
Increase in inventories	**(31,651)**	(323,104)
(Increase)/decrease in trade and notes receivables	**(503,069)**	17,858
Increase in prepayments and other receivables	**(1,949)**	(85,819)
Increase in restrict cash	**(1,000)**	–
Increase/(decrease) in trade payables	**63,417**	(518,859)
Decrease in accruals and other payables	**(150,088)**	(46,397)
Net cash generated from/(used in) operations	**229,588**	(2,302,700)

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

	2012	2011
	RMB'000	RMB'000
Net book amount *(Note 16)*	**2,263,150**	27,258
Gains on disposal of items of property, plant and equipment *(Note 8)*	**1,145,291**	51,210
Decrease of receipts in advance	**(19,129)**	(16,568)
Proceeds from disposal of items of property, plant and equipment	**3,389,312**	61,900

37 COMMITMENTS

(A) CAPITAL COMMITMENTS

As at 31 December 2012 and 2011, the Group and the Company had the following significant capital commitments which were not provided for in the statement of financial positions:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted but not provided for:				
– Vessels under construction	**4,515,252**	6,334,295	**722,631**	1,675,561

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

As at 31 December 2012 and 2011, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Land and buildings:				
– Within one year	**53,440**	45,226	**6,222**	5,671
– In the second to fifth year	**62,747**	62,071	**4,063**	1,391
– After fifth year	**9,333**	4,941	**–**	–
	125,520	112,238	**10,285**	7,062
Vessels chartered-in and containers under operating leases:				
– Within one year	**2,545,261**	2,239,010	**38,315**	1,174,947
– In the second to fifth year	**6,827,364**	6,268,493	**5,226**	2,812,230
– After fifth year	**1,490,589**	3,348,241	**–**	1,268,826
	10,863,214	11,855,744	**43,541**	5,256,003
	10,988,734	11,967,982	**53,826**	5,263,065

Note:

After the disposal of certain containers in 2012, the Group entered into operating lease agreements whereby the Group leased back these containers from the purchaser with an initial lease term of two years to four years. The rental payable by the Group was determined on the terms agreed with by both parties on an arm's length basis.

Notes to the Consolidated Financial Statements

37 COMMITMENTS *(continued)*

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

As at 31 December 2012 and 2011, 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**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Vessels chartered-out under operating leases:				
– Within one year	**206,942**	278,925	**714,105**	340,375
– In the second to fifth year	**599,429**	651,947	**2,102,365**	1,009,883
– After fifth year	**270,708**	434,017	**165,428**	217,759
	1,077,079	1,364,889	**2,981,898**	1,568,017

(D) OTHER COMMITMENTS

As at 31 December 2012 and 2011, the Group had the following significant commitments which were not provided for in the statement of Financial positions:

	The Group	
	2012	2011
	RMB'000	RMB'000
Investments:		
– Contracted but not provided for	**332,000**	152,000
– Authorised but not contracted for	**94,200**	–
	426,200	152,000

As at 31 December 2012, the investment commitments included capital commitments in relation to the Group's interests in a jointly-controlled entity amounting to RMB426,200,000.

38 CONTINGENT LIABILITIES

As at 31 December 2012, 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.

Notes to the Consolidated Financial Statements

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(A) FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011, 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 2012 and 2011.

Notes to the Consolidated Financial Statements

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(B) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

	2012 **RMB'000**	2011 RMB'000
Transactions with parent and ultimate holding company		
Non-current borrowings	**2,000,000**	–
Interest expense from non-current borrowing	**79,684**	–
Transactions with fellow subsidiaries		
Revenue:		
Liner services	**271,447**	243,519
Port services	**26,258**	19,878
Information technology services	**10,057**	14,845
Expenditure:		
Lease of containers	**235,795**	252,422
Lease of chassis	**23,566**	23,502
Lease of properties	**19,421**	14,938
Cargo and liner agency services	**574,862**	574,977
Container management services	**137,430**	115,229
Ship repair services	**36,001**	47,580
Supply of fresh water, vessel fuel, lubricants, spare parts and other materials	**2,171,813**	1,786,671
Depot services	**10,569**	14,850
Information technology services	**31,634**	47,976
Provision of crew members	**39,787**	27,325
Loading and unloading services	**551,652**	461,889
Purchase of containers	**212,432**	63,744
Investment:		
Acquisition of interests in a subsidiary	**–**	33,880
Transactions with CS Finance:		
Interest income	**66,683**	49,261

Notes to the Consolidated Financial Statements

39 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(C) BALANCES WITH RELATED PARTIES

	2012 **RMB'000**	2011 RMB'000
Balances with parent and ultimate holding company		
Borrowing *(Note 30)*	**(2,000,000)**	–
Interest payables	**(73,684)**	–

	2012 **RMB'000**	2011 RMB'000
Balances with fellow subsidiaries		
Trade receivables *(Note 26)*	**397,881**	178,813
Less: provisions	**(12,649)**	(6,318)
	385,232	172,495
Trade payables *(Note 34)*	**(937,097)**	(1,083,587)

	2012 **RMB'000**	2011 RMB'000
Balances with CS Finance		
Interest receivables	**55,524**	629
Deposits	**3,054,718**	1,296,360

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

	2012 **RMB'000**	2011 RMB'000
Basic salaries and allowances	**9,923**	6,827
Pension and others welfare	**1,044**	1,461
Fair value of the Rights *(Note 9)*	**2,136**	(22,039)
	13,103	(13,751)

Notes to the Consolidated Financial Statements

40 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY-CONTROLLED ENTITIES

(A) SUBSIDIARIES

As at 31 December 2012, the Company has direct and indirect interests in the following subsidiaries:

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

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

Notes to the Consolidated Financial Statements

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

(A) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
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

Notes to the Consolidated Financial Statements

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

(A) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
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

Notes to the Consolidated Financial Statements

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

(A) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Indirectly held	Principal activities
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
Shanghai Inchon International Ferry Co., Ltd.	4 July 1998	Limited liability company	USD2,000,000	–	75.5%	Transportation

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
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
SuZhou China Shipping Container Lines Co., Ltd.	15 February 2012	Limited liability company	RMB5,000,000	–	100%	Operation of container terminal
JiaXing China Shipping Container Lines Co., Ltd.	28 December 2011	Limited liability company	RMB5,000,000	–	100%	Operation of container terminal
Duanzhou China Shipping Container Line, Co., Ltd.	13 January 2012	Limited liability company	RMB500,000	–	100%	Operation of container terminal
Cangzhou China Shipping Container Lines Co., Ltd.	6 April 2012	Limited liability company	RMB500,000	–	100%	Operation of container terminal

Notes to the Consolidated Financial Statements

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

(A) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Incorporated and operating 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-10	Limited liability company	HKD10,000	–	100%	Owning of vessel
CSCL Mars Shipping Co., Ltd.	5-August-10	Limited liability company	HKD10,000	–	100%	Owning of vessel
CSCL Neptune Shipping Co., Ltd.	5-August-10	Limited liability company	HKD10,000	–	100%	Owning of vessel
CSCL Venus Shipping Co., Ltd.	5-August-10	Limited liability company	HKD10,000	–	100%	Owning of vessel
CSCL Star Shipping Co., Ltd.	5-August-10	Limited liability company	HKD10,000	–	100%	Owning of vessel
CSCL Uranus Shipping Co., Ltd.	5-August-10	Limited liability company	HKD10,000	–	100%	Owning of vessel

Notes to the Consolidated Financial Statements

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

(A) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
CSCL Saturn Shipping Co., Ltd.	5-August-10	Limited liability company	HKD10,000	–	100%	Owning of vessel
CSCL Jupiter Shipping Co., Ltd.	5-August-10	Limited liability company	HKD10,000	–	100%	Owning of vessel
Incorporated and operating 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
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

Notes to the Consolidated Financial Statements

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

(A) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
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 Islands						
Yangshan E Shipping Company Limited	11 September 2007	Limited liability company	USD50,000	–	100%	Owning of vessel
Incorporated in the Republic of Cyprus						
Arisa Navigation Company Limited	18 June 2002	Limited liability company	CYP1,000	–	100%	Owning of vessel
Incorporated in South Africa						
China Shipping (Africa) Holdings (PTY) Ltd.	11 September 2012	Private company	RMB12,578,400	100%	–	No restriction
Incorporated in Singapore						
Golden Sea Shipping Pte. Ltd.	13 August 2012	Limited liability company	SGD1,000,000	–	100%	Shipping lines
China Ocean Shipping (Singapore) Petroleum Co., Ltd.	29 August 2012	Limited liability company	USD5,000,000	–	91%	Provision of bunker

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

(B) ASSOCIATED COMPANIES

As at 31 December 2012, 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 2012, 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 Nansha Port Stevedoring Corporation Limited	17 March 2003	Limited liability company	PRC	RMB1,260,000,000	40%	Operation of container terminal
Qinhuangdao Port New Harbour Container Terminal Co., Ltd.	30 October 2007	Limited liability company	PRC	RMB400,000,000	30%	Operation of container terminal
Dalian International Container Terminal Co., Ltd.	17 October 2007	Limited liability company	PRC	RMB1,400,000,000	30%	Operation of container terminal
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
Lianyungang Xindongrun Port Stevedoring Co., Ltd.	31 October 2012	Limited liability company	PRC	RMB100,000,000	49%	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.

41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2013.

Five Years Financial Summary

CONSOLIDATED RESULTS

	2008 RMB'000 (Restated)	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Revenue	34,888,595	19,740,331	34,808,706	28,246,498	**32,551,070**
Operating profit/(loss)	376,690	(6,231,995)	4,466,298	(2,508,695)	**613,220**
Finance costs	(331,483)	(254,147)	(214,147)	(188,122)	**(549,131)**
Profit/(loss) before income tax	73,997	(6,449,276)	4,319,708	(2,626,259)	**154,532**
Income tax (expense)/credit	1,683	(22,466)	(86,467)	(74,214)	**419,078**
Profit/(loss) for the year	75,680	(6,471,742)	4,233,241	(2,700,473)	**573,610**
Profit for the year attributable to non-controlling interests	(28,596)	(17,306)	(30,107)	(42,996)	**(48,689)**
Profit/(loss) for the year attributable to equity holders of the Company	47,084	(6,489,048)	4,203,134	(2,743,469)	**524,921**
Dividends	–	–	–	–	–

CONSOLIDATED ASSETS AND LIABILITIES

	2008 RMB'000 (Restated)	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Non-current assets	34,921,991	34,779,624	35,498,563	39,094,542	**38,281,157**
Current assets	14,852,556	9,512,678	13,517,562	10,317,948	**12,924,106**
Current liabilities	9,150,083	7,608,711	8,654,025	9,791,948	**6,350,317**
Non-current liabilities	8,128,553	10,705,393	10,399,857	12,719,853	**17,381,285**
Net assets	32,495,911	25,978,198	29,962,243	26,900,689	**27,473,661**

Notes:

(a) The financial figures for the years 2011 and 2012 were extracted from the financial statements as set out in this Annual Report.

(b) The financial figures for years from 2008 to 2010 were extracted from the 2011 Annual Report.