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

GOING FURTHER

ANNUAL REPORT 2013

Company Profile

China Shipping Container Lines Company Limited ("CSCL" or the "Company") is a specialized corporation affiliated to China Shipping (Group) Company ("China Shipping"), 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.

As at 31 December 2013, CSCL has 148 container vessels, with over 610,000TEU of total operating capacity, making itself on the list of top ten shipping companies in the world. CSCL has nearly 80 international and domestic trade lanes, covering about 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 Shanghai Puhai Shipping Co., Ltd., Universal Shipping (Asia) Co., Ltd. and China Shipping (Yangpu) Cold 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 transportation methods 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 an outstanding fleet and team, in an aim to establish itself as a "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 our global customers.

Contents

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhang Guofa *(Chairman)*
Mr. Huang Xiaowen *(Vice Chairman)*
Mr. Zhao Hongzhou

NON-EXECUTIVE DIRECTORS

Mr. Wang Daxiong
Ms. Su Min
Mr. Ding Nong
Mr. Chen Jihong
Mr. Zhang Rongbiao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhang Nan
Mr. Teo Siong Seng
Mr. Chen Lishen
Mr. Guan Yimin
Mr. Shi Xin

SUPERVISORS

Mr. Xu Wenrong *(Chairman)*
Mr. Ye Hongjun
Mr. Tu Shiming
Mr. Zhu Donglin
Mr. Shen Kangchen
Mr. Shen Zhongying

INVESTMENT STRATEGY COMMITTEE

Mr. Zhang Guofa *(Chairman)*
Mr. Mr. Huang Xiaowen
Mr. Zhao Hongzhou
Mr. Wang Daxiong
Ms. Zhang Nan
Mr. Teo Siong Seng
Mr. Shi Xin

NOMINATION COMMITTEE

Ms. Zhang Nan *(Chairman)*
Mr. Teo Siong Seng
Mr. Shi Xin
Mr. Zhang Guofa
Mr. Wang Daxiong

REMUNERATION COMMITTEE

Mr. Chen Lishen *(Chairman)*
Mr. Shi Xin
Mr. Wang Daxiong

AUDIT COMMITTEE

Mr. Guan Yimin *(Chairman)*
Ms. Zhang Nan
Ms. Su Min

COMPANY SECRETARY

Mr. Ye Yumang

CHIEF ACCOUNTANT

Mr. Zhang Mingwen

AUTHORISED REPRESENTATIVES

Mr. Huang Xiaowen
Mr. Ye Yumang

LEGAL ADDRESS IN THE PRC

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China (Shanghai) Pilot Free Trade Zone
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

Linklaters (As to Hong Kong law)
Zhong Lun Law Firm (As to PRC law)

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China
Industrial and Commerce Bank of China
Citibank
China Merchants Bank
Shanghai Pudong Development Bank

TELEPHONE NUMBER

86 (21) 6596 6666

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 a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "China Shipping Container Lines Company Limited".

Financial Highlights

COMPARISON OF 2013 AND 2012 KEY FINANCIAL FIGURES

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

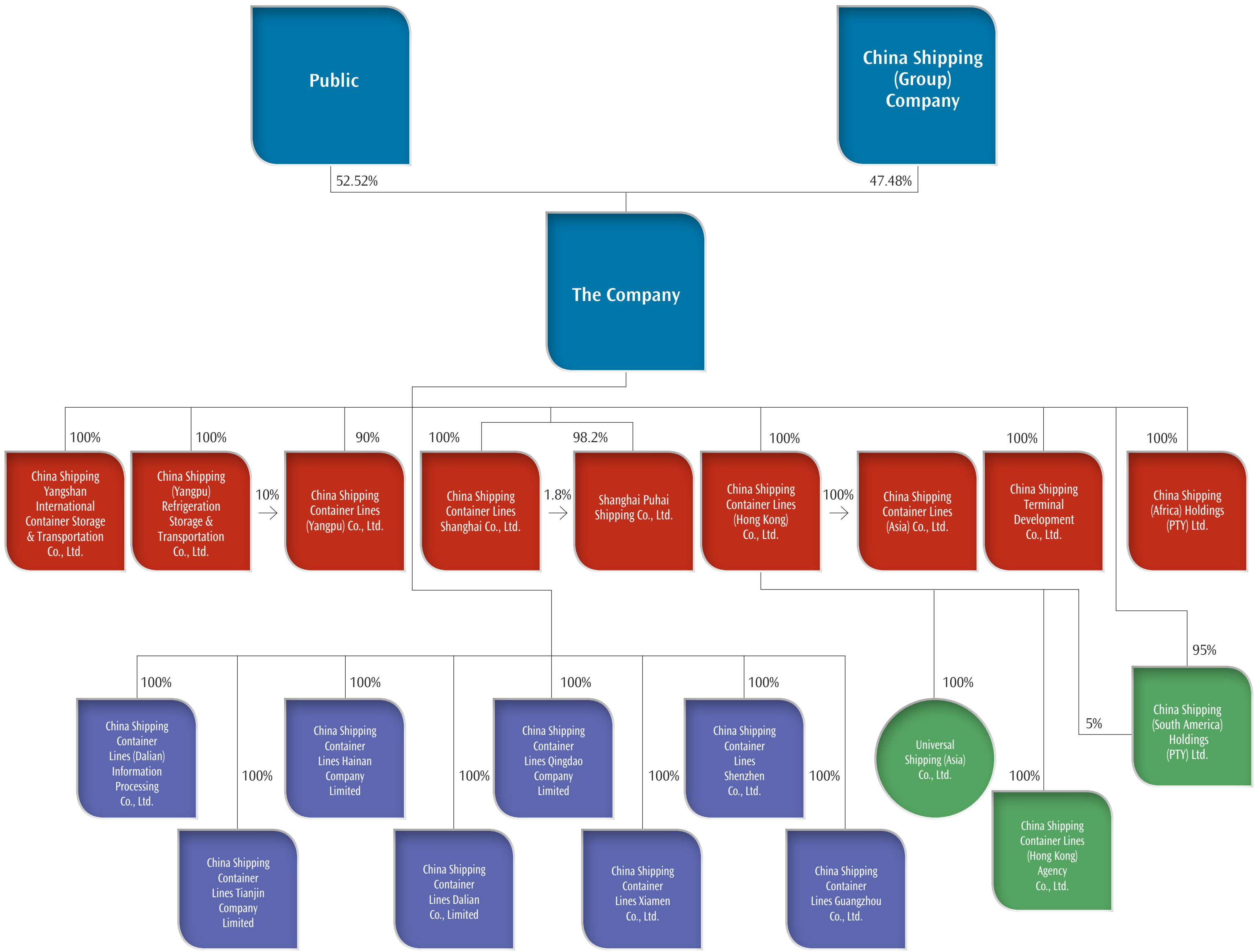
For the year ended 31 December	**2013** **RMB'000**	2012 RMB'000	Change (%)
Revenue	**33,917,357**	32,997,924	2.8%
Operating profit/(loss)	**(2,418,070)**	436,096	(654.5%)
Profit/(loss) before income tax from continuing operations	**(2,828,387)**	(26,447)	10,594.5%
Profit for the year from non-continuing operations/discontinued operation	**280,632**	139,510	101.2%
Profit/(loss) for the year attributable to equity holders of the parent	**(2,610,098)**	524,921	(597.2%)
Basic earnings/(loss) for the year per share	**(RMB0.223)**	RMB0.045	(597.2%)
Gross loss margin (continuing operations)	**(6.2%)**	(1.4%)	338.6%
Profit/(loss) margin before income tax (continuing operations)	**(8.3%)**	(0.1%)	10,304.6%
Gearing ratio	**49.3%**	37.1%	32.9%

Consolidated Assets and Liabilities
Under HKFRS

As at 31 December	**2013** **RMB'000**	2012 RMB'000	Change (%)
Total assets	**50,816,888**	51,205,263	(0.8%)
Non-current assets	**33,233,743**	38,281,157	(13.2%)
Current assets	**17,583,145**	12,924,106	36.0%
Total liabilities	**26,598,834**	23,731,602	12.1%
Current liabilities	**13,703,549**	6,350,317	115.8%
Net current assets	**3,879,596**	6,573,789	(41.0%)
Net assets	**24,218,054**	27,473,661	(11.8%)

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 joint ventures of the Company are contained in Note 43 to the consolidated financial statements.


CSCL LOS ANGELES
CHINA SHIPPING LINE


EVERGREEN
CHINA SHIPPING
CHINA S


中海之星
首航庆典
CEREMONY
CHINA SHIPPING LINE


中海之星
CSCL STAR
香港
HONGKONG


CHINA SHIPPING LINE

Chairman's Statement

In 2013, as a result of the sluggish demand of the world's major economies and continuous increase in the overall shipping capacity within the industry which had led to a notable mismatch between supply and demand, freight rates of main trade lanes showed no substantial recovery and continued to fluctuate at low level. The China Containerised Freight Composite Index average was 1,081.8, down 7.6% as compared with 2012. Shipping companies continued to face a severe operating environment.

Confronted with multiple difficulties, the Company worked diligently and used all its endeavors to promote output, ensure efficiency and push forward implementation of various works of the Company in an orderly manner. Although the Company was not able to turnaround the loss-making situation, the Company kept its faith and continued to strengthen its operations management, enhance its service ability with the view to better equip the Company in the long run, using its best endeavours to make the Company better and stronger.

For the year 2013, the Group's revenue (continuing operations) was RMB33,917,357,000, representing an increase of 2.8% as compared with 2012. The Group's loaded container volume was 8,191,204TEU, representing an increase of 2.0% as compared with 2012. Loss attributable to equity holders of the Company was RMB2,610,098,000 and basic loss per share was RMB0.22.

REVIEW OF OPERATIONS

In 2013, the performance of the shipping industry continued to linger at the bottom and the road to recovery remained bumpy. Faced with pressure and challenges, CSCL forged ahead, actively adjusted its operation mode, service mode and management mode, strived to push forward various operational strategies including adjusting its fleet structure, increasing income and reducing expenses. The Company strengthened its service advantages, cost advantages and competitive advantages.

In 2013, the Company continued to adhere to low fuel consumption, large-scale vessel development and fleet modernization for its business growth. In view of the falling new vessel prices and the down cycle of the shipbuilding industry, the Company seized the opportunity and ordered to construct five vessels (each with a capacity of 19,000TEU) at reasonable prices and took in four new vessels (each with a capacity of 4,700TEU) as well as stepped up its processing efforts in surrendering leases of old and small vessels. Through optimizing fleet structure, the total shipping capacity of the Company's fleet reached 611,000TEU, representing an increase of 2.6% as compared with 2012, with an average age of vessel at 8.1 years only and an average capacity per vessel of 4,126TEU. The core competitiveness of the Company was further enhanced.

In 2013, the Company accurately assessed market situation, explored new concept of operations and flexibly allocated its shipping capacity following the benefit-oriented approach for its trade lanes. Despite poor performance of international trade lanes in both the low and peak seasons, the Company had reasonably arranged shipping capacity based on market demand and through increase of external cooperation, monitor of shipping capacity of loss-making trade lanes and elimination of obsolete capacity, it continued to consolidate and develop the leading edges of the Company in domestic trade lanes and achieved better economic returns.

Faced with low freight rates and stagnant market, the Company put cost control on top of its agenda and took active measures to ensure that fuel charges, port charges, feeder charges and other costs were kept within budget. In particular, the Company increased its control over costs of fuel which accounted for a bigger proportion of its operational costs and achieved relatively good results.

The Company paid attention to customer needs at all times, strived for quality in small details and aimed at delivering more convenient and better quality services to its customers. We constantly come up with innovative operational concepts, deliver quality services and even categorize our customers into segments, custom make special containers for them, provide personalized services in areas such as food, automobile and chemicals, so as to meet their different trade lane products and services needs. As a result of our professional, sincere and sophisticated services demonstrated during the cooperation with our customers, we were able to gain their trust.

While pushing forward the implementation of various operations management measures, the Company further strengthened its capital operation and optimized its resources allocation. During the period, the Company restructured its port assets, further optimized business segments, centralized resources for its container core business and increased its core competitiveness. Meanwhile, the Company's port assets after consolidation and its future development plan will become more globalised which is in line with CSCL's global strategic deployment and will generate greater synergy.

Moreover, the Company has persisted in maintaining a balanced development between corporate and social interests. The Company has actively promoted the low-carbon environmental protection initiatives and performed its corporate social responsibilities. In June 2013, LA Port in the U.S. granted the "Slow Steaming and Pollution Reduction Special Award" to CSCL in recognition of its effort in slow steaming and reduced pollution for the benefit of the local people and the marine environment.

FUTURE PROSPECT

In 2014, the global economy on the whole shows signs of recovery, the continuous improvement of the European and U.S. economy is expected to stimulate consumption needs, thereby propelling the steady increase in container transportation volume. However, uncertainties in the macroeconomic recovery, such as the lack of momentum, unbalanced development in different trade zones as well as changes in economic policies, still persist.

According to the forecast of Alphaliner, it is estimated that there will be a 5.5% increase in the global container shipping capacity in 2014. With demand gradually picking up, the difference between demand and supply is expected to narrow down. Idling of transportation capacity, slow steaming, dismantling of vessels, diverting of shipping capacity and other measures adopted by container liners had relieved the supply and demand pressure to a certain extent. However, the imbalance in the overall supply and demand in the shipping market cannot be practically improved in the short run. In view of the prolonged operational pressure and the development trend for large-scale container vessels, cooperation between container liners into alliances will be further explored.

The shipping market ahead is full of challenges and hidden with opportunities. Faced with multi-level competition in the container shipping market, CSCL will actively adjust its operational strategy, explore its potentials, enhance its efficiency, pursue excellent standard and improve operating capability of the Company: the Company will lay a solid ground for the future development of the Company by way of excellent fleet planning; explore external cooperation by way of excellent trade lane design; promote stable returns of trade lanes by way of excellent marketing; improve its competitive edges by way of excellent costs control; and ensure production and operational safety by way of excellent fiscal and taxation management. Meanwhile, the Company will push forward innovative transformation, enhance management standard, further improve internal control and system building and increase risk prevention ability in order to lay a solid foundation for the development of the Company in a new era.

In line with changes in the world economic growth pattern following the financial crisis, the shipping industry is undergoing profound transformation and shows signs of a new development trend. Shipping companies will need to break through their traditional thinking and operational modes, develop their strategic vision, make transformation and initiate innovation in order to adapt to the new situation, the ever changing new pattern and to achieve breakthrough in adversity.

Zhang Guofa
Chairman

Shanghai, the PRC
26 March 2014


CSCL STAR
HONGKONG


SHIPPING LINE


CHINA SHIPPING

Management Discussion and Analysis

REVIEW ON OVERALL OPERATIONAL PERFORMANCE

For the year ended 31 December 2013, the Group's continuing operations recorded a revenue of RMB33,917,357,000, representing an increase of 2.8% as compared with 2012; loss from continuing operations before income tax was RMB2,828,387,000; loss attributable to equity holders of the Company amounted to RMB2,610,098,000. Loaded cargo volume for the whole year amounted to 8,191,204TEU, representing an increase of 2.0% as compared with 2012. For the year ended 31 December 2013, the average freight rate per TEU for international trade lanes of the Group amounted to RMB5,172, representing a decrease of 13.5% as compared with 2012, which was primarily due to the weak demand for international trade lanes in 2013. As a result of the widening demand-supply gap, the overall freight rates of main trade lanes were lower than 2012. Average freight rate per TEU for domestic trade lanes amounted to RMB1,766, representing an increase of 6.6% as compared with the corresponding period of 2012, which was mainly due to an increase in the extended services of the domestic transportation industry.

As at 31 December 2013, the total shipping capacity of the Group amounted to 610,642TEU, representing an increase of 2.6% as compared with 2012.

FINANCIAL REVIEW

REVENUE (CONTINUING OPERATIONS)

The revenue of the Group's continuing operations increased by RMB919,433,000, from RMB32,997,924,000 in 2012 to RMB33,917,357,000 in 2013, representing an increase of 2.8%. The change in revenue was primarily due to:

Increase in volume of loaded cargoes

The volume of loaded cargo in 2013 amounted to 8,191,204TEU, representing an increase of 2.0% as compared with 2012. Among which, cargo volume of foreign trade lanes grew by 6.7% as compared with the corresponding period of last year, primarily due to the Company inputting more resources in foreign trade lane capacity in 2013. Cargo volume of domestic trade lanes decreased by 3.6% as compared with the corresponding period of 2012, primarily due to the Company optimizing its domestic trade network and relatively reducing its domestic trade lanes capacity.

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

	2013 (TEU)	2012 (TEU)	Changes (%)
Pacific trade lanes	**1,347,236**	1,313,915	2.5
Europe/Mediterranean trade lanes	**1,436,438**	1,367,765	5.0
Asia Pacific trade lanes	**1,808,098**	1,634,489	10.6
China domestic trade lanes	**3,518,608**	3,649,670	-3.6
Others	**80,824**	64,589	25.1
Total	**8,191,204**	8,030,428	2.0

Management Discussion and Analysis

Details of income

	2013 (RMB'000)	2012 (RMB'000)	Changes (%)
Pacific trade lanes	**9,847,162**	10,671,520	-7.7
Europe/Mediterranean trade lanes	**7,836,977**	8,803,867	-11.0
Asia Pacific trade lanes	**5,846,905**	6,136,979	-4.7
China domestic trade lanes	**6,213,860**	6,048,334	2.7
Other trade lanes	**727,804**	897,868	-18.9
Logistics and other income	**3,444,649**	439,356	684.0
Total	**33,917,357**	32,997,924	2.8

Decrease in transportation income (continuing operations)

Although there was increase in the overall cargo volume in 2013, the constant fall in freight rates of international trade lanes attributed to the decrease in the Company's transportation income by RMB1,984,711,000 as compared with the corresponding period of 2012, representing a decrease of 6.3%.

Decrease in freight rates

In 2013, the Group's average freight rate per TEU was RMB3,709, representing a decrease of 7.6% as compared with the corresponding period of 2012. Among which, average freight rate per TEU for foreign trade lanes was RMB5,172, representing a decrease of approximately 13.5% as compared with 2012, mainly because freight rates in 2013 were significantly lower than that of 2012 due to weak demand in the international container shipping market in 2013. The average freight rate of domestic trade lanes amounted to RMB1,766, representing an increase of RMB109 as compared with the corresponding period of 2012, mainly due to an increase in extended services of the domestic transportation industry.

Increase in logistics and other income

In 2013, the Group's income for logistics and other services increased by RMB3,005,293,000, from RMB439,356,000 in 2012 to RMB3,444,649,000 in 2013, representing an increase of 684.0%. The increase was primarily due to the Group's subordinated enterprises dedicating their efforts in expanding the provision of the extended logistics and other supply services. In 2013, the service method was fully updated and management believes that the subordinated enterprises have fully undertaken the risk of the income and costs of the services they provide. The income recognition method should be adjusted from the previous differential recognition method of the agency industry to the gross amount recognition method of the sales and servicing industry.

COSTS OF SERVICES (CONTINUING OPERATIONS)

In 2013, total costs of services arising from continuing operations amounted to RMB36,004,215,000, representing an increase of 7.6% as compared with the corresponding period of 2012. Among which, operating costs of trade lanes was RMB32,572,185,000, which basically remained the same as compared with the corresponding period of 2012. Costs of services per TEU was RMB3,976, representing a decrease of 2.0% as compared with the corresponding period of 2012.

Management Discussion and Analysis

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

- Container transportation costs amounted to RMB13,012,778,000 during the period, representing an increase of 7.8% as compared with 2012, mainly due to the increase in the volume of loaded cargoes for long trade lanes. Among which, port costs amounted to RMB1,970,054,000, which basically remained the same as 2012. The Group's stevedore charges for loaded and empty containers amounted to RMB7,212,988,000, representing an increase of 3.6% as compared with the corresponding period of 2012, which was mainly due to an increase in the volume of loaded cargoes for international trade lanes. Charges for repositioning empty containers and rental fees of containers, container management costs amounted to RMB3,829,736,000, representing an increase of 22.0% as compared with the corresponding period of 2012, which was mainly due to an increase in loaded cargo volume for foreign trade lanes.

- Vessel and voyage costs for the period amounted to RMB13,556,044,000, representing a decrease of 9.5% as compared with the corresponding period of 2012, mainly due to the decrease in fuel costs. During the period, fuel costs amounted to RMB8,862,109,000, representing a decrease of 13.6% as compared with the corresponding period of 2012. The decrease in fuel costs was due to the Company strengthening its fuel saving measures, as fuel consumption fell by 4.1% as compared with the corresponding period of 2012. On the other hand, the Company successfully locked certain fuel at reasonable prices and actively developed ports with fuel refill at low prices, average fuel prices fell by 9.9% as compared with the corresponding period of 2012.

- During the period, sub-route and other costs amounted to RMB6,496,281,000, representing an increase of 5.3% as compared with 2012. 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.

- During the period, the costs of logistics and other businesses was RMB2,939,112,000, representing an increase of 1,179.56% as compared with 2012. The increase in costs was primarily due to the Group's subordinated enterprises having updated its service method which led to a change in the cost recognition method during the period.

GROSS LOSS (CONTINUING OPERATIONS)

Due to the above reasons, the Group's continuing operations recorded a gross loss of RMB2,086,858,000 in 2013 (2012: gross loss from continuing operations RMB462,858,000).

INCOME TAX

From 1 January 2013 to 31 December 2013, the corporate income tax ("CIT") rate applicable to the Company was 25%.

Pursuant to relevant new CIT regulations, the profits derived from the Company's foreign subsidiaries shall be subject to applicable CIT rates when dividends were declared by such foreign subsidiaries.

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES (CONTINUING OPERATIONS)

For the year ended 31 December 2013, the Group's selling, administrative and general expenses from continuing operations were RMB916,383,000, representing an increase of 2.6% as compared with 2012. This was primarily due to the Group conducting certain integration and system optimization of the information platform, causing office expenses to increase as compared with the corresponding period of 2012.

OTHER GAINS (CONTINUING OPERATIONS)

For the year ended 31 December 2013, other net gains of the Group's continuing operations was RMB133,977,000, representing a decrease of RMB1,077,838,000 as compared with 2012. The decrease mainly consisted of gains from the disposal of a proportion of containers owned by the Company last year.

PROFITS OF DISCONTINUED OPERATIONS

For the year ended 31 December 2013, the Group's profits from discontinued port business operations were RMB280,632,000, representing an increase of RMB141,122,000 as compared with 2012. The increase was mainly due to gains from disposal of interest in a subsidiary.

PROFIT/LOSS ATTRIBUTABLE TO EQUITY HOLDERS

Due to the above reasons, the loss attributable to the equity holders of the Group for the year 2013 was RMB2,610,098,000, representing an increase in net loss attributable to equity holders of the Group by RMB3,135,019,000 as compared with net profit attributable to the equity holders of the Group of RMB524,921,000 in 2012.

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 for costs of 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 2013, the Group's total bank and shareholder borrowings were RMB18,937,326,000. The maturity profile is spread over a period between 2014 and 2026 with RMB8,020,195,000 repayable within one year, RMB7,067,374,000 repayable within the second year, RMB2,454,772,000 repayable within the third to the fifth year and RMB1,394,985,000 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 2013, the Group's long-term bank borrowings were secured by mortgages over certain container vessels, port berths and depot facilities with a total book value of RMB5,942,678,000 (as at 31 December 2012: RMB6,033,486,000).

As at 31 December 2013, the Group's bonds payable in ten-year period amounted to RMB1,791,530,000 (as at 31 December 2012: RMB1,789,078,000), all proceeds from the bonds were used in the construction of vessels. The bonds were issued with a guarantee provided by the Bank of China, Shanghai branch.

As at 31 December 2013, the Group's RMB borrowings at fixed interest rates amounted to RMB2,600,000,000, with annual interest rates ranging from 3.60% to 5.02%. USD borrowings at fixed interest rates amounted to RMB375,122,000, with an annual interest rates of 4.9% and USD borrowings at floating interest rates amounted to RMB15,962,204,000, of which USD borrowings with annual interest rates adjusted based on London Interbank Offered Rate amounted to RMB13,523,444,000. Additionally, USD commercial bills amounted to RMB2,438,760,000, where the annual interest rate is determined at the time of each issue. The Group's borrowings are denominated in RMB or USD, and cash and cash equivalents are mainly denominated in these two currencies.

As at 31 December 2013, the Group's obligations under finance leases amounted to RMB221,370,000, with the maturity profile ranging from 2014 to 2019. The amount repayable within one year is RMB34,773,000; the amount repayable within the second year is RMB36,871,000; the amount repayable within the third to the fifth year is RMB112,937,000 and the amount repayable after the fifth year is RMB36,789,000. The Group's obligations under the finance leases are used in the lease of new containers.

Management Discussion and Analysis

NET CURRENT ASSETS

As at 31 December 2013, the Group's net current assets amounted to RMB3,879,596,000. Current assets are mainly comprised of fuel inventories of RMB1,545,370,000, trade and notes receivables of RMB2,476,402,000, prepayments and other receivables of RMB375,245,000 and cash and bank deposits and restricted deposits of RMB9,016,562,000, assets held for sale of RMB4,169,566,000. Current liabilities mainly consist of trade payables of RMB3,890,379,000, accrual and other payables of RMB757,256,000, current income tax liabilities of RMB14,060,000, short-term bank loans of RMB1,707,132,000, commercial bills of RMB2,438,760,000, liabilities held for sale of RMB961,886,000, long-term bank borrowings due in one year of RMB3,874,303,000, finance lease obligations payable in one year of RMB34,773,000 and provisions of RMB25,000,000.

CASH FLOWS

For the year 2013, the Group's net cash used in operating activities was RMB1,144,185,000, denominated principally in RMB and USD, representing an increase in outflow of RMB1,280,497,000 from net cash generated from operating activities of RMB136,312,000 in 2012. Cash and cash equivalents balances at the end of 2013 increased by RMB771,834,000 as compared with the corresponding period of 2012, mainly reflecting the net cash used in operating activities, the net cash generated from financing activities and the net cash used in investment activities. The net cash generated from financing activities of the Group during year 2013 was mainly derived from bank borrowings and issue of commercial bills, the above-mentioned funds were used mainly for the purposes of short-term business and purchase and construction of vessels, containers and port facilities.

The following table provides the information regarding the Group's cash flow for the years ended 31 December 2013 and 2012:

Unit: RMB

	2013	2012
Net cash generated from/(used in) operating activities	**(1,144,185,000)**	136,312,000
Net cash generated from/(used in) investing activities	**(1,858,206,000)**	1,391,750,000
Net cash generated from financing activities	**3,937,225,000**	233,437,000
Exchange losses on cash	**(163,000,000)**	(3,802,000)
Net increase in cash and cash equivalents	**771,834,000**	1,757,697,000

NET CASH USED IN OPERATING ACTIVITIES

For the year ended 31 December 2013, the net cash used in operating activities was RMB1,144,185,000, representing an increase in net cash outflow of RMB1,280,497,000 from the net cash generated for the year 2012 of RMB136,312,000, as compared with the corresponding period of 2012. The increase in the net cash used in operating activities of the Group was attributable to the decrease in the Group's operating profit margin in 2013.

NET CASH USED IN INVESTING ACTIVITIES

For the year ended 31 December 2013, net cash used in investing activities was RMB1,858,206,000, representing an increase in outflow of RMB3,249,956,000 from the net cash inflow generated for the year 2012 of RMB1,391,750,000. It was primarily due to the Group's increased investment expenditure in vessel construction and the absence of cash inflow generated from the disposal of a proportion of self-owned containers in 2013.

NET CASH GENERATED FROM FINANCING ACTIVITIES

For the year ended 31 December 2013, net cash generated from financing activities was RMB3,937,225,000, representing an increase of RMB3,703,788,000 as compared with the net cash generated from financing activities of RMB233,437,000 in 2012. For the year 2013, Group's bank borrowings and commercial bills amounted to RMB19,589,402,000, repayment of bank borrowings and commercial bills amounted to RMB14,947,659,000 and repayment of principal of finance leases amounted to RMB126,648,000.

AVERAGE TURNOVER DAYS OF TRADE AND NOTES RECEIVABLES

As at 31 December 2013, the gross balance of trade and notes receivables by the Group amounted to RMB2,544,757,000, representing an increase of RMB215,656,000 as compared with 31 December 2012, and the balance of trade receivables from related parties amounted to RMB345,561,000, representing a decrease of RMB39,671,000 as compared with 31 December 2012. It was primarily due to the increase in the Group's revenue by 2.8% in 2013 as compared with last year, which led to an increase in the balance of trade receivables as compared with the same period of last year.

GEARING RATIO

As at 31 December 2013, the Group's net gearing ratio (i.e. net debts over shareholders' equity) was 49.3%, which was higher than 37.1% in the corresponding period of 2012. The increase in gearing ratio was mainly due to: on one hand, the increase in financing which has led to an increase in debt; on the other hand, loss during this year which reduced the Company's net assets. These factors both contributed to the increase in net gearing ratio.

FOREIGN EXCHANGE RISK AND HEDGING

Most of the revenue of the Group are settled in USD. The Group recorded a net exchange gains of RMB29,778,000, which was mainly due to fluctuations of the US and EU currency exchange rates and the exchange difference which was charged to shareholders' equity amounted to RMB147,475,000. The Company will continue to watch closely the exchange rate fluctuation between RMB and major international currencies for settlement, 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 2013, the Group's expenditures on the purchase of container vessels and vessels under construction amounted to RMB2,003,841,000, expenditures on purchase of containers amounted to RMB578,068,000, expenditures on other production infrastructure, office equipment and motor vehicles amounted to RMB58,181,000 and equity investments amounted to RMB305,077,000.

COMMITMENTS

As at 31 December 2013, capital commitments of the Group which had been contracted but not provided for in relation to vessels under construction were RMB6,492,589,000; contracted but not provided for and authorised but not contracted for investment commitments were RMB351,200,000. Furthermore, the operating lease commitments of the Group relating to land and buildings, and vessels and containers are RMB110,878,000 and RMB9,449,466,000, respectively.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had provisions of RMB25,000,000 credited as legal claim. Apart from this, the Group had no other contingent liabilities.

EMPLOYEES, TRAINING AND BENEFITS

As at 31 December 2013, the Group had 4,338 employees and an additional 148 outsourced labor employees. In addition, the Group had entered into contracts with a number of subsidiaries of China Shipping, pursuant to which these subsidiaries provided the Group with approximately 3,586 crew members in total who mainly worked on the Group's self-owned or bare boat chartered vessels. During the period, total staff expenses were approximately RMB1,833,937,000. Remuneration of the Group's employees includes basic salaries, other allowances and performance-based bonuses. The Group has also adopted a performance-based discretionary incentive scheme for its employees. The scheme links the employees' financial benefits directly with certain business performance indicators. Such indicators may include, but not limited to, profit target of the Group. Details of such performance-based discretionary incentive scheme vary among the employees of the Group. The Group currently sets out certain performance indicators for each of its subsidiaries to achieve. Each subsidiary has the discretion to formulate in detail its own 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 recognized as an expense or income of the Group. According to the Rights Scheme, the senior management of the Company, heads of operation and management divisions of the Company, and the general managers and deputy general managers of the Company's subsidiaries and others 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. ZHANG GUOFA (張國發), AGE 57

Chairman and executive Director of the Company and Chairman of the Investment Strategy Committee of the Board. Mr. Zhang joined the Company in February 2005 and had held the posts of Executive Director and Vice Chairman of the Company. He is also the director, president and a Party member of China Shipping. He is a senior engineer. Mr. Zhang joined China Shipping in 2004 as a Party member and the vice president. Prior to joining China Shipping, he worked at Changjiang Marine Transportation Company and the Ministry of Communications. During his service with the Ministry of Communications, he had held the posts of department head, deputy section chief, section chief, assistant to the director and deputy director of the Transport Department and the Water Transport Department. Mr. Zhang graduated from Wuhan River Shipping School (武漢河運學校), major in River Navigation and Wuhan University, major in Political Economy. He obtained a Bachelor, a Master and a Doctorate degree in Political Economy from Wuhan University.

MR. HUANG XIAOWEN (黃小文), AGE 51

Vice chairman and executive Director of the Company. Mr. Huang is also the vice president and a Party member of China Shipping, chairman of China Shipping Development Company Limited and chairman of China Shipping Agency Company Limited, China Shipping Logistics Co., Ltd. and China Shipping Terminal Development Co., Ltd. ("CSTD"). 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, and was appointed as deputy general manager, executive Director, General Manager and vice Party secretary of the Company. He became the vice president and a Party member of China Shipping since April 2012. Mr. Huang's "bulk container shipping methodology" was granted 2002 New Product for Hong Kong maritime administration, Gold Medal in New Technology International Exhibition and Practical New Design patent by State Intellectual Property Office, and his "multipurpose vehicle container shipping methodology" was also granted Practical New Design patent by State Intellectual Property Office. Mr. Huang graduated from Qingdao Ocean Seaman Institute with a major in Vessel Piloting, and obtained an EMBA from China Europe International Business School. He joined the Company in October 1997.

Biographies of Directors, Supervisors and Senior Management

MR. ZHAO HONGZHOU (趙宏舟), AGE 46

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, the vice department head and department head of the executive department of China Shipping, the deputy general manager of the Company and the executive Director. From August 2012 to now, he served as the general manager and executive Director of the Company. 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. WANG DAXIONG (王大雄), AGE 53

Non-executive Director of the Company. Mr. Wang is also the chairman of China Shipping (Hong Kong) Holdings Co., Ltd., 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. He was the deputy department head, department head and division head of the Finance Division of the Guangzhou Maritime Bureau, the chief accountant and head of finance department of Guangzhou Shipping (Group) Company, the chief accountant, vice president, a member of the Party committee, deputy general manager of China Shipping and a director of China Shipping Development Company Limited. Mr. Wang graduated from Shanghai Maritime University, majoring in maritime finance and accounting and obtained an EMBA from Shanghai University of Finance and Economics. He is a senior accountant. Mr. Wang joined the Company in February 2004.

Biographies of Directors, Supervisors and Senior Management

MS. SU MIN (蘇敏), AGE 46

Non-executive Director of the Company. Ms. Su is also currently the chief accountant and a Party member of China Shipping, and a director of China Shipping Development Company Limited. Ms. Su was the chief of the financial section of the office of Anhui Economic and Trade Committee, the deputy director of the service center, the deputy director of the office and the deputy division chief of the financial division of Anhui Economic and Trade Committee, the deputy director general of the title administration bureau of the State-owned Assets Supervision and Administration Commission of Anhui Province, the chief accountant of Anhui Provincial Energy Group Company Limited and the deputy general manager and the chief accountant of Anhui Provincial Energy Group Company Limited. She became the chief accountant of China Shipping since April 2011. Ms. Su graduated from Shanghai University of Finance and Economics with a master degree in business administration. Ms. Su is a senior accountant, a certified public accountant and a certified public valuer. Ms. Su joined the Company in June 2013.

MR. DING NONG (丁農), AGE 52

Non-executive Director of the Company. He is a deputy general manager and a member of the Party Committee of China Shipping 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 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 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. CHEN JIHONG (陳紀鴻), AGE 56

Non-executive Director of the Company. He is a general manager of Shanghai Shipping (Group) Company, a supervisor of China Shipping Development Company Limited, and the chairman of the Shanghai Institute of Navigation. Mr. Chen started his career in March 1975 and has served as the deputy section chief of the publicity section, the deputy director of the corporate governance department, the deputy section chief of the publicity section, the director of the Party office and the section chief of the publicity section, the Secretary of the Discipline Inspection Commission and the section chief of the supervision section and Secretary of the Party and Secretary of the Discipline Inspection Commission of Shanghai Ocean Ship Repair Factory, director of organization department of the Party committee of the Department of Organization of China Shipping, a member of the standing committee of the Fang Cheng Gang Municipal Committee and the vice Mayor of Fang Cheng Gang City of Guangxi Autonomous Region (temporary post), the Secretary of the Party and vice general manager of Tanker Branch of China Shipping Development Company Limited, head of the organization department of the Party Committee of China Shipping. Mr. Chen graduated from East China Normal University, majoring in Global Economics, with a postgraduate degree and MBA degree. Mr. Chen is a senior political officer and joined the Company in June 2013.

MR. ZHANG RONGBIAO (張榮標), AGE 52

Non-executive Director of the Company. He is also the Party Secretary and deputy general manager of the of China Shipping Development Company Limited Tanker Company and a director of China Shipping (Hainan) Hansheng Shipping and Enterprise Co., Ltd. He began his career in the shipping industry in 1979. He served as the assistant director and deputy director of Supervision and Auditing Division of Guangzhou Shipping (Group) Company, and served as executive vice director (in charge) and director of Supervision and Auditing Division of China Shipping. He was Party secretary of China Shipping Development Company Limited Tramp Co.. He was Party secretary and deputy general manager of China Shipping Development Company Limited Tramp Co.. He was the chairman, general manager and Party secretary of Guangzhou Shipping (Group) Company. He was also a supervisor of China Shipping Development Company. 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. He is an auditor, accountant and engineer. Mr. Zhang joined the Company in June 2011.

Biographies of Directors, Supervisors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

MS. ZHANG NAN (張楠), AGE 65

Independent Non-executive Director of the Company. Ms. Zhang began her career in March 1969. She has served as 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. She was the director of the office of the political department of Beijing Yanhua Corporation, the deputy director of the office of Beijing Electronics & Instrument Industrial Bureau Device Company, and the deputy director of the professional department on electronic devices and deputy director of the office of Beijing Computer Industry Corporation. She served as the deputy director of audit and compliance division of Beijing Electronic Industry Office, the deputy director of the research office of the State Council Production Office and the State Council Economics and Trade Office. She was the director of the division of economic law and regulations, the deputy director of the economic research center, the deputy director of the enterprise supervision bureau, and the director of the economics officer training center of the State Economic and Trade Commission. She served as the director of the economics officer training center and a supervisor (bureau class) of the supervisory board for large state-owned enterprises of the State-owned Assets Supervision and Administration Commission. She 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 the scientific management committee and the enterprise risk management specialist committee of Sinohydro Corporation. Ms. Zhang graduated from the Party School of the 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. She was appointed as an independent non-executive director of the Company in June 2010.

MR. TEO SIONG SENG (張松聲), AGE 59

Independent Non-executive Director of the Company. Mr. Teo graduated from Glasgow University in England, received a bachelor's degree (first-class honors) in Shipping Vessel Design and Maritime Engineering. He is the managing director of Pacific International Lines (Pte) Ltd., the president and chief executive officer of Singamas Container Holdings Limited (00716). He is currently an independent non-executive director of China COSCO Holdings Company Limited, the former president of the Singapore Chinese Chamber of Commerce & Industry, and a nominated member of parliament of the Singapore Government. He is the vice chairman of the Singapore Business Federation, honorary consul of the United Republic of Tanzania in Singapore, the chairman of executive committee of Singapore Maritime Academy, the director of Business China (Singapore), and chairman of the Standard Steamship Owners' Protection and Indemnity Association (Asia) Ltd. Mr. Teo was appointed as an independent non-executive director of the Company in June 2013.

Biographies of Directors, Supervisors and Senior Management

MR. CHEN LISHEN (陳立身), AGE 65

Independent Non-executive Director of the Company. Mr. Chen began his career in September 1968. He held several positions in Shanghai Port Authority, including the chief of Production Scheduling Division, the chief of the Business Division, the assistant to the head and the chief of the Business Division, and the deputy head. He also served as the vice president of Shanghai International Port (Group) Co., Ltd. Between June 2001 and April 2010, he served as deputy head of the Shanghai Port Authority and the vice president of Shanghai International Port (Group) Co., Ltd., and was primarily responsible for the business, production, security and quality of the group. Mr. Chen has made significant contributions to the "forward-leaping" development and outstanding achievement of the Port of Shanghai. Mr. Chen also played important roles in the development of container business and transshipment business, as well as the development of container and port logistics industries. Mr. Chen has extensive experiences in container terminal related businesses and graduated from Shanghai Municipal Industrial College of the Chinese Communist Party majoring in Party Management. He is a senior economist and the current president of Container Branch of the China Ports & Harbors Association. He was appointed as an independent non-executive director of the Company in June 2013.

MR. GUAN YIMIN (管一民), AGE 63

Independent Non-executive Director of the Company. He is currently a professor of Shanghai National Accounting Institute of China and vice chairman of Shanghai Chief Accountants Research Association, and independent director of companies such as Shanghai International Port (Group) Co., Ltd. Mr. Guan began his career in January 1983. He taught in the accounting faculty of Shanghai University of Finance and Economics and served as deputy dean and standing deputy dean of the institute of adult education of Shanghai University of Finance and Economics. He was the assistant to president of Shanghai University of Finance and Economics and deputy dean of Shanghai National Accounting Institute. He also served as independent director of companies such as Shanghai Fosun Pharmaceutical (Group) Co., Ltd. Mr. Guan graduated from the accounting faculty of Shanghai University of Finance and Economics and was appointed as an independent non-executive director of the Company in June 2013. He is entitled to receive special subsidies granted by the State Council of China.

Biographies of Directors, Supervisors and Senior Management

MR. SHI XIN (施欣), AGE 47

Independent Non-executive Director of the Company. He is also currently a doctoral tutor and professor in the professional in transport and communications planning and management of Shanghai Maritime University, a deputy director of maritime management committee of China Institute of Navigation, and an independent director of Xiamen Port Development Co., Ltd. He has extensive experience in the research of transport and communication planning and management. He has participated in research topics such as construction of Shanghai International Shipping Center, development of modern shipping service industry, and management of transport and communication industry. He has been awarded several provincial science and technology advancement awards and policy-making consultation achievement award. With extensive working experiences in enterprise management and consultation, Mr. Shi has also participated in the management consultation work for many well-known shipping and logistics enterprises. Mr. Shi is the leading lecturer and the guiding lecturer of EMBA and MBA courses. He graduated from Shanghai Jiao Tong University, majoring in Management Engineering, and received a doctorate degree. He was appointed as an independent non-executive director of the Company in June 2013.

SUPERVISORY COMMITTEE MEMBERS

MR. XU WENRONG (徐文榮), AGE 52

Chairman of the Supervisory Committee. Mr. Xu is also currently the deputy general manager, member of the Party Committee, Chief of Discipline & Inspection and Chairman of the Labour Union of China Shipping. He is also chairman of the supervisory committee of China Shipping Development Company Limited. He served as deputy general Director of Petroleum Geophysical Exploration Bureau of China National Petroleum Corporation ("CNPC"), general Director and Deputy Party Secretary of Petroleum Geophysical Exploration Bureau of CNPC, vice chairman, the general manager and Deputy Party Secretary of Bureau of Geophysical Prospecting of CNPC. He was the assistant to the General Manager of CNPC, and at the same time, Mr. Xu was the director of R&D department of CNPC and the chairman of CNPC Services & Engineering Co., Ltd. He served as a member of the Party Committee and the Chief of Discipline & Inspection of China Shipping. He has served as deputy general manager, member of the Party Committee and Chief of Discipline & Inspection of China Shipping since 2014. Mr. Xu graduated from East China Petroleum Institute with a bachelor's degree, and is a senior engineer with professor qualifications. He joined the Company in June 2013.

Biographies of Directors, Supervisors and Senior Management

MR. YE HONGJUN (葉紅軍), AGE 50

Supervisor of the Company. Mr. Ye is currently the chief legal consultant of China Shipping. He worked in Beijing Communications Management Institute for Executives, and served in the MOC and has held the posts including a servant without fixed position, deputy department head, department head and the deputy section chief of the Legal Section, the deputy section chief of the Price Regulatory Section of the Water Transport Department and the section chief of the Regulation Section of the Water Transport Department. He served as the assistant to the head of the Maritime Safety Administration of the MOC, and the director of the Domestic Shipping Management Division of the Waterway Transportation Bureau of the MOT. He has served as the chief law consultant of China Shipping since April 2012. Mr. Ye received a master's degree in law from Shanghai Fudan University and joined the Company in June 2013.

MR. TU SHIMING (屠士明), AGE 50

Secretary to the Disciplinary committee and Supervisor of the Company. Mr. Tu began his career in 1983. He served as chief of the finance section of the container branch under Shanghai Hai Xing Shipping Co., Ltd., he served several positions in China Shipping, such as officer, deputy division chief and division chief of the audit division of the compliance department of China Shipping. Mr. Tu was deputy general manager of the compliance department of China Shipping. 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, majoring in Maritime Accounting, and obtained a Bachelor's degree in accounting from Shanghai University of Finance and Economics. He is a senior accountant. Mr. Tu served as a supervisor of the Company from October 2005 to June 2008 and joined the Company in April 2011.

Biographies of Directors, Supervisors and Senior Management

MR. ZHU DONGLIN (朱冬林), AGE 54

Born in December 1959, he is a currently a supervisor, secretary of the Communist Party Committee, the general manager of the Human Resources Division and the vice president of the Labour Union of the Company. Mr. Zhu joined the Company in 1997, and has served as deputy director of the general manager office, deputy director and deputy director (in charge) of the general affairs office, deputy director of the Party and Mass Organisation Division, deputy general manager of the office of Secretary to the Board and the vice president of the Labour Union. Mr. Zhu has served as the general manager of the Human Resources Division and the vice president of the Labour Union of the Company since March 2012 and has served as the secretary of the Communist Party Committee of the Company since January 2014. Mr. Zhu graduated from Shanghai Maritime Institute with a bachelor degree majoring in Shipping Electrification and Automation and is a deputy researcher.

MR. SHEN KANGCHEN (沈康辰), AGE 73

Independent Supervisor of the Company. He has served as an instructor, lecturer and associate professor, successively in Chongqing Jiaotong University and Institute of Architecture and Engineering, and a visiting scholar to Carnegie Mellon University and University of Florida. He served as the vice president of Chongqing Jiaotong University, and the dean of faculty, the Secretary of the Party committee and professor of Shanghai Maritime University. He was the vice president and professor of Shanghai Maritime University. He was the dean and professor of Shanghai Maritime University (during which he was invited to act as a visiting scholar of New Jersey Industry College). He was the head of Network Computing Institute of Shanghai Maritime University. He was the chief engineer of Shanghai Branch of CABR Technology Co., Ltd. He was an independent non- executive Director of the second and third session of the Board of the Company. Mr. Shen 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 under the guidance of academician Xu Zhi Lun. He was appointed as an independent supervisor of the Company in June 2013.

Biographies of Directors, Supervisors and Senior Management

MR. SHEN ZHONGYING (沈重英), AGE 69

Independent Supervisor of the Company. He has served in several governmental departments of Shaanxi. He served as chairman of Hong Kong Li Shan Company Limited, the deputy director of Shanghai Planned Economy Research Institution, the standing deputy office manager and office manager of Shanghai Supervision Management Office of Securities and Future, the Party Secretary and the head of CSRC Shanghai Securities Management Office and the chief of CSRC Shanghai Inspection Bureau. He was a non-member governor of Shanghai Stock Exchange and the Head of the Shanghai Stock Exchange Member Management Committee. He was a member of the twelfth Standing Committee of the Shanghai Municipal People's Congress. He was an independent non-executive director of the second and third session of the Board of the Company. Mr. Shen graduated from Shanghai Industrial College and was appointed as an independent supervisor of the Company is June 2013.

COMPANY SECRETARY

MR. YE YUMANG (葉宇芒), AGE 48

Company secretary of the Company. Mr. Ye began his career in 1989. He first engaged in vessel technique and administrative matters in Shanghai Shipping (Group) Company. Mr. Ye served as the assistant company secretary, joint company secretary and the company secretary of China Shipping Development Company Limited. He was also the chief of the executive department of the Company. He served as the general manager of the Directorate Secretary Office of the Company from January 2005 to May 2013, and has served as secretary to the Board since 2004. Mr. Ye graduated from Shanghai Maritime University with a Master's degree in mechanical engineering and obtained his Master's degree in EMBA from the Shanghai Finance & Economy University. He is a senior economist and a fellow of the Hong Kong Institute of Chartered Secretaries. He was granted the Senior Board Secretary Award and Outstanding Board Secretary for 2011-2012 by the Listed Companies Association of Shanghai. He joined the Company in November 2002.

Biographies of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

MR. QIAN WEIZHONG (錢衛忠), AGE 47

Party secretary and deputy general manager of the Company. Mr. Qian started his career in 1987 and had served as the general manager assistant, deputy general manager, a member of the Party committee, deputy general manager (in charge), a member of the Party committee, general manager and a member of the Party committee of China Shipping Agency Company Limited. From December 2012 to March 2014, he was the vice president of China Shipping (North America) Holdings Company and the general manager of the Los Angeles branch of China Shipping (North America) Agency Company Limited (中國海運（北美）代理有限公司). Mr. Qian graduated from Jimei University, majoring in Engine Management, and Shanghai Maritime College, majoring in Transportation Plan and Management. He is a master's degree candidate and an economist. Mr. Qian joined the Company in March 2014.

MR. FENG XINGGUO (馮幸國), AGE 56

Deputy general manager, party secretary and chief captain of the Company. Mr. Feng assists the General Manager of the Company and is responsible for the security and technological work of the Company. Mr. Feng began his career in 1975, and has served as 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 Hai Xing Shipping Co., Ltd.; Mr. Feng was the deputy general manager of Container Branch Company under Shanghai Hai Xing Shipping Co., Ltd.; general manager of security and technology department of the Company; the assistant to the general manager of the vessel administration center and the general manager of the security and technology department of the Company; the deputy general manager of vessel administration center and general manager of crew management department of the Company; the chief captain, deputy general manager of vessel administration center of the Company. From 2010 till now, he is the deputy general manager, a member of the Party committee and chief captain of the Company. Mr. Feng graduated from Shanghai Maritime Staff University, majoring in vessel piloting. He is a senior captain and senior engineer. He joined the Company in September 1997.

Biographies of Directors, Supervisors and Senior Management

MR. SUI JUN (隋軍), AGE 42

Deputy general manager, member of the Party committee and chief legal consultant 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 of CS International Shipping Co., Ltd., (Dalian Branch) 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) from January 2003 to March 2013, and deputy Party secretary of CSCL (Dalian branch) from August 2007 to March 2013. From February 2012 till December 2012, he was also the assistant to the general manager of CSCL. He has been the deputy general manager and member of the Party committee of the Company since December 2012, and has been the chief legal consultant of the Company since June 2013. Mr. Sui graduated from the China Europe International Business School EMBA program and Dalian Maritime University obtaining a master's degree in Transportation Planning and Management. He is an economist and joined the Company in January 2003.

MR. CHEN WEI (陳威), AGE 43

Deputy general manager and member of the Party committee of the Company. Mr. Chen Wei was born in March 1970 and joined the Company in September 1997. He served as deputy general manager of the Marketing department (in charge) and general manager of the Marketing department. He served as president of China Shipping (Korea) Holdings Co., Limited and general manager of China Shipping Korea Co., Ltd. from June 2008 to February 2012. He was the president of China Shipping (South East Asia) Holdings Co., Limited from February 2012 to January 2014, and also served as general manager of Xinhai Shipping Company Limited (鑫海航運有限公司) from July 2012 to January 2014. Mr. Chen Wei graduated from Beijing University with a bachelor's degree in Economic Law.

Biographies of Directors, Supervisors and Senior Management

MR. GU ZHONGDONG (辜忠東), AGE 43

Deputy general manager, member of the Party committee and senior captain of the Company. Mr. Gu Zhongdong was born in October 1970 and began his career in 1992. He served as third officer and second officer of Shanghai Shipping, first officer of Shanghai Haixing, captain of China Shipping International. He was the deputy general manager of the third department of shipping works of the vessel administration center of the Company, deputy manager of the security and technology department of the Company (in charge), and deputy general manager of the transportation department of China Shipping. He served as general manager and secretary of the Party branch of China Shipping Car Carrier Co., Ltd. Mr. Gu Zhongdong graduated from Dalian Maritime University, majoring in vessel piloting. In 2009, he was awarded with special subsidies granted by the State Council of China.

MR. CHEN SHUAI (陳帥), AGE 39

Deputy general manager of the Company. Mr. Chen Shuai was born in October 1974, and began his career in 1995. He joined the Company in 1997 and has served as deputy manager of division one of the cargo transportation division of the Company, assistant to the general manager of CSCL HK, and general manager of the Americas division of the Company. He served as assistant to the general manager of the Company and general manager of the Americas division concurrently from December 2012 to January 2014. Mr. Chen Shuai graduated from the Shanghai Maritime Academy, majoring in marine engineering management.

MR. ZHANG MINGWEN (張銘文), AGE 35

Chief accountant and member of the Party committee of the Company. Mr. Zhang Mingwen was born in June 1978 and began his career in 1999. He served as officer and vice supervisor of the settlement center of China Shipping, vice supervisor and deputy chief of the capital center of the financial planning department of China Shipping, assistant to the general manager of the financial planning department of China Shipping and assistant to the general manager of the financial capital department of China Shipping. Mr. Zhang Mingwen joined the Company in November 2012 and served as the Company's deputy chief accountant and member of the Party committee from November 2012 to January 2014. He has served as the financial controller of the Company since April 2013. Mr. Zhang Mingwen graduated from Faculty of Finance of the Shanghai University of Finance and Economics, majoring in investment economics and obtaining a bachelor's degree in economics, and the Antai College of Economics & Management of Shanghai Jiao Tong University, majoring in business administration and receiving a MBA degree. He is a chartered financial analyst (CFA) and a senior accountant.

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2013 (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 43 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 statement of profit or loss on page 76 of this Annual Report.

DIVIDENDS

The accumulated loss calculated under PRC accounting standards of the Company and the Group as at 31 December 2013 was RMB2,279 million and RMB5,030 million, respectively. It was proposed that no profit distribution would be made for the year 2013 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 82 of this Annual Report and Note 31 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

In accordance with the PRC Company Law, the Company may only distribute dividends out of its distributable profits (i.e. the Company's profit after income tax after offsetting: (i) the accumulated losses brought forward from the previous years; and (ii) the allocations to the statutory surplus reserve and, if any, the discretionary common reserve (in such order of priorities) before payment of any dividend on shares).

According to the Company's articles of association ("articles of association"), for the purpose of determining profit distribution, the distributable profit 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 2013, the accumulated loss of the Company, calculated based on the above principles, amounted to approximately RMB2,278,706,000, 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 4 of this Annual Report.

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 2013.

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 2013 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:

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Li Shaode[(1)]
Mr. Xu Lirong[(1)]
Mr. Zhang Guofa *(Chairman)*
Mr. Huang Xiaowen *(Vice Chairman)*
Mr. Zhao Hongzhou

NON-EXECUTIVE DIRECTORS

Mr. Wang Daxiong
Ms. Su Min
Mr. Ding Nong
Mr. Chen Jihong
Mr. Zhang Rongbiao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhang Nan
Mr. Teo Siong Seng
Mr. Chen Lishen
Mr. Guan Yimin
Mr. Shi Xin

SUPERVISORS

Mr. Xu Wenrong *(Chairman)*
Mr. Ye Hongjun
Mr. Tu Shiming
Mr. Wang Xiuping[(2)]
Mr. Zhu Donglin[(2)]
Mr. Shen Kangchen
Mr. Shen Zhongying

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

Notes:

1. Mr. Li Shaode retired due to age and resigned as Chairman and Executive Director of the Company on 2 December 2013. Mr. Xu Lirong resigned as Vice-Chairman and Executive Director of the Company due to him serving as chairman of the controlling shareholder, which became effective on 2 December 2013.

2. Mr. Wang Xiuping resigned as the Employee Supervisor of the Company due to work arrangement, which came into effect on 27 January 2014. Mr. Zhu Donglin was elected as the Employee Supervisor of the Company at the fifth meeting of the fourth session of the employee representative meeting of the Company, which came into effect on 27 January 2014.

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 2015, i.e. in or around June 2016.

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

Save as disclosed in this Report of the Directors (including but not limited to the connected transactions and continuing connected transactions stated below), 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 this 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 this 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.

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 19 to 31 of this Annual Report.

Each of Zhang Guofa, Huang Xiaowen, Wang Daxiong, Su Min and Ding Nong was as at 31 December 2013, the Managing Director, the Vice President, the Vice President, the Chief Accountant and the Vice President respectively of China Shipping, which was a company having, as at 31 December 2013, 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.

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

As at 31 December 2013, 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:

(I) INTERESTS IN THE SHARES OF THE COMPANY

Name	Number of underlying H shares interested in	Capacity in which underlying H shares were held	Percentage in the issued H share capital
Director			
Teo Siong Seng	200,000(L)	Beneficial owner	0.005%

(L) – long position

(II) INTERESTS IN THE SHARES OF THE COMPANY UNDER THE RIGHTS SCHEME[1]

NAME	Number of Underlying H shares	Capacity	Percentage in total H share capital
Directors:			
Zhang Guofa	2,218,050(L)	Beneficial owner	0.059%
Huang Xiaowen	3,334,050(L)	Beneficial owner	0.089%
Zhao Hongzhou	2,604,000(L)	Beneficial owner	0.069%
Wang Daxiong	1,240,000(L)	Beneficial owner	0.033%
Supervisors:			
Tu Shiming	246,450(L)	Beneficial owner	0.007%
Wang Xiuping[2]	1,395,000(L)	Beneficial owner	0.037%

(L) – 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.

2. Wang Xiuping has resigned as supervisors of the Company due to work arrangement, with effect from 27 January 2014.

Save as disclosed above, as at 31 December 2013, 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 2013, 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[(1)]	A Shares	5,361,837,500(L)	Beneficial owner	67.60	45.89
UBS AG[(2)]	H Shares	196,558,875(L) 192,722,264(S)	Beneficial owner, persons having a security interest in shares and interest of corporation controlled by the substantial shareholder	5.24 5.14	1.68 1.93
Blackrock, Inc.	H Shares	178,254,678(L) 112,692,587(S)	Interest of corporation controlled by the substantial shareholder	4.75 3.00	2.07 0.23
Deutsche Bank Aktiengesellscahft	H Shares	180,668,210(L) 152,059,864(S)	Beneficial owner	4.82 4.05	1.68 1.57
Earnest Partners, LLC	H Shares	226,920,250(L)	Investment manager	6.05	1.94
The Northern Trust Company (ALA)	H Shares	249,945,900(P)	Approved lending agent	6.66	2.14
Credit Suisse Group AG	H Shares	202,067,549(L) 109,140,285(S)	Interest of corporation controlled by the substantial shareholder	5.39 2.91	1.73 0.93

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

Notes:

1. As notified by Ocean Fortune Investment Limited ("Ocean Fortune"), it held 184,761,000 H Shares of the Company as at 31 December 2013. As China Shipping held the entire issued share capital of China Shipping (HK) Holdings Co., Ltd., which in turn held the entire issued share capital of Ocean Fortune, China Shipping is deemed to be interested in 184,761,000 H Shares of the Company as at 31 December 2013, accounting for approximately 4.93% of the relevant class of share capital of the Company and approximately 1.58% of the total number of shares issued by the Company as at 31 December 2013.

2. According to the form of disclosure of interests submitted by UBS AG on 2 December 2013 (the date of the relevant event being 28 November 2013), these shares were held through certain subsidiaries of UBS AG. The 196,558,875 H shares (long position) were held as to 92,600,175 H shares in the capacity of beneficial owner; 1,200,000 shares were held in the capacity of persons having a security interest in shares and 102,758,700 shares were held in the capacity of interest of corporation controlled by the substantial shareholder. The 192,722,264 H shares (short position) were held as to 91,973,264 H shares in the capacity of beneficial owner and 100,749,000 shares were held in the capacity of interest of corporation controlled by the substantial shareholder.

Save as disclosed above, as at 31 December 2013, 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 China Shipping (details of which are set out on page 35 of this Annual Report), and China Shipping 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.

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 aggregate less than 30% of its goods and services from its 5 largest suppliers and sold in aggregate less than 30% of its goods and services to its 5 largest customers.

For the year ended 31 December 2013, 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

During the year, the Company entered into the following connected transactions:

1. PROVISION OF AGREED MATERIALS, FUEL AND RELATED SERVICES

- Date and parties of the transaction:

  On 28 June 2013, the Company and China Shipping entered into a master purchase agreement (the "Master Purchase Agreement") regarding the provision of the agreed materials, fuel and related services by the Group to China Shipping, its subsidiaries and associates (excluding the Group) (the "China Shipping Group") with effect from 1 July 2013.

- Connected relationship of the parties of the transaction:

  China Shipping is the controlling shareholder of the Company, which is regarded as the connected person of the Company. Therefore, transactions under the Master Purchase Agreement constitute the continuing connected transactions under Chapter 14A of the Listing Rules.

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

  The agreed materials, fuel and related services are necessary for the day-to-day production and operation in shipping transportation. With the Group's economies of scale and enhanced bargaining power through centralized procurement, and the ability to seize market trend and opportunities through professional operation, it is expected that the Company is able to reduce its procurement cost, ensure quality and enhance operation efficiency. The Group has a close long-term relationship with China Shipping Group. China Shipping Group is a large shipping conglomerate that operates across different regions, sectors and countries, which has solid strength, extensive experience and powerful service system. Leveraging these advantages, the Company is able to attain a better development.

  The Company is principally engaged in container transportation and related services. Its primary revenue and profit source are not dependent on the above transactions. Therefore, its independence is not affected by the above transactions.

- Price and other terms:

  The Master Purchase Agreement provides that the agreed materials, fuel and related services under the Master Purchase Agreement must be provided in accordance with the following general pricing principles:

  (a) state-prescribed price;

  (b) where there is no state-prescribed price, then according to relevant market price and on principle of fairness and reasonableness; and

  (c) where there is no market price, then according to the contracted price.

  For the purpose of the Master Purchase Agreement: "state-prescribed price" means the price set by the relevant laws, regulations and other governmental regulatory documents issued by the relevant departments of the PRC government; "market price" means the price at which the same type of materials, fuel and related services are provided by independent third parties in the same area on normal commercial terms in the ordinary course of business; and "contracted price" means the price arrived after negotiation between parties to the agreement according to the principle of fairness and reasonableness by reference to specific circumstances.

Report of the Directors

2. SALE OF 2 VESSELS

- Date and parties of the transaction:

  On 18 September 2013, the Company entered into two sale and purchase agreements (the "Sale and Purchase Agreements") with CIC Digang Shipyard ("CIG Digang"), pursuant to which the Company has agreed to sell and CIC Digang has agreed to purchase "Xiang Hu" and "Xiang Kai" container vessels (the "Sale").

- Connected relationship of the parties of the transaction:

  CIC Digang is a branch office of China Shipping Industry Co., Ltd. ("CIC") and CIC is in turn a wholly-owned subsidiary of China Shipping, the controlling shareholder of the Company. Accordingly, the Sale constitutes a connected transaction of the Company under the Listing Rules.

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

  Since "Xiang Hu" and "Xiang Kai" container vessels have both reached 28 years, they have lost their commercial value because of their poor technical conditions, high repairing and maintenance costs. The Sale will reduce the Company's operating cost, optimize the structure of its shipping fleet and strengthen its core competitiveness and ability to enhance sustainable development. The Board considers that the terms of the Sale and the Sale and Purchase Agreements are fair and reasonable, in the interests of the Company and the shareholders of the Company as a whole and the terms of which are on normal commercial terms and no less favourable to the Company than terms available from independent third parties.

- Price and other terms:

  The Company has adopted a public tender process to select the purchaser of "Xiang Hu" and "Xiang Kai" container vessels and both Sale and Purchase Agreements were entered into after CIC Digang has successfully won the bid. The Company sold "Xiang Hu" container vessel to CIC Digang at a cash consideration of RMB17,820,804.37, and sold"Xiang Kai" container vessel to CIC Digang at a cash consideration of RMB16,038,093.54. The considerations were based on the sale price of US$310 and US$311 per long tonne respectively, which was the pricing principle offered by CIC Digang, the highest bidder amongst all participants of the public tender. Accordingly, no valuation has been performed.

3. DISPOSAL OF 100% OF CSTD AND SUBSCRIPTION OF SHARES IN CSTD HK

- Dates and parties of the transaction:

  On 11 October 2013, the Company, China Shipping Terminal Development (H.K.) Co., Ltd. ("CSTD HK") and China Shipping (HK) Holdings Co., Ltd. ("China Shipping (HK) Holdings") entered into a share purchase agreement (the "Share Purchase Agreement"), pursuant to which the Company agreed to sell its 100% equity interest in CSTD to CSTD HK.

- Connected relationship of the parties of the transaction:

  China Shipping (HK) Holdings is a fully-owned subsidiary of China Shipping and CSTD HK is an indirect wholly-owned subsidiary of China Shipping. As China Shipping is the controlling shareholder of the Company, China Shipping (HK) Holdings and CSTD HK are connected persons of the Company and the transaction constitutes a connected transaction of the Company under the Listing Rules.

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

  The Board is of the view that the streamline and consolidation of China Shipping Group's port businesses and assets into one platform will result in economies of scale and will allow the Company to focus on the development of its container transportation business. The port business will receive ample support from China Shipping Group in terms of financial resources, management and operation, and it will have a better development which is in the interest of the Company and its shareholders as a whole.

  The Share Purchase Agreement was negotiated and entered into on arm's length basis and on normal commercial terms. The Directors (including the independent non-executive Directors, after having considered the advice from the independent financial adviser) consider that the Share Purchase Agreement has been entered into on normal commercial terms, is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Report of the Directors

- Price and other terms:

  Pursuant to the Share Purchase Agreement, the Company agreed to sell its 100% equity interest in CSTD to CSTD HK at a consideration equivalent to the valuation result of the appraised net asset value of CSTD as of 30 June 2013 after approval by State-owned Assets Supervision and Administration Commission of the PRC ("SASAC"), subject to approval by SASAC and Ministry of Commerce of the PRC ("MOFCOM") which will be settled through the issuance of new shares in CSTD HK to the Company. The issue price per share and the number of Consideration Shares (as defined in the Share Purchase Agreement) to be issued to the Company will be determined by the appraised net asset value of CSTD HK as of 30 June 2013 after approval by SASAC.

  In relation to the disposal of 100% equity interest in CSTD to CSTD HK, China Shipping (HK) Holdings agreed to inject new capital into CSTD HK by cash contribution in Hong Kong dollars, in consideration of which CSTD HK will issue new shares to China Shipping (HK) Holdings. The issue price per share in relation to the new shares in CSTD HK to be issued to China Shipping (HK) Holdings will be the same as the issue price per Consideration Share to be issued to the Company. The capital injection made by China Shipping (HK) Holdings will be considered to ensure that after the completion of the transaction, the Company and China Shipping (HK) Holdings will hold 49% and 51% shareholding in CSTD HK, respectively.

  The Company has completed the registration and approval procedure with SASAC as to the relevant asset appraisal report of CSTD on 25 November 2013 and the relevant asset appraisal report of CSTD HK has been approved by China Shipping on 26 November 2013. The approved valuation result of the appraised net assets value of CSTD and CSTD HK is RMB3,423,060,400 and RMB287,694,700, respectively. Accordingly, the final consideration of this transaction is RMB3,423,060,400, the issue price per Consideration Share to be issued to the Company is RMB1.23 and the number of Consideration Shares (as defined in the Share Purchase Agreement) to be issued to the Company pursuant to the Share Purchase Agreement is 2,782,975,935 new shares in the issued share capital of CSTD HK. The amount of capital injection by China Shipping (HK) Holdings is HK$4,100,352,855, the issue price per share of CSTD HK to be issued to China Shipping (HK) Holdings is HK$1.54 and the number of shares in CSTD HK to be issued to China Shipping (HK) Holdings is 2,662,566,789 new shares in the issued share capital of CSTD HK. The Company has received approval documents from SASAC in relation to the transaction on 27 December 2013. As at the date of this Annual Report, MOFCOM is in the process of reviewing the relevant materials with respect to the transaction. Completion of the transaction is still subject to MOFCOM approval. Pursuant to the Share Purchase Agreement, the capital injection into CSTD HK and the issuance of the Consideration Shares (as defined in the Share Purchase Agreement) will take place within 30 days after the necessary approval from MOFCOM has been obtained.

CONTINUING CONNECTED TRANSACTIONS

As at 31 December 2013, the Company had the following relevant annual caps which were announced and subsequently revised and approved at the Company's shareholder's meeting. The actual annual figures for the year ended 31 December 2013 in relation to those continuing connected transactions are also set out below. Terms used in the following table shall have the same meanings as defined in the Company's announcements dated 20 September 2012, 6 December 2012 and 18 April 2013.

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 2013 RMB'000	Annual cap amount for the year ended 31 December 2013 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 2016	The Company and China Shipping [(1)]	Liner services	155,343	271,000
2	First Master IT Service Agreement in respect of products and services to be provided by the Group	10 May 2004, 10 May 2016	The Company and China Shipping [(1)]	IT Service	14,094	25,000
3	Master Purchase Agreement for the provision of the Agreed Materials, Fuel, and related services by the Group	28 June 2013 28 June 2015	The Company and China Shipping[(1)]	Purchase Service	1,125,712	2,070,000
(B)	**Cost of connected transactions**					
4	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	182,287	500,000
5	Master Provision of Chassis Agreement in respect of container chassis etc. to be provided to the Group	10 May 2004, 10 May 2016	The Company and China Shipping [(1)]	Lease of container chassis	22,088	32,840
6	First Master Liner and Cargo Agency Agreement in respect of services to be provided to the Group	10 May 2004, 10 May 2016	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	587,593	693,000

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 2013 RMB'000	Annual cap amount for the year ended 31 December 2013 RMB'000
7	First Master Container Management Agreement in respect of services etc. to be provided to the Group	10 May 2004, 10 May 2016	The Company and China Shipping (1), China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd., Shanghai Puhai Shipping Co., Ltd.	Container management services	150,070	200,000
8	Master Ship Repair Services Agreement in respect of services to be provided to the Group	10 May 2004, 10 May 2016	The Company and China Shipping (1)	Ship repair services	75,580	170,000
9	Master Supply Agreement in respect of products and services to be provided to the Group	10 May 2004, 10 May 2016	The Company and China Shipping (1), China Shipping & Sinopec Suppliers Co. (2)	Supply of fresh water, vessel fuel, lubricants, spare parts and other materials	2,127,274	2,946,000
10	Master Depot Services Agreement in respect of services to be provided to the Group	10 May 2004, 10 May 2016	The Company and China Shipping (1), Shanghai China Shipping Container Terminal Co., Ltd., China Shipping Zhanjianggang Container Terminal Co., Ltd.	Depot services	8,559	22,000
11	First Master IT Service Agreement in respect of products and services to be provided to the Group	10 May 2004, 10 May 2016	The Company and China Shipping (1)	IT Service	43,054	93,000
12	Master Provision of Crew Members Agreement in respect of crew members to be provided to the Group	10 May 2004, 10 May 2016	The Company and China Shipping (1)	Provision of crew members	31,926	41,000

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 2013 RMB'000	Annual cap amount for the year ended 31 December 2013 RMB'000
13	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 2016	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	583,709	748,000
14	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	479,025	488,000
15	Master Agreement in respect of products or services to be provided to the Group	10 May 2004, 10 May 2016	The Company and China Shipping [(1)]	Property rental	20,072	22,800
(C)	**Connected transactions for financial services**					
16	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	3,741,887	8,000,000

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 2013 RMB'000	Annual cap amount for the year ended 31 December 2013 RMB'000
17	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	364,000	5,000,000

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 42 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, Ms. Zhang Nan, Mr. Teo Siong Seng, Mr. Chen Lishen, Mr. Guan Yimin and Mr. Shi Xin have reviewed the above continuing connected transactions and confirmed 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 of the Company as a whole.

Report of the Directors

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; and

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, 6 December 2012 and 18 April 2013 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 2013 are set out in Note 2.4 to the consolidated financial statements.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2013, 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.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 52 to 70.

AUDIT COMMITTEE

The audit committee of the Company is comprised of two independent non-executive Directors, namely Mr. Guan Yimin and Ms. Zhang Nan, and one non-executive Director, namely Ms. Su Min. The Group's final results for the year ended 31 December 2013 have been reviewed by the audit committee of the Company.

AUDITORS

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

2011	:	PricewaterhouseCoopers
2012 and 2013	:	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.

On behalf of the Board

Zhang Guofa
Chairman

Shanghai, the PRC
26 March 2014

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 Board confirms that, other than disclosed below, the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2013.

According to provision E.1.2 of the Corporate Governance Code, the chairman of the Board should attend the annual general meeting. However, at the Company's annual general meeting held on 28 June 2013 (the "2012 AGM"), Mr. Li Shaode, the former chairman of the Board, was unable to attend due to business obligations. Mr. Zhao Hongzhou, the executive Director, was elected by all members of the Board to chair the 2012 AGM.

The Company will continue to consistently review the corporate governance practices of the Group to ensure that they are thoroughly implemented. Improvements will also be made to comply with the latest trends of corporate governance, including any new amendments to the Corporate Governance Code in the future.

Corporate Governance Report

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 27 June 2013, the members of the third session of the Board of the Company included:

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

Corporate Governance Report

COMPOSITION OF THE FOURTH SESSION OF THE BOARD

As approved by the annual general meeting for the year 2012, the fourth session of the Board consists of five executive Directors, five non-executive Directors and five independent non-executive Directors. As approved by the seventh meeting of the fourth session of the Board, Mr. Li Shaode and Mr. Xu Lirong resigned as Chairman, executive Director and Vice Chairman, executive Director of the fourth session of the Board of the Company respectively and Mr. Zhang Guofa was appointed as the Chairman and executive Director of the Company. As at 31 December 2013, the members of the fourth session of the Board of the Company included:

Executive Directors:

Mr. Zhang Guofa *(Chairman)*
Mr. Huang Xiaowen *(Vice Chairman)*
Mr. Zhao Hongzhou

Non-executive Directors:

Mr. Wang Daxiong
Ms. Su Min
Mr. Ding Nong
Mr. Chen Jihong
Mr. Zhang Rongbiao

Independent non-executive Directors:

Ms. Zhang Nan
Mr. Teo Siong Seng
Mr. Chen Lishen
Mr. Guan Yimin
Mr. Shi Xin

The list of current 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 2013, 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 AND MANAGEMENT

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 also delegates authority and obligation to the management to manage the Group, and to make relevant reports to the Board regarding the day-to-day management of the Group.

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 Corporate Governance Code and disclosure in the Corporate Governance Report.

In 2013, the Board has performed its corporate governance duties through aspects such as the formulation of the Board Diversity Policy, the review and monitor of the training and continuing professional development of the directors and senior management and compliance with the relevant laws and regulations. It has also put great efforts on improving the Company's corporate governance practices.

Corporate Governance Report

4. CHAIRMAN AND GENERAL MANAGER

Mr. Li Shaode served as the Chairman of the Company until 2 December 2013 and Mr. Zhang Guofa was appointed on 2 December 2013 to replace him. In 2013, Mr. Zhang Guofa (until 2 December 2013) and Mr. Zhao Hongzhou were the General Managers respectively. As required by the articles of association of the Company, the Chairman and the General Manager perform their responsibilities separately. The General Manager 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, recommendation of appointment or dismissal of the Deputy Manager and financial controller of the Company, appointment or dismissal of personnel other than those required to be appointed or dismissed by the Board and performance of other duties delegated by the articles of association and the Board. The Deputy Manager and other senior management personnel are responsible for assisting the General Manager.

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 July 2013, the newly appointed Directors, namely Ms. Su Min, Mr. Chen Jihong, Mr. Teo Siong Seng, Mr. Chen Lishen, Mr. Guan Yimin and Mr. Shi Xin 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 2013 and attended the training organized by the Shanghai Securities Regulatory Bureau of China Securities Regulatory Commission pursuant to the relevant requirements. In 2013, Mr. Zhang Guofa, the Chairman, Mr. Huang Xiaowen, the Vice Chairman, Mr. Zhao Hongzhou, the General Manager, Mr. Teo Siong Seng, Mr. Chen Lishen, Mr. Guan Yimin and Mr. Shi Xin, the Independent Non-executive Directors, 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. In compliance with the continuing professional development requirement under the Corporate Governance Code, 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 Corporate Governance Code regarding continuing professional development, the Directors received the following training in 2013:

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
EXECUTIVE DIRECTORS		
Li Shaode(1)	√	√
Xu Lirong(1)	√	√
Zhang Guofa	√	√
Huang Xiaowen	√	√
Zhao Hongzhou	√	√
NON-EXECUTIVE DIRECTORS		
Wang Daxiong	√	√
Su Min	√	√
Ding Nong	√	√
Chen Jihong	√	√
Zhang Rongbiao	√	√
Zhang Jianhua(2)	√	√
Xu Hui(2)	√	√
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Zhang Nan	√	√
Teo Siong Seng	√	√
Chen Lishen	√	√
Guan Yimin	√	√
Shi Xin	√	√
Shen Kangchen(2)	√	√
Jim Poon (also known as Pan Zhanyuan)(2)	√	√
Shen Zhongying(2)	√	√
Wu Daqi(2)	√	√

Notes:

(1) Mr. Li Shaode retired due to age and resigned as Chairman and Executive Director of the Company on 2 December 2013. Mr. Xu Lirong resigned as Vice-Chairman and Executive Director of the Company due to him serving as chairman of the controlling shareholder, which became effective on 2 December 2013.

(2) Mr. Zhang Jianhua, Mr. Xu Hui, Mr. Shen Kangchen, Mr. Jim Poon (also know as Pan Zhanyuan), Mr. Shen Zhongying and Mr. Wu Daqi ceased to be Directors of the Company due to the expiry of the third session of the Board.

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

Corporate Governance Report

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.

The Board held 12 meetings during 2013. 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[2]	10	8	2	7	100	No	0/1	0/1
Xu Lirong[2]	10	9	1	7	100	No	1/1	0/1
Zhang Guofa	12	12	0	8	100	No	1/1	0/1
Huang Xiaowen	12	8	4	8	100	Yes	0/1	0/1
Zhao Hongzhou	12	12	0	8	100	No	1/1	1/1
Non-executive Directors:								
Wang Daxiong	12	10	2	8	100	No	0/1	0/1
Su Min	8	6	2	5	100	No	1/1	0/1
Ding Nong	12	11	1	8	100	No	0/1	0/1
Chen Jihong	8	7	1	5	100	No	1/1	0/1
Zhang Rongbiao	12	8	4	8	100	Yes	0/1	0/1
Zhang Jianhua[3]	4	4	0	3	100	No	0/1	0/1
Xu Hui[3]	4	3	1	3	100	No	0/1	0/1

	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
Independent Non-executive Directors:								
Zhang Nan	12	10	2	8	100	No	0/1	0/1
Teo Siong Seng	8	6	2	5	100	Yes	0/1	0/1
Chen Lishen	8	7	1	5	100	No	1/1	0/1
Guan Yimin	8	8	0	5	100	No	1/1	0/1
Shi Xin	8	8	0	5	100	No	1/1	0/1
Shen Kangchen[3]	4	4	0	3	100	No	0/1	0/1
Jim Poon (also known as Pan Zhanyuan)[3]	4	4	0	3	100	No	0/1	0/1
Shen Zhongying[3]	4	4	0	3	100	No	0/1	0/1
Wu Daqi[3]	4	3	1	3	100	No	0/1	0/1

Notes:

(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. Li Shaode retired due to age and resigned as Chairman and Executive Director of the Company on 2 December 2013. Mr. Xu Lirong resigned as Vice-Chairman and Executive Director of the Company due to him serving as chairman of the controlling shareholder, which became effective on 2 December 2013.

(3) Mr. Zhang Jianhua, Mr. Xu Hui, Mr. Shen Kangchen, Mr. Jim Poon (also know as Pan Zhanyuan), Mr. Shen Zhongying and Mr. Wu Daqi ceased to be Directors of the Company due to the expiry of the third session of the Board.

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 two meetings in 2013 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%
Zhang Guofa	2	100%
Huang Xiaowen	2	100%
Zhao Hongzhou	2	100%

Non-executive Directors

Directors	Number of meetings attended	Attendance rate
Wang Daxiong	2	100%
Su Min	1	100%
Ding Nong	2	100%
Chen Jihong	1	100%
Zhang Rongbiao	2	100%
Zhang Jianhua	1	100%
Xu Hui	1	100%

Independent non-executive Directors

Directors	Number of meetings attended	Attendance rate
Zhang Nan	2	100%
Teo Siong Seng	1	100%
Chen Lishen	1	100%
Guan Yimin	1	100%
Shi Xin	1	100%
Shen Kangchen	1	100%
Jim Poon (also known as Pan Zhanyuan)	1	100%
Shen Zhongying	1	100%
Wu Daqi	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. On 28 June 2013, a resolution was passed to elect the members of the fourth session of the Audit Committee of the Board at the first meeting of the fourth session of the Board. The fourth session of the Audit Committee of the Board consists of Mr. Guan Yimin and Ms. Zhang Nan, who are independent non-executive Directors and Ms. Su Min, who is a non-executive Director. Mr. Guan Yimin, 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.

In 2013, the Audit Committee of the Board held seven meetings with the average attendance rate of 100%. During the twelfth to the thirteenth 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 2012 financial report of the Company with relevant staffs and domestic and overseas auditors and submitted reviewing opinions to the Board. The fourteenth meeting of the third session of the audit committee of the Board has reviewed the execution of Master Purchase Agreement and the proposal regarding connected transactions entered into in the ordinary course of business between 2013 to 2015. The fifteenth meeting of the third session of the audit committee of the Board has reviewed the Company's first quarterly report of 2013. The first meeting of the fourth session of the audit committee of the Board has reviewed the fees of auditing service provided by domestic and overseas auditors in 2013 and discussed on the auditing and self-assessment report of internal control regarding the financial report of the Group in the first half of 2013 with relevant staffs and domestic and overseas auditors and submitted reviewing opinions to the Board. The second meeting of the fourth session of the audit committee of the Board has reviewed the proposal regarding the proposed transfer by the Company of its 100% equity interest in CSTD and capital injection to CSTD HK. The third meeting of the fourth session of the audit committee of the Board has reviewed the Company's third quarterly report for 2013. All the above proposals were passed by unanimous vote. 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**
The third session of the Audit Committee of the Board		
Wu Daqi *(independent non-executive Director) (Chairman)*	4/4	100%
Shen Kangchen *(independent non-executive Director)*	4/4	100%
Wang Daxiong *(non-executive Director)*	4/4	100%
The fourth session of the Audit Committee of the Board		
Guan Yimin *(independent non-executive Director) (Chairman)*	3/3	100%
Zhang Nan *(independent executive Director)*	3/3	100%
Su Min *(non-executive Director)*	3/3	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. On 28 June 2013, a resolution was passed to elect the members of the fourth session of the Remuneration Committee of the Board at the first meeting of the fourth session of the Board. The fourth session of the Remuneration Committee of the Board consists of Mr. Chen Lishen and Mr. Shi Xin, who are independent non-executive Directors and Mr. Wang Daxiong, who is a non-executive Director. Mr. Chen Lishen, who is an independent non-executive director, is 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 2013. The average attendance rate was 100%. The third meeting of the fourth session of the Remuneration Committee of the Board evaluated the working performance of senior management of the Company based on production and operation indicators for the year 2012 at the meeting. The resolution regarding remuneration of the Directors, Supervisors and senior management for the year 2013 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**
The third session of the Remuneration Committee of the Board		
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%

(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. Zhang Guofa Mr. Huang Xiaowen, who are a executive directors, Mr. Ma Zehua, 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 former 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.

On 28 June 2013, a resolution on establishing the Investment Strategy Committee of the fourth session of the Board was passed at the 1st meeting of the fourth session of the Board. The Investment Strategy Committee of the fourth session of the Board consists of Mr. Li Shaode, Mr. Xu Lirong, Mr. Zhang Guofa, Mr. Huang Xiaowen, Mr. Zhao Hongzhou, who are executive Directors and Mr. Wang Daxiong, who is a non-executive Director and Ms. Zhang Nan, Mr. Teo Siong Seng and Mr. Shi Xin, who are independent non-executive Directors. Mr. Li Shaode, the former Chairman of the Company, was the Chairman of the Investment Strategy Committee. Following the respective resignation of Mr. Li Shaode and Mr. Xu Lirong as Chairman, executive Director and Vice Chairman, executive Director of the Company on 2 December 2013, they ceased to be members of the Investment Strategy Committee. After the resignation of Mr. Li Shaode, Mr. Zhang Guofa, the Chairman of the Company, served as the Chairman of the Investment Strategy 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 2013.

Corporate Governance Report

(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) and 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.

On 28 June 2013, a resolution on establishing the Nomination Committee of the fourth session of the Board was passed at the 1st meeting of the fourth session of the Board. The Nomination Committee consists of Ms. Zhang Nan, Mr. Teo Siong Seng and Mr. Shi Xin, who are independent non-executive Directors, and Mr. Zhang Guofa, who is an executive Director and Mr. Wang Daxiong, who is a non-executive Director. Ms. Zhang Nan, the independent non-executive Director, was 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.

On 28 August 2013, the Board of the Company passed the Board Diversity Policy. The Nomination Committee has formulated a Board Diversity Policy, which has been set out in the working rules of the Nomination Committee. The main contents are: when determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, cultural and education background, professional experience, skills, knowledge and term of service. All appointments of the Board of Directors are based on meritocracy, and candidates will be considered against objective criteria, taking into account the benefits of board diversity. The final selection of candidates will be determined based on their merits and contribution to the Board. The composition of the Board is basically in line with the diversity principle, details of composition are set out in "Composition of the fourth session of the Board" under the section headed "Corporate Governance Report". The biographies of Directors set out on pages 19 to 31 of this Annual Report also set out the diversified skills, professional knowledge, experience and qualifications of the Directors.

In 2013, the Nomination Committee held two meetings with average attendance rate of 100%. The resolutions regarding the proposals regarding re-election of the Board, formulation of the Board Diversity Policy and amendment to the working rules of the Nomination Committee of the Board 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**
The third session of the Nomination Committee of the Board		
Shen Zhongying *(independent non-executive Director) (Chairman)*	1/1	100%
Jim Poon (also known as Pan Zhanyuan) *(Independent non-executive Director)*	1/1	100%
Zhang Nan *(Independent non-executive Director)*	1/1	100%
Zhang Guofa *(executive Director)*	1/1	100%
Wang Daxiong *(non-executive Director)*	1/1	100%
The fourth session of the Nomination Committee of the Board		
Zhang Nan *(independent non-executive Director) (Chairman)*	1/1	100%
Teo Siong Seng *(independent non-executive Director)*	1/1	100%
Shi Xin *(executive Director)*	1/1	100%
Zhang Guofa *(executive Director)*	1/1	100%
Wang Daxiong *(non-executive Director)*	1/1	100%

10. SECURITIES TRANSACTION BY DIRECTORS AND SUPERVISORS

The Company had adopted the Model Code on terms no less exacting than the required standard 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 2013, 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.

12. ANNUAL REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the Directors and senior management of the Company is determined according to the remuneration policy and structure of the Company.

For the year ended 31 December 2013, the remuneration of senior management is divided into the following grades:

Basic annual salary grade	No. of people
RMB300,000 and below	1
RMB300,001 to RMB500,000	1
RMB500,001 to RMB700,000	4
RMB700,001 and above	1

Details of the annual remuneration of Directors for the year ended 31 December 2013 are set out in Note 10 to the consolidated financial statements.

13. THE TERM OF OFFICE FOR NON-EXECUTIVE DIRECTORS OF THE FOURTH SESSION OF THE BOARD

Non-executive Directors	Term of office starting date	Term of office expiration date
Wang Daxiong	28 June 2013	until the conclusion of the annual general meeting for the year 2015, i.e. in or around June 2016
Su Min	28 June 2013	until the conclusion of the annual general meeting for the year 2015, i.e. in or around June 2016
Ding Nong	28 June 2013	until the conclusion of the annual general meeting for the year 2015, i.e. in or around June 2016
Chen Jihong	28 June 2013	until the conclusion of the annual general meeting for the year 2015, i.e. in or around June 2016
Zhang Rongbiao	28 June 2013	until the conclusion of the annual general meeting for the year 2013, i.e. in or around June 2014

Notes:

(1) Zhang Rongbiao has tendered his resignation as non-executive Director to the Company on 8 January 2014, which will not become effective until a new non-executive Director is approved at the general meeting to fulfill the vacancy due to his resignation.

(2) Mr. Liu Xihan has been nominated as non-executive Director of the Company, which is subject to the approval at general meeting.

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 2012 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 2013. The Company has paid Baker Tilly China RMB6,000,000 as remuneration for its auditing service and related service provided for the year 2013. The Company has paid Baker Tilly China RMB700,000 as remuneration for its internal control and auditing service provided for the year 2013.

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 2013. 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 2013.

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 at least annually 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 2013, according to the assessment of the Audit Committee, senior management and the internal audit team, the Board of the Company has reviewed the effectiveness of 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.

(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.

Corporate Governance Report

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 AND INVESTOR RELATIONS

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.

The Company actively promotes and enhances investor relations. The Company has set up a specialized management post for investor relations responsible for issues related to investor relations. The Company utilizes promotions, road shows, telephone conferences, the Company's website and investor visits to strengthen the ties and communications with investors and securities analysts as well as to constantly raise awareness of the Company among investors.

Shareholders, investors and members of the public can obtain latest information of the Group on the Company's website.

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

On 28 June 2013, the Company convened the general meeting of 2012 where the Resolution Regarding the Proposed Amendment to the Company's Articles of Association was considered and passed, the description of the business scope of the Company in the Articles of Association was changed, for the purpose of reflecting the actual situation of the Company. For details of the specific amendments, please refer to the Company's circular dated 6 June 2013.

Report of the Supervisory Committee

To the shareholders:

During 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 of China Shipping Container Limited ("CSCL" or the "Company") 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 2013

1. MEETINGS CONDUCTED BY THE SUPERVISORY COMMITTEE

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

1. On 26 March 2013, the thirteenth meeting of the third session of the Supervisory Committee was held in Shanghai. Except for chairman of the supervisory committee Mr. Chen Decheng and Ms. Pan Yingli who appointed Mr. Tu Shiming and Mr. Wang Xiuping respectively to attend the meeting on their 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 2012, the Company's profit distribution for the year 2012, the Company's annual report for the year 2012 (the full text and summary) and the Supervisory Committee's report for the year 2012.

2. On 26 April 2013, the fourteenth 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 2013.

3. On 28 June 2013, the first meeting of the fourth session of the Supervisory Committee was held in Shanghai. Except for supervisors Mr. Xu Wenrong and Mr. Ye Hongjun who appointed supervisors Mr. Tu Shiming and Mr. Wang Xiuping to attend the meeting on their behalf, 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 Election of Mr. Xu Wenrong as the Chairman of the Supervisor Committee for This Year.

4. On 28 August 2013, the second meeting of the fourth session of the Supervisory Committee was held in Shanghai. Except for the Chairman of Supervisor Committee Mr. Xu Wenrong who appointed supervisor Mr. Tu Shiming to attend the meeting on his behalf, all the other supervisors had attended this 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 resolutions regarding the Company's interim financial report for the year 2013 and the Company's half-year report for the year 2013 (the full text and summary).

Report of the Supervisory Committee

5. On 29 October 2013, the third meeting of the fourth session of the Supervisory Committee was held by way of telecommunication. All supervisors of the Company 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 2013.

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 2013. 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 2013 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.

   1. From 15 to 18 October 2013, the Company's independent supervisor has conducted research on China Shipping Container Lines (Hong Kong) Co., Ltd. ("CSCL HK", a wholly-owned subsidiary of the Company) and heard about reports on the general background of CSCL HK, the state of its operation and management for the first three quarters, assets and liabilities, market positioning and core work of CSCL HK. It also heard about the reports on general background of three agent companies in the southern China area, the state of their operation and management for the first three quarters, detail-minded management, establishment of risk and internal control, talent pool strategy and development of the information technology. During the research, the Company's independent supervisor had carried out in-depth discussion with the management of CSCL HK on relevant issues, shared the information and experience of marine market and proposed several suggestions for the operation of CSCL HK in the future.

   2 From 26 to 29 November 2013, the Company's independent supervisor has conducted research on China Shipping Container Lines Guangzhou Co., Ltd. and its network branch Zhong Shan China Shipping Container Lines Co., Ltd. ("CS (Guangzhou)", a wholly-owned subsidiary of the Company, together with its network branch "CS (Guangzhou) and its branch"). It had heard about reports on general background of CS (Guangzhou) and its branch, their personnel construction, cultivation of corporate culture and development of the information technology. The independent supervisor had carried out interactive communication with the management of CS (Guangzhou) and its branch, recognized their performance and proposed several suggestions and expectations for them.

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 2013 objectively and completely reflected the Company's financial status and operating results for the year 2013. 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 2013 Self-assessment Report on Internal Control submitted by the Board and has no objection to such report.

In 2014, 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 2014

Independent Auditors' Report

Ernst & Young
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TO THE SHAREHOLDERS OF
CHINA SHIPPING CONTAINER LINES COMPANY LIMITED
(Established 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 76 to 189, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, 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 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 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst&Young
Certified Public Accountants

Hong Kong
26 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 RMB'000	2012 RMB'000
CONTINUING OPERATIONS			
Revenue	5	**33,917,357**	32,997,924
Costs of services	6	**(36,004,215)**	(33,460,782)
Gross loss		**(2,086,858)**	(462,858)
Selling, administrative and general expenses	6	**(916,383)**	(893,400)
Other income	7	**451,194**	580,539
Other gains, net	8	**133,977**	1,211,815
Operating (loss)/profit		**(2,418,070)**	436,096
Finance costs	11	**(457,618)**	(506,357)
Share of profits and losses of:			
Associates	22	**41,760**	38,520
Joint ventures	23	**5,541**	5,294
Loss before income tax from continuing operations		**(2,828,387)**	(26,447)
Income tax expense	12	**(36,290)**	460,547
(Loss)/profit for the year from continuing operations		**(2,864,677)**	434,100
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	14	**280,632**	139,510
(LOSS)/PROFIT FOR THE YEAR		**(2,584,045)**	573,610
Attributable to:			
Owners of parent	13	**(2,610,098)**	524,921
Non-controlling interests		**26,053**	48,689
		(2,584,045)	573,610
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
(Expressed in RMB per share)	16		
– Basic and diluted			
For (loss)/profit for the year		**(RMB0.223)**	RMB0.045
For (loss)/profit from continuing operations		**(RMB0.245)**	RMB0.037

Details of the dividends payable and proposed for the year are disclosed in note 15 to the financial statements.

The notes on pages 85 to 189 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	**Year ended 31 December** **2013** **RMB'000**	2012 RMB'000
(Loss)/profit for the year		**(2,584,045)**	573,610
Other comprehensive loss to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		**(147,475)**	(19,451)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(147,475)**	(19,451)
Total comprehensive (loss)/income for the year		**(2,731,520)**	554,159
Attributable to:			
Owners of parent		**(2,757,302)**	505,495
Non-controlling interests		**25,782**	48,664
		(2,731,520)	554,159

The notes on pages 85 to 189 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2013

		As at 31 December	
		2013	2012
	Notes	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*17*	**32,290,294**	35,676,940
Investment properties		**2,148**	–
Leasehold land and land use rights	*18*	**75,991**	92,981
Intangible assets	*19*	**20,406**	28,730
Deferred tax assets	*35*	**496,534**	496,859
Available-for-sale financial assets	*20*	**–**	362,140
Interests in associates	*22*	**297,303**	293,965
Interests in joint ventures	*23*	**51,067**	1,329,542
Total non-current assets		**33,233,743**	38,281,157
Current assets			
Inventories	*27*	**1,545,370**	1,238,030
Trade and notes receivables	*28*	**2,476,402**	2,263,700
Prepayments and other receivables		**375,245**	590,406
Restricted cash	*29*	**2,100**	1,000
Cash and cash equivalents	*29*	**9,014,462**	8,830,970
		13,413,579	12,924,106
Assets of a disposal group classified as held for sale	*14*	**4,169,566**	–
Total current assets		**17,583,145**	12,924,106
Total assets		**50,816,888**	51,205,263
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*30*	**11,683,125**	11,683,125
Special reserves	*31(a)*	**38,278**	2,229
Other reserves	*31(b)*	**16,895,316**	17,041,861
Accumulated losses	*31(c)*	**(4,845,260)**	(2,198,638)
		23,771,459	26,528,577
Non-controlling interests		**446,595**	945,084
Total equity		**24,218,054**	27,473,661

Consolidated Statement of Financial Position

		As at 31 December	
		2013	2012
	Notes	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings	*32*	**10,917,131**	15,363,812
Domestic corporate bonds	*33*	**1,791,530**	1,789,078
Finance lease obligations	*34*	**186,597**	228,384
Deferred tax liabilities	*35*	**27**	11
Total non-current liabilities		**12,895,285**	17,381,285
Current liabilities			
Trade payables	*36*	**3,890,379**	3,883,845
Other payables and accruals		**757,256**	778,327
Interest-bearing bank and other borrowings	*32*	**8,020,195**	1,528,272
Finance lease obligations – current portion	*34*	**34,773**	119,634
Tax payable		**14,060**	15,239
Provisions	*37*	**25,000**	25,000
		12,741,663	6,350,317
Liabilities directly associated with the assets classified as held for sale	*14*	**961,886**	–
Total current liabilities		**13,703,549**	6,350,317
Total liabilities		**26,598,834**	23,731,602
Total equity and liabilities		**50,816,888**	51,205,263
Net current assets		**3,879,596**	6,573,789
Total assets less current liabilities		**37,113,339**	44,854,946

The notes on pages 85 to 189 are an integral part of these consolidated financial statements.

Zhang Guofa
Director

Zhao Hongzhou
Director

Statement of Financial Position

As at 31 December 2013

	Notes	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*17*	**17,389,782**	17,956,752
Leasehold land and land use rights	*18*	**–**	10,877
Intangible assets	*19*	**11,207**	11,206
Deferred tax assets	*35*	**491,889**	491,889
Interests in subsidiaries	*21*	**13,241,339**	14,974,207
Interests in associates	*22*	**213,972**	213,972
Interests in joint ventures	*23*	**41,500**	41,500
Total non-current assets		**31,389,689**	33,700,403
Current assets			
Inventories	*27*	**912,977**	493,746
Trade and notes receivables	*28*	**1,188,531**	1,246,185
Prepayments and other receivables		**201,871**	688,297
Cash and cash equivalents	*29*	**5,445,944**	4,225,897
		7,749,323	6,654,125
Assets of a disposal group classified as held for sale	*14*	**2,133,649**	–
Total current assets		**9,882,972**	6,654,125
Total assets		**41,272,661**	40,354,528
EQUITY			
Issued capital	*30*	**11,683,125**	11,683,125
Special reserves	*31(a)*	**34,832**	449
Other reserves	*31(b)*	**19,012,889**	19,012,889
Accumulated losses	*31(c)*	**(2,134,094)**	(1,083,225)
Total equity		**28,596,752**	29,613,238

Statement of Financial Position

	Notes	As at 31 December 2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings	*32*	**2,600,000**	2,923,969
Domestic corporate bonds	*33*	**1,791,530**	1,789,078
Total non-current liabilities		**4,391,530**	4,713,047
Current liabilities			
Trade payables	*36*	**4,602,319**	4,464,521
Other payables and accruals		**1,657,277**	709,036
Interest-bearing bank and other borrowings	*32*	**1,999,783**	829,686
Provision	*37*	**25,000**	25,000
Total current liabilities		**8,284,379**	6,028,243
Total liabilities		**12,675,909**	10,741,290
Total equity and liabilities		**41,272,661**	40,354,528
Net current assets		**1,598,593**	625,882
Total assets less current liabilities		**32,988,282**	34,326,285

The notes on pages 85 to 189 are an integral part of these consolidated financial statements.

Zhang Guofa
Director

Zhao Hongzhou
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of parent						
	Issued 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
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
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	–	–	(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 paid 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)
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 85 to 189 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of parent						
	Issued 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
At 1 January 2013	11,683,125	2,229	17,041,861	(2,198,638)	26,528,577	945,084	27,473,661
(Loss)/profit for the year	–	–	–	(2,610,098)	(2,610,098)	26,053	(2,584,045)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	–	–	(147,204)	–	(147,204)	(271)	(147,475)
Total comprehensive (loss)/income for the year ended 31 December 2013	–	–	(147,204)	(2,610,098)	(2,757,302)	25,782	(2,731,520)
Transaction with owners							
Capital injection from non-controlling interests	–	–	–	–	–	45,428	45,428
Disposal of subsidiaries	–	–	–	–	–	(422,222)	(422,222)
Dividends paid to non-controlling interests	–	–	–	–	–	(147,477)	(147,477)
Accrued special reserve during the year	–	176,601	–	(176,601)	–	–	–
Used special reserve during the year	–	(140,552)	–	140,552	–	–	–
Others	–	–	659	(475)	184	–	184
At 31 December 2013	11,683,125	38,278	16,895,316	(4,845,260)	23,771,459	446,595	24,218,054

The notes on pages 85 to 189 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	*39(a)*	**(1,071,578)**	229,588
Income tax paid		**(72,607)**	(93,276)
Net cash generated from/(used in) operating activities		**(1,144,185)**	136,312
Cash flows from investing activities			
Purchase of items of property, plant and equipment and intangible assets		**(2,637,863)**	(2,115,107)
Purchase of an investment property		**(2,227)**	–
Proceeds from disposal of items of property, plant and equipment	*39(b)*	**161,409**	3,389,312
Disposal of subsidiaries	*38*	**696,342**	–
Disposal of joint ventures		**28,389**	–
Increase in investments in joint ventures and associates		**(21,020)**	(19,800)
Increase in investments in available-for-sale financial assets		**(284,057)**	–
Dividends received from associates		**17,466**	12,621
Dividends received from joint ventures		**44,621**	26,318
Dividends received from available-for-sale financial assets		**12,576**	11,497
Interest received		**126,158**	86,909
Net cash generated/(used in) from investing activities		**(1,858,206)**	1,391,750
Cash flows from financing activities			
Interest paid		**(587,056)**	(620,547)
Capital injection from non-controlling shareholders		**45,428**	47,853
New bank loans		**19,589,402**	11,010,034
Repayment of bank loans		**(14,947,659)**	(9,930,172)
Capital element of finance lease payments		**(126,648)**	(239,788)
Interest element of finance lease payments		**(15,956)**	(29,350)
Dividends paid to non-controlling interests		**(20,286)**	(4,593)
Net cash generated from financing activities		**3,937,225**	233,437
Net increase in cash and cash equivalents		**934,834**	1,761,499
Cash and cash equivalents at beginning of year	*29*	**8,830,970**	7,073,273
Effect of foreign exchange rate changes, net		**(163,000)**	(3,802)
Cash and cash equivalents at end of year	*29*	**9,602,804**	8,830,970
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position		**9,014,462**	8,830,970
Cash and short term deposits attributable to a discontinued operation		**588,342**	–
Cash and cash equivalents as stated in the statement of cash flows		**9,602,804**	8,830,970

The notes on pages 85 to 189 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 established 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, Pilot Free Trade Zone, 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 2014.

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 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements

2.1 BASIS OF PREPARATION *(continued)*

BASIS OF CONSOLIDATION *(continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and 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 – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1, HKAS 19 and HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle (Include other standards as appropriate)*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) 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. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11, and concluded that the application of HKFRS 11 does not change any accounting for investments in joint ventures as at 1 January 2013.

(c) HKFRS 12 sets out 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. Details of the disclosures for subsidiaries, joint ventures and associates are included in notes 21, 23 and 22 to the financial statements.

Notes to the Consolidated Financial Statements

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments 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.

(e) 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 rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in note 25 to the financial statements.

(f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been represented to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(g) 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. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(h) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(i) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. 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 have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- 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.

- 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.

2.3 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 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

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

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.

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

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 as 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 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 these Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss 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.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

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

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.

Notes to the Consolidated Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BUSINESS COMBINATIONS AND GOODWILL *(continued)*

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.

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 of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FAIR VALUE MEASUREMENT

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, goodwill and non-current assets, and 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 of disposal, 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 statement of profit or loss 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 statement of profit or loss 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

RELATED PARTIES *(continued)*

(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).

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.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss 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.

Notes to the Consolidated Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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.

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 statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis over the expected useful life of 20 years.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of profit or loss during the financial period in which they are incurred.

Any gains or losses on the retirement on disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(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 programs 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 do not exceed eight years.

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 statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 statement of profit or loss 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 statement of profit or loss 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 are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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 statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss 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 as 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 statement of profit or loss 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 statement of profit or loss in other gains or losses. 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 statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

Notes to the Consolidated Financial Statements

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, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 statement of profit or loss.

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred assets to the extent of the Group's continuing involvement. 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.

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. 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 statement of profit or loss.

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 statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

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. "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 statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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 statement of profit or loss 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 statement of profit or loss.

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.

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 statement of profit or loss.

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.

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 cost of estimated costs to be incurred to completion and disposal.

Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

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)*

ISSUED 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 statement of profit or loss.

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 deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

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 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 a 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 statement of profit or loss.

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 statement of profit or loss 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 ("HKD"), United States dollars ("USD"), South African rand ("ZAR") and Brazilian real ("BRL") as their functional currencies. 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 recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FOREIGN CURRENCIES *(continued)*

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss 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 statement of profit or loss. 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 measured. 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 statement of profit or loss 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 statement of profit or loss.

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 note 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 2013. As at 31 December 2013, after reviewing the external and internal evidence, the directors considered the indication of impairment, and an 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 steel in an active market at each measurement date. The depreciation expense will change where the useful lives or residual values of property, plant and equipment are different from the previous estimate.

Were the useful lives to differ by 10% from management's estimates as at 31 December 2013 with all other variables held constant, the estimated depreciation expense of property, plant and equipment for the year would be approximately RMB132,576,000 lower or RMB162,038,000 higher for the year ended 31 December 2013.

Were the residual values to differ by 10% from management's estimates as at 31 December 2013 with all other variables held constant, the estimated depreciation expense of property, plant and equipment for the year would be approximately RMB28,094,000 lower or higher for the year ended 31 December 2013.

(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, the differences will impact the income tax and deferred income tax provisions in the period in which the 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 2013, 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 RMB51,195,000 lower/higher (2012: post-tax profit of RMB74,451,150 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 other payables and accruals.

(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 2013 and 2012, around 37% and 39% of the Group's borrowings, domestic corporate bonds, and finance lease obligations were at fixed rates, respectively. During 2013 and 2012, 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 32.

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 2013, 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 RMB201,143,000 higher/lower (2012: post-tax loss of RMB178,310,882 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 RMB303,609,000 (2012: increase/decrease RMB311,538,000) 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 2013, the Group did not have bunker forward contracts (2012: Nil).

(b) Credit risk

The Group has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group has policies that limit the amount of credit exposure to any financial institutions. The carrying amount of trade and notes receivables, prepayments and other receivables and cash and cash equivalents represent the maximum credit exposure of the Group. The Group has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers.

Maximum credit risk exposure relating to off-balance sheet financial guarantees is related to the Company which provides to subsidiaries loans and other banking facilities amounting to approximately RMB7,685 million (2012: RMB5,605 million) as at 31 December 2013, being the face value of the borrowings under guarantee and with a maturity term to year 2015 (2012: to year 2015).

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 32) and cash and cash equivalents (note 29)) 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 liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

For the year ended 31 December 2013, the Group's operating loss and loss for the year amounted to RMB2,418,070,000 and RMB2,864,677,000, respectively. The net operating cash outflow amounted to RMB1,144,184,000.

The directors of the Company believe that based on the Group's available unused banking facilities in excess of RMB2,148 million and its cash and cash equivalents of RMB9,014 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 2013				
Interest-bearing bank and other borrowings *(note 32)*	**8,020,195**	**7,067,374**	**2,454,772**	**1,394,985**
Domestic corporate bonds *(note 33)*	**–**	**–**	**1,800,000**	**–**
Interest payables in relation to the borrowings and domestic corporate bonds	**455,318**	**310,720**	**280,762**	**20,544**
Finance lease obligations *(note 34)*	**46,996**	**46,991**	**129,835**	**38,284**
Trade payables *(note 36)*	**3,890,379**	**–**	**–**	**–**
Other payables and accruals	**655,273**	**–**	**–**	**–**
At 31 December 2012				
Interest-bearing bank and other borrowings *(note 32)*	1,528,272	4,283,980	8,923,135	2,156,697
Domestic corporate bonds *(note 33)*	–	–	–	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 34)*	136,414	48,457	142,855	78,899
Trade payables *(note 36)*	3,883,845	–	–	–
Other payables and accruals	656,505	–	–	–

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 2013				
Interest-bearing bank and other borrowings *(note 32)*	**1,999,783**	**2,600,000**	**–**	**–**
Domestic corporate bonds *(note 33)*	**–**	**–**	**1,800,000**	**–**
Interest payables in relation to the borrowings and domestic corporate bonds	**199,745**	**176,891**	**162,360**	**–**
Trade payables *(note 36)*	**4,602,319**	**–**	**–**	**–**
Other payables and accruals	**1,581,488**	**–**	**–**	**–**
At 31 December 2012				
Interest-bearing bank and other borrowings *(note 32)*	829,686	12,571	2,911,398	–
Domestic corporate bonds *(note 33)*	–	–	–	1,800,000
Interest payables in relation to the borrowings and domestic corporate bonds	212,652	210,501	224,071	–
Trade payables *(note 36)*	4,464,521	–	–	–
Other payables accrual	528,329	–	–	–

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 2013 and 2012 were as follows:

	2013	2012
	RMB'000	RMB'000
Interest-bearing bank and other borrowings *(note 32)*	**18,937,326**	16,892,084
Domestic corporate bonds *(note 33)*	**1,791,530**	1,789,078
Finance lease obligations *(note 34)*	**221,370**	348,018
Less: Cash and cash equivalents *(note 29)*	**(9,016,562)**	(8,831,970)
Net debt	**11,933,664**	10,197,210
Total equity	**24,218,054**	27,473,661
Gearing ratio (net debt/total equity)	**49.3%**	37.1%

Note:

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

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 assesses the performance of the operating segments based on a measure of operating profit/(loss), which is reconciled to profit/(loss) before income tax.

The container terminal and related business was classified as held for sale and its carrying amount will be recovered principally through a sale transaction approved by the Board rather than through continuing operation. For the year ended 31 December 2013 and 2012, all the losses/profits from continuing operations are generated through container shipping and related business.

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

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Pacific	**9,847,162**	10,671,520
Europe/Mediterranean	**7,836,977**	8,803,867
Asia Pacific	**5,846,905**	6,136,979
China Domestic	**6,213,860**	6,048,334
Other Lanes	**727,804**	897,868
Logistic Services and Others	**3,444,649**	439,356
Turnover	**33,917,357**	32,997,924

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.

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 2013 and 2012.

Notes to the Consolidated Financial Statements

6 COSTS AND EXPENSES BY NATURE

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

	2013 **RMB'000**	2012 RMB'000
Costs of services		
Container repositioning and management	**9,997,141**	9,293,452
Bunkers consumed or sold	**10,213,356**	10,259,746
Operating lease rentals	**3,366,099**	3,371,930
Port charges	**1,970,053**	1,974,880
Depreciation *(note 17)*	**1,431,610**	1,450,418
Employee benefit expenses *(note 9)*	**1,302,847**	1,309,364
Sub-route costs and others	**7,723,109**	5,800,992
	36,004,215	33,460,782
Selling, administrative and general expenses		
Employee benefit expenses *(note 9)*	**513,829**	540,034
Rental expenses	**48,326**	58,120
Telecommunication and utilities expenses	**68,920**	40,652
Depreciation *(note 17)*	**26,728**	28,055
Repair and maintenance expenses	**3,091**	2,815
Auditors' remuneration	**13,800**	13,800
Amortisation *(note 18 and note 19)*	**8,497**	8,184
Provision for impairment of trade receivables *(note 28)*	**4,725**	15,922
Office expenses and others	**228,467**	185,818
	916,383	893,400
	36,920,598	34,354,182

7 OTHER INCOME

	2013	2012
	RMB'000	RMB'000
Interest income	**130,557**	182,397
Government grant related to income	**135,756**	117,447
Refund of value-added tax ("VAT") *(Note a)*	**170,787**	267,751
Information technology services fees	**14,094**	12,944
	451,194	580,539

Note:

(a) Starting from 1 January 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 of the Ministry of Finance and the State Administration of Taxation on Tax Policies in the Nationwide Pilot Collection of Value Added Tax in Lieu of Business Tax in the Transportation Industry and Certain Modern Services Industries" ("the Circular").

8 OTHER GAINS, NET

	2013	2012
	RMB'000	RMB'000
(Loss)/gains on disposal of items of property, plant and equipment *(Note a)*	**(19,846)**	1,144,492
Gains on physical inventory count *(Note b)*	**118,804**	–
Compensation	**5,241**	51,643
Net foreign exchange gains	**29,778**	15,680
	133,977	1,211,815

Note:

(a) During 2012, 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 the relevant containers were disposed of for a total consideration of RMB3,246,548,000.

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.

Notes to the Consolidated Financial Statements

8 OTHER GAINS, NET *(continued)*

Note: (continued)

CSCL (HK), CSCL (Asia) (as lessees) and the Purchasers (as lessors) 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. A gain of RMB1,094,462,000 is recognised in other gains, net as the terms of the Sale Agreements and Leaseback Agreements are demonstrably at fair value.

(b) During the year ended 31 December 2013, the Company identified an inventory count surplus of the spare parts during the physical inventory count and the surplus of RMB118,804,000 is recognised in other gains, net.

9 EMPLOYEE BENEFIT EXPENSES

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

	2013	2012
	RMB'000	RMB'000
Staff salaries and hiring of crews	**1,119,217**	1,123,247
Social welfare benefits	**714,720**	718,087
Change in fair value of share-based compensation liabilities	**(17,261)**	8,064
	1,816,676	1,849,398

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.

9 EMPLOYEE BENEFIT EXPENSES *(continued)*

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

Until the liabilities relating to the Rights are settled, the Group re-measures the fair value of the liabilities at each statement of financial position date by using a binomial option valuation model. Changes in fair value of the liabilities are recognised in the consolidated statement of profit or loss.

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

	2013		2012	
	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**	**93,850**	2.83	96,457
Forfeited	**2.83**	**(8,798)**	2.83	(2,607)
At 31 December	**2.83**	**85,052**	2.83	93,850

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

The fair value of the liability relating to the Rights is estimated on each statement of financial position date by using a 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 2013, the Group recognised a gain of approximately RMB17,261,000 (2012: a loss of RMB8,064,000) as a result of the decrease in fair value of the share-based compensation liability related to the Rights from approximately RMB40,749,000 as at 31 December 2012 to approximately RMB23,488,000 as at 31 December 2013. As at 31 December 2013, the unrecognised compensation cost of the outstanding Rights is approximately RMB1,050,000 (2012: RMB2,100,000) which is expected to be recognised in the next year.

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 2013					
Directors					
Mr. Li Shaode *(a)*	–	–	–	–	3,382,100
Mr. Xu Lirong *(a)*	–	–	–	–	–
Mr. Zhang Guofa	–	–	–	–	2,218,050
Mr. Huang Xiaowen	–	–	–	–	3,334,050
Mr. Zhao Hongzhou	–	703	322	1,025	2,604,000
Mr. Zhang Jianhua *(b)*	–	–	–	–	1,240,000
Ms. Su Min	–	–	–	–	–
Mr. Wang Daxiong	–	–	–	–	1,240,000
Mr. Xu Hui *(b)*	–	–	–	–	1,085,000
Mr. Chen Jihong	–	–	–	–	–
Mr. Ding Nong	–	–	–	–	–
Mr. Lin Jianqing *(b)*	–	–	–	–	525,450
Mr. Zhang Rongbiao	–	–	–	–	–
Ms. Zhang Nan	100	–	–	100	–
Mr. Wu Daqi *(b)*	–	–	–	–	–
Mr. Shen Kangchen *(b)*	50	–	–	50	–
Mr. Jim Poon *(b)*	150	–	–	150	–
Mr. Shen Zhongying *(b)*	50	–	–	50	–
Mr. Zhang Songshen *(c)*	150	–	–	150	–
Mr. Chen Lishen *(c)*	50	–	–	50	–
Mr. Guan Yimin *(c)*	50	–	–	50	–
Mr. Shi Xin *(c)*	50	–	–	50	–

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)*
Supervisors					
Mr. Chen Decheng *(b)*	50	–	–	50	948,600
Mr. Xu Wenrong *(c)*	–	–	–	–	–
Mr. Tu Shiming *(e)*	–	589	309	898	246,450
Mr. Kou Laiqi *(b)*	–	–	–	–	156,550
Mr. Ye Hongjun *(c)*	–	–	–	–	–
Mr. Wang Xiuping	–	638	16	654	1,395,000
Mr. Hua Min *(b)*	50	–	–	50	–
Mr. Shen Kangchen *(c)*	50	–	–	50	–
Ms. Pan Yingli *(b)*	50	–	–	50	–
Mr. Shen Chongying *(c)*	50	–	–	50	–
Senior management					
Mr. Huang Xinming	–	703	358	1,061	2,604,000
Mr. Li Zhigang	–	583	313	896	1,399,650
Mr. Feng Xingguo	–	595	307	902	1,240,000
Mr. Sui Jun	–	596	307	903	–
Mr. Liu Chong *(d)*	–	80	37	117	–
Mr. Zhang Mingwen	–	508	145	653	–
Mr. Ye Yumang	–	363	65	428	1,240,000
	900	5,358	2,179	8,437	24,858,900

Notes:

(a) Resigned on 2 December 2013;

(b) Resigned on 28 June 2013;

(c) Appointed on 28 June 2013;

(d) Resigned on 18 April 2013;

(e) Resigned on 27 January 2014.

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

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

Name of director and supervisor	Fees RMB'000	Salary RMB'000	Pension and other social welfare RMB'000	Total RMB'000	Unit of the Rights granted *(note 9)*
For the year ended 31 December 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)*

No directors or supervisors of the Company waived any emoluments during the year ended 31 December 2013 (2012: Nil). No discretionary bonus was paid to any of the directors or supervisors of the Company during the year ended 31 December 2013 (2012: Nil).

In year 2013, fair value of the Rights granted to the directors and supervisors of the Company decreased by approximately RMB5,045,000 (2012: increased by approximately RMB2,136,000).

(B) FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included one director, one supervisor and three senior managers (2012: one director, one supervisor and three senior managers), details of whose remuneration are set out in note 10(a) above.

(C) During the year ended 31 December 2013, 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 (2012: Nil).

11 FINANCE COSTS

	2013 **RMB'000**	2012 RMB'000
Interest expenses:		
– Borrowings and domestic corporate bonds	**502,527**	580,686
– Finance lease obligations	**15,956**	29,350
Total interest expenses	**518,483**	610,036
Less: amount capitalised in vessels under construction and construction in progress	**(60,865)**	(103,679)
	457,618	506,357

The capitalisation rate applied to funds borrowed and bonds issued generally and utilised for the vessels under construction is 3.56% (2012: 3.75%) per annum for the year ended 31 December 2013.

12 INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
Current income tax		
– Hong Kong profits tax *(Note (a))*	**387**	2,823
– PRC corporate income tax *(Note (b))*	**35,562**	20,916
Deferred income tax *(note 35)*	**341**	(484,286)
	36,290	(460,547)

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax is provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits of the Group's companies operated in Hong Kong for the year ended 31 December 2013.

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

According to the Corporate Income Tax Law of the People's Republic of China, which was effective from 1 January 2008, the CIT rate applicable of the Company and its subsidiaries incorporated in PRC is 25% for the year ended 31 December 2013 and 2012.

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 loss before income tax differs from the theoretical amount that would arise using the taxation rate applicable to the Company as follows:

	2013 RMB'000	2012 RMB'000
Loss before income tax from continuing operations	**(2,828,387)**	(26,447)
Less: Share of results of associated companies	**(41,760)**	(38,520)
Share of results of joint ventures	**(5,541)**	(5,294)
	(2,875,688)	(70,261)
Tax calculated at an income tax rate of 25% (2012: 25%)	**(718,922)**	(17,565)
Tax losses for which no deferred income tax asset was recognised	**289,750**	274,182
Recognition of tax losses previously not recognised	**–**	(485,639)
Dividend income not subject to tax	**–**	(2,874)
Loss/(income) not subject to tax	**425,243**	(228,041)
Effect of different tax rate or tax base of subsidiaries and others	**40,219**	(610)
	36,290	(460,547)

13 PROFIT ATTRIBUTABLE TO OWNERS OF PARENT

The profit attributable to owners of parent includes a loss of RMB1,050,869,000 for the year ended 31 December 2013, which has been dealt with in the financial statements of the Company (2012: loss of RMB482,542,000).

14 DISCONTINUED OPERATION

On 11 October 2013, the Company announced the decision of its board of directors to dispose of China Shipping Terminal Company Limited. China Shipping Terminal Company Limited engages in operating container terminals. The disposal of China Shipping Terminal Company Limited is expected to be completed in 2014. As at 31 December 2013, final negotiations for the sale were in progress and China Shipping Terminal Company Limited was classified as a disposal group held for sale.

The results of China Shipping Terminal Company Limited for the year are presented below:

	2013	2012
	RMB'000	RMB'000
Revenue	**399,386**	396,721
Costs of services	**(223,406)**	(174,546)
Selling, administrative and general expenses	**(66,269)**	(64,846)
Other income	**27,192**	18,996
Other gains, net	**244,706**	799
Finance costs	**(77,030)**	(42,774)
Share of profits and losses of:		
Associates	**1,906**	757
Joint ventures	**49,634**	45,872
Profit of the discontinued operation	**356,119**	180,979
Loss recognised on the remeasurement to fair value	**–**	–
Profit before tax from the discontinued operation	**356,119**	180,979
Income tax:		
Related to pre-tax profit	**(75,487)**	(41,469)
Profit for the year from the discontinued operation	**280,632**	139,510

Notes to the Consolidated Financial Statements

14 DISCONTINUED OPERATION *(continued)*

The major classes of assets and liabilities of China Shipping Terminal Company Limited classified as held for sale as at 31 December are as follows:

	2013 RMB'000
Assets	
Property, plant and equipment	1,486,113
Leasehold land and land use rights	14,583
Intangible assets	3,555
Available-for-sale financial assets	646,197
Interests in associates	42,862
Interests in joint ventures	1,261,501
Inventories	11,692
Trade and notes receivables	100,693
Prepayments and other receivables	14,028
Cash and cash equivalents	588,342
Assets classified as held for sale	4,169,566
Interest-bearing bank and other borrowings	742,600
Trade payables	17,595
Other payables and accruals	161,591
Tax payable	40,100
Liabilities directly associated with the assets classified as held for sale	961,886
Net assets directly associated with the disposal group	3,207,680
Asset revaluation reserve of the disposal group	–

14 DISCONTINUED OPERATION *(continued)*

The net cash flows incurred by China Shipping Terminal Company Limited are as follows:

	2013	2012
	RMB'000	RMB'000
Operating activities	**(112,733)**	235,104
Investing activities	**464,632**	3,659
Financing activities	**111,566**	(240,451)
Exchange loss on cash and cash equivalents	**(4,903)**	1
Net cash inflow	**458,562**	(1,687)
Earnings per share:		
Basic, from the discontinued operation	**2.24 cents**	0.82 cents
Diluted, from the discontinued operation	**2.24 cents**	0.82 cents

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	2013	2012
Profit attributable to ordinary equity holders of the parent from the discontinued operation	**RMB 261,150,000**	RMB 95,643,000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation *(note 16)*	**11,683,125,000**	11,683,125,000

Notes to the Consolidated Financial Statements

15 DIVIDENDS

The directors do not recommend a dividend in respect of the year ended 31 December 2013 (2012: Nil).

16 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.

	2013	2012
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)		
From continuing operations	**(2,871,248)**	429,278
From a discontinued operation	**261,150**	95,643
Shares		
Weighted average number of ordinary shares in issue (thousands)	**11,683,125**	11,683,125

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 2013 (2012: Nil).

17 PROPERTY, PLANT AND EQUIPMENT

	The Group									
	Container vessels	Vessels under construction	Improvements 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 2012										
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
Year ended 31 December 2013										
Opening 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**
Exchange difference	**(317,879)**	**(50,806)**	**(18)**	**(6)**	**–**	**(54,196)**	**–**	**(1,798)**	**(696)**	**(425,399)**
Transfers	**1,488,665**	**(1,488,665)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Additions	**286,914**	**1,646,106**	**6,081**	**13,572**	**18,363**	**578,068**	**2,411**	**5,077**	**10,529**	**2,567,121**
Disposals	**(163,624)**	**–**	**(99)**	**–**	**–**	**(10,737)**	**–**	**(2,941)**	**(2,246)**	**(179,647)**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**(1,737,080)**	**–**	**–**	**(580,067)**	**(4,849)**	**(2,321,996)**
Assets included in a discontinued operation *(note 14)*	**–**	**–**	**(10,653)**	**(43,330)**	**(1,751)**	**(133)**	**(928,543)**	**(491,683)**	**(10,020)**	**(1,486,113)**
Depreciation *(note 6)*	**(1,283,318)**	**–**	**(4,175)**	**(11,022)**	**–**	**(116,294)**	**(16,497)**	**(57,852)**	**(51,454)**	**(1,540,612)**
Closing net book amount	**27,488,053**	**2,343,830**	**5,121**	**223,666**	**18,543**	**2,065,730**	**–**	**–**	**145,351**	**32,290,294**
At 31 December 2013										
Cost	**35,174,284**	**2,343,830**	**95,413**	**287,309**	**18,543**	**3,058,922**	**–**	**–**	**448,479**	**41,426,780**
Accumulated depreciation and impairment losses	**(7,686,231)**	**–**	**(90,292)**	**(63,643)**	**–**	**(993,192)**	**–**	**–**	**(303,128)**	**(9,136,486)**
Net book amount	**27,488,053**	**2,343,830**	**5,121**	**223,666**	**18,543**	**2,065,730**	**–**	**–**	**145,351**	**32,290,294**

Notes to the Consolidated Financial Statements

17 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 2012						
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
Year ended 31 December 2013						
Opening net book amount	**16,485,637**	**1,267,093**	**148,601**	**1,932**	**53,489**	**17,956,752**
Transfers	**1,488,665**	**(1,488,665)**	**–**	**–**	**–**	**–**
Additions	**48,180**	**221,572**	**–**	**16,612**	**238,284**	**524,648**
Disposals	**(92,102)**	**–**	**(143,832)**	**–**	**(48)**	**(235,982)**
Depreciation	**(839,268)**	**–**	**(3,388)**	**–**	**(12,980)**	**(855,636)**
Closing net book amount	**17,091,112**	**–**	**1,381**	**18,544**	**278,745**	**17,389,782**
At 31 December 2013						
Cost	**23,117,812**	**–**	**51,946**	**18,544**	**434,351**	**23,622,653**
Accumulated depreciation and impairment losses	**(6,026,700)**	**–**	**(50,565)**	**–**	**(155,606)**	**(6,232,871)**
Net book amount	**17,091,112**	**–**	**1,381**	**18,544**	**278,745**	**17,389,782**

17 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) As at 31 December 2013, the net book value of the Group's containers held under finance leases amounted to approximately RMB297,809,895 (2012: RMB724,841,978).

(b) As at 31 December 2013, 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 RMB5,942,678,000 (2012: RMB6,033,486,000) (note 32).

(c) As at 31 December 2013, 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 RMB761,099,504 and RMB4,239,201,000, respectively (2012: RMB427,613,000 and RMB6,350,489,000, respectively).

(d) During the year ended 31 December 2013, the capitalised borrowing costs of the Group and the Company included in vessels under construction and construction in progress amounted to approximately RMB60,865,000 and RMB23,246,000 (2012: RMB103,679,000 and RMB72,878,000), respectively.

(e) As at 31 December 2013, the accumulated impairment losses of the container vessels of the Group included under "accumulated depreciation and impairment losses" amounted to RMB26,363,000 (2012: RMB26,363,000).

(f) Depreciation expenses of RMB1,431,610,000 (2012: RMB1,450,418,000) has been charged to consolidated statement of profit or loss within costs of services, RMB26,728,000 (2012: RMB28,055,000) has been charged to consolidated statement of profit or loss within selling, administrative and general expenses (note 6), and RMB82,274,000 (2012: RMB48,643,000) was included in the profit for the year from a discontinued operation.

18 LEASEHOLD LAND AND LAND USE RIGHTS

	The Group RMB'000	The Company RMB'000
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
Year ended 31 December 2013		
Opening net book value	**92,981**	**10,877**
Assets included in a discontinued operation *(note 14)*	**(14,583)**	**–**
Disposals	**–**	**(10,528)**
Amortisation charge for the year *(note 6)*	**(2,407)**	**(349)**
Closing net book amount	**75,991**	**–**
At 31 December 2013		
Cost	**90,341**	**–**
Accumulated amortisation	**(14,350)**	**–**
Net book amount	**75,991**	**–**

The Group's and the Company'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 of RMB1,871,000 (2012: RMB1,871,000) has been charged to "selling, administrative and general expenses" and RMB536,000 (2012: RMB536,000) has been included in the profit for the year from a discontinued operation.

19 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 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
Year ended 31 December 2013				
Opening net book value	**2,673**	**26,057**	**28,730**	**11,206**
Exchange difference	**–**	**(123)**	**(123)**	**–**
Additions	**–**	**2,506**	**2,506**	**2,091**
Assets included in a discontinued operation *(note 14)*	**(2,615)**	**(940)**	**(3,555)**	**–**
Amortisation charge for the year *(note 6)*	**(58)**	**(7,094)**	**(7,152)**	**(2,090)**
Closing net book amount	**–**	**20,406**	**20,406**	**11,207**
At 31 December 2013				
Cost	**–**	**43,627**	**43,627**	**18,211**
Accumulated amortisation	**–**	**(23,221)**	**(23,221)**	**(7,004)**
Net book amount	**–**	**20,406**	**20,406**	**11,207**

The Group's port line use rights are located in Jinzhou, the PRC, and can be used for 50 years since the year 2008. The amortisation of intangible assets of RMB6,626,000 (2012: RMB6,313,000) has been charged to "selling, administrative and general expenses" and RMB526,000 (2012: RMB419,000) has been included in the profit for the year from a discontinued operation.

Notes to the Consolidated Financial Statements

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP

	2013	2012
	RMB'000	RMB'000
Unlisted equity securities	–	362,140

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.

The available-for-sale financial assets of China Shipping Terminal Company Limited amounted to RMB646,197,000 was classified as held for sale as at 31 December 2013.

21 INTERESTS IN SUBSIDIARIES – THE COMPANY

	2013	2012
	RMB'000	RMB'000
Investments in subsidiaries – unlisted shares, at cost	**13,241,339**	14,974,207

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

(i) The investment in subsidiaries amounted to RMB2,133,649 has been classified as held for sale.

(ii) In May 2013, the Company made capital investment in a newly established subsidiary, China Shipping (South America) Holdings Ltd. by cash injection of BRL5,559,400, representing a 95% equity interest in the subsidiary; and,

(iii) In November 2013, the Company made capital investment in a newly established subsidiary, Shanghai Zhenjing Industrial Co., Ltd., by cash and properties of RMB30,000,000 and RMB342,776,000, respectively, representing a 100% equity interest in the subsidiary; and,

(iv) The fair value of share option benefits amounting to approximately RMB13,330,000 (2012: RMB31,545,000) 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 2013 is set out in note 43(a).

22 INTERESTS IN ASSOCIATES

THE GROUP

	2013	2012
	RMB'000	RMB'000
Beginning of year	**293,965**	257,309
Increase in investments *(Notes a to b)*	**20,000**	10,000
Share of results of associates	**43,666**	39,277
Interests in associates included in a discontinued operation *(note 14)*	**(42,862)**	–
Dividend received	**(17,466)**	(12,621)
End of year	**297,303**	293,965

THE COMPANY

	2013	2012
	RMB'000	RMB'000
Unlisted investment, at cost		
Beginning of year	**213,972**	213,972
Increase in investments	**–**	–
End of year	**213,972**	213,972

Notes:

(a) In April 2013, 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 RMB20,000,000. After this investment, the Group's equity interest in Ningbo Mei Shan Port remains 20%.

(b) 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%.

Notes to the Consolidated Financial Statements

22 INTERESTS IN ASSOCIATES *(continued)*

Notes: (continued)

(c) The interests in associates as at 31 December 2013 included goodwill of RMB670,000 (2012: RMB670,000). The Group's share of the result of its associates, all of which are unlisted, and the aggregated assets and liabilities (excluding goodwill), are as follows:

	2013				2012			
	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	**97,721**	**43,089**	**2,442,152**	**2,582,962**	93,039	21,050	2,504,626	2,618,715
Total liabilities	**32,871**	**227**	**2,210,369**	**2,243,467**	27,884	94	2,297,442	2,325,420
Net assets	**64,850**	**42,862**	**231,783**	**339,495**	65,155	20,956	207,184	293,295
Revenue	**123,936**	**3,000**	**96,040**	**222,976**	90,792	1,500	110,834	203,126
Net profit	**360**	**1,906**	**41,400**	**43,666**	764	757	37,756	39,277
Percentage of interest held	**20.07%**	**20.00%**	**25.00%**		20.07%	20.00%	25.00%	

* Interests in Ningbo Mei Shan Port were included in discontinued operation as at 31 December 2013.

(d) The details of the associates of the Group and the Company as at 31 December 2013 are set out in note 43(b).

23 INTERESTS IN JOINT VENTURES

THE GROUP

	2013 RMB'000	2012 RMB'000
Beginning of year	**1,329,542**	1,294,881
Increase in investments *(Notes a to b)*	**1,020**	9,800
Share of results of joint ventures	**55,175**	51,166
Others	**665**	225
Dividends declared by joint ventures	**(44,679)**	(26,272)
Liquidation of joint ventures	**(28,870)**	–
Interests in joint ventures included in a discontinued operation *(note 14)*	**(1,261,501)**	–
Exchange differences	**(285)**	(258)
End of year	**51,067**	1,329,542

Notes to the Consolidated Financial Statements

23 INTERESTS IN JOINT VENTURES *(continued)*

THE COMPANY

	2013 RMB'000	2012 RMB'000
Unlisted investment, at cost		
Beginning of year	**41,500**	41,500
Increase in investments	**–**	–
End of year	**41,500**	41,500

Notes:

(a) In July 2013, the Group made capital investments in a newly established company, Lianyungang Gangtie International Container Joint Transport Co., Ltd. by cash injections of RMB1,020,000 representing a 30% equity interest in the investees.

(b) 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 in the investees.

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

(d) The interests in joint ventures as at 31 December 2013 included goodwill of RMB31,959,000 (2012: RMB31,959,000). The Group's share of the results of its joint ventures, all of which are unlisted, and their aggregated assets and liabilities (excluding goodwill), are as follows:

	2013				
	***Guangzhou Nansha Port Stevedoring Corporation Limited RMB'000**	***Dalian International Container Terminal Co., Ltd. RMB'000**	**Others included in continuing operations RMB'000**	***Others RMB'000**	**Total RMB'000**
Total assets	**1,377,335**	**941,941**	**131,787**	**630,679**	**3,081,742**
Total liabilities	**718,621**	**544,544**	**80,720**	**393,330**	**1,737,215**
Net assets	**658,714**	**397,397**	**51,067**	**237,349**	**1,344,527**
Revenue	**297,814**	**109,372**	**37,255**	**212,805**	**657,246**
Net profit	**45,876**	**(4,505)**	**5,541**	**8,263**	**55,175**
Percentage of interest held	**40%**	**30%**	**40%-50%**	**30%-49%**	

Notes to the Consolidated Financial Statements

23 INTERESTS IN JOINT VENTURES *(continued)*

THE COMPANY *(continued)*

Notes: (continued)

	2012			
	Guangzhou Nansha Port Stevedoring Corporation Limited	Dalian International Container Terminal Co., Ltd.	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	1,257,716	956,528	851,676	3,065,920
Total liabilities	715,133	555,174	498,030	1,768,337
Net assets	542,583	401,354	353,646	1,297,583
Revenue	287,246	87,579	229,758	604,583
Net profit	37,426	1,966	11,774	51,166
Percentage of interest held	40%	30%	30%-50%	

* Interests in these joint ventures were included in discontinued operation as at 31 December 2013.

(e) The details of the joint ventures of the Group and the Company as at 31 December 2013 are set out in note 43(c).

24 FINANCIAL INSTRUMENTS BY CATEGORY

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Assets per statement of financial position:				
Available-for-sale financial assets *(note 20)*	**–**	362,140	**–**	–
Loans and receivables				
– Trade and notes receivables *(note 28)*	**2,476,402**	2,263,700	**1,188,531**	1,246,185
– Other receivables	**255,517**	244,000	**201,872**	478,749
– Restrict cash *(note 29)*	**2,100**	1,000	**–**	–
– Cash and cash equivalents *(note 29)*	**9,014,462**	8,830,970	**5,445,944**	4,225,897
	11,748,481	11,701,810	**6,836,347**	5,950,831
Liabilities per statement of financial position:				
Other financial liabilities at amortised cost				
– Trade payables *(note 36)*	**3,890,379**	3,883,845	**4,602,319**	4,464,521
– Other payables and accruals	**655,273**	656,505	**1,581,488**	528,329
– Interest-bearing bank and other borrowings (note 32)	**18,937,326**	16,892,084	**4,599,783**	3,753,655
– Domestic corporate bonds *(note 33)*	**1,791,530**	1,789,078	**1,791,530**	1,789,078
– Finance lease obligations *(note 34)*	**221,370**	348,018	**–**	–
	25,495,878	23,569,530	**12,575,120**	10,535,583

25 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

GROUP

	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Long term borrowing	**10,917,131**	15,363,812	**10,872,225**	15,350,360
Domestic corporate bonds	**1,791,530**	1,789,078	**1,706,526**	1,662,124
Finance lease obligations	**186,597**	228,384	**186,597**	228,384
	12,895,258	17,381,274	**12,765,348**	17,240,868

COMPANY

	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Long term borrowing	**2,600,000**	2,923,969	**2,555,094**	2,855,874
Domestic corporate bonds	**1,791,530**	1,789,078	**1,706,526**	1,662,124
	4,391,530	4,713,047	**4,261,620**	4,517,998

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and notes receivables, trade payables, financial assets included in other receivables, financial liabilities included in accruals and other payables and, short term borrowing approximate to their carrying amounts largely due to the short term maturities of these instruments.

25 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of long term borrowing, domestic corporate bonds, and finance lease obligations have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease obligations, and interest-bearing bank as at 31 December 2013 was assessed to be insignificant.

For the fair value of the unlisted available-for-sale equity investments, 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.

FAIR VALUE HIERARCHY

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

25 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

FAIR VALUE HIERARCHY *(continued)*

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

Group

As at 31 December 2013

	Fair value measurement using Significant unobservable inputs (Level 3) RMB'000
Long term borrowing	**10,917,131**
Domestic corporate bonds	**1,791,530**
Finance lease obligations	**186,597**
	12,895,258

As at 31 December 2012

	Fair value measurement using Significant unobservable inputs (Level 3) RMB'000
Long term borrowing	15,363,812
Domestic corporate bonds	1,789,078
Finance lease obligations	228,384
	17,381,274

25 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

FAIR VALUE HIERARCHY *(continued)*

Liabilities for which fair values are disclosed: (continued)

Company

As at 31 December 2013

	Fair value measurement using Significant unobservable inputs (Level 3) RMB'000
Long term borrowing	**2,600,000**
Domestic corporate bonds	**1,791,530**
	4,391,530

As at 31 December 2012

	Fair value measurement using Significant unobservable inputs (Level 3) RMB'000
Long term borrowing	2,923,969
Domestic corporate bonds	1,789,078
	4,713,047

26 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 2013, the Group's trade receivables of RMB2,064,190,000 (2012: RMB2,240,303,000) and the Company's trade receivables of RMB1,208,953,000 (2012: RMB1,216,479,000) 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 28.

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**	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Group 1	**1,002,671**	1,726,376	**514,784**	132,555
Group 2	**4,246,825**	3,841,855	**3,248,361**	3,481,817
Group 3*	**3,764,966**	3,262,739	**1,682,799**	611,525
	9,014,462	8,830,970	**5,445,944**	4,225,897

* Included cash on hand held by companies of the Group

Notes to the Consolidated Financial Statements

27 INVENTORIES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bunkers	**1,420,095**	1,196,394	**789,955**	466,356
Others	**125,275**	41,636	**123,022**	27,390
	1,545,370	1,238,030	**912,977**	493,746

28 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 statement of financial position dates.

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables				
– Subsidiaries	**–**	–	**145,647**	289,229
– Fellow subsidiaries	**345,561**	385,232	**64,813**	38,663
– Third parties	**1,805,866**	1,684,558	**726,606**	773,614
	2,151,427	2,069,790	**937,066**	1,101,506
Notes receivable	**324,975**	193,910	**251,465**	144,679
	2,476,402	2,263,700	**1,188,531**	1,246,185

Notes to the Consolidated Financial Statements

28 TRADE AND NOTES RECEIVABLES *(continued)*

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 3 months	**2,064,190**	2,240,303	**1,208,953**	1,216,479
4 to 6 months	**333,358**	82,066	**887**	53,958
7 to 9 months	**74,461**	3,109	**622**	946
10 to 12 months	**70,223**	–	**2,206**	–
Over 1 year	**2,525**	3,623	**–**	–
	2,544,757	2,329,101	**1,212,668**	1,271,383
Less: provision for impairment of receivables	**(68,355)**	(65,401)	**(24,137)**	(25,198)
	2,476,402	2,263,700	**1,188,531**	1,246,185

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,292,324**	1,319,041	**1,011,085**	901,944
HKD	**95,206**	47,351	**20**	26
USD	**1,023,454**	839,829	**167,654**	329,119
Other currencies	**65,418**	57,479	**9,772**	15,096
	2,476,402	2,263,700	**1,188,531**	1,246,185

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.

28 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 2013, based on the invoice date, trade receivables of the Group and the Company that were aged over three months amounted to RMB480,567,000 and RMB3,715,000 (2012: RMB88,798,000 and RMB54,904,000), 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 RMB68,355,000 and RMB24,137,000 (2012: RMB65,401,000 and RMB25,198,000), respectively.

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

	The Group		**The Company**	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**65,401**	48,968	**25,198**	9,166
Provision for impairment of trade receivables *(note 6)*	**4,435**	16,433	**(1,061)**	16,032
Provision for impairment included in a discontinued operation	**(1,481)**	–	**–**	–
At 31 December	**68,355**	65,401	**24,137**	25,198

The creation and release of provision for impaired receivables have been included in "selling, administrative and general expenses from continuing operations" in the consolidated statement of profit or loss (note 6) and a reversal of RMB290,000 (2012: provision RMB511,000) has been included in the profits for the year from a discontinued operation.

Notes to the Consolidated Financial Statements

29 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at banks and in hand	**3,575,544**	5,134,814	**2,523,732**	905,871
Short-term bank deposits	**5,441,018**	3,697,156	**2,922,212**	3,320,026
	9,016,562	8,831,970	**5,445,944**	4,225,897
Less: Restricted cash	**(2,100)**	(1,000)	**–**	–
	9,014,462	8,830,970	**5,445,944**	4,225,897

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**4,457,684**	4,624,308	**3,791,364**	3,941,974
HKD	**38,484**	35,398	**12**	61
USD	**4,319,262**	4,029,804	**1,620,509**	257,901
Other currencies	**199,032**	141,460	**34,059**	25,961
	9,014,462	8,830,970	**5,445,944**	4,225,897

As at 31 December 2013, certain of the Group's current time deposits of RMB2,100,000 (2012: RMB1,000,000) were pledged to the customs as guarantees for import.

30 ISSUED CAPITAL

	The Group and the Company			
	Number of shares	**A Share of RMB1 each**	**H Share of RMB1 each**	**Total**
	’000	’000	’000	’000
Issued and fully paid:				
At 1 January 2012, 31 December 2012 and 2013	11,683,125	7,932,125	3,751,000	11,683,125

As at 31 December 2013, all issued shares are registered, fully paid and divided into 11,683,125,000 shares (2012: 11,683,125,000 shares) of RMB1.00 each, comprising 7,932,125,000 A Shares and 3,751,000,000 H Shares (2012: 7,932,125,000 A Shares and 3,751,000,000 H Shares).

31 OTHER RESERVES AND RETAINED EARNINGS

(A) SPECIAL RESERVE

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB’000	RMB’000	**RMB’000**	RMB’000
At 1 January	**2,229**	–	**449**	–
Accrued during the year	**176,601**	164,475	**158,844**	146,428
Used during the year	**(140,552)**	(162,246)	**(124,461)**	(145,979)
At 31 December	**38,278**	2,229	**34,832**	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 a “Safety Fund” to improve the production safety. The Group should accrue the Safety Fund from 1 January 2012. 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.

31 OTHER RESERVES AND RETAINED EARNINGS *(continued)*

(B) OTHER RESERVES

	The Group			
	Capital surplus	Statutory surplus reserve	Translation	Total
	RMB'000	RMB'000	RMB'000	RMB'000
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
Balance at 1 January 2013	**17,024,773**	**1,355,763**	**(1,338,675)**	**17,041,861**
Currency translation difference	**–**	**–**	**(147,204)**	**(147,204)**
Others	**659**	**–**	**–**	**659**
Balance at 31 December 2013	**17,025,432**	**1,355,763**	**(1,485,879)**	**16,895,316**

	The Company		
	Capital surplus	Statutory surplus reserve	Total
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2012 till 31 December 2013	17,657,126	1,355,763	19,012,889

31 OTHER RESERVES AND RETAINED EARNINGS *(continued)*

(C) ACCUMULATED LOSSES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**(2,198,638)**	(2,720,854)	**(1,083,225)**	(600,683)
Profit/(loss) for the year	**(2,610,098)**	524,921	**(1,016,486)**	(482,093)
Accrued special reserve during the year	**(176,601)**	(164,475)	**(158,844)**	(146,428)
Used special reserve during the year	**140,552**	162,246	**124,461**	145,979
Others	**(475)**	(476)	**–**	–
At 31 December	**(4,845,260)**	(2,198,638)	**(2,134,094)**	(1,083,225)

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 this issuance.

Notes to the Consolidated Financial Statements

32 INTEREST-BEARING BANK AND OTHER BORROWINGS

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Long-term bank borrowings	**8,317,131**	13,363,812	**–**	923,969
Borrowing from parent and ultimate holding company *(note 42(c))*	**2,600,000**	2,000,000	**2,600,000**	2,000,000
	10,917,131	15,363,812	**2,600,000**	2,923,969
Current				
Short-term bank borrowings	**1,707,132**	–	**304,845**	–
Commercial paper notes	**2,438,760**	–	**–**	–
Long-term bank borrowings – current portion	**3,874,303**	1,528,272	**–**	12,571
Borrowing from a subsidiary	**–**	–	**1,694,938**	817,115
	8,020,195	1,528,272	**1,999,783**	829,686
	18,937,326	16,892,084	**4,599,783**	3,753,655
Representing:				
Borrowing from a related party – unsecured	**2,600,000**	2,000,000	**4,294,938**	2,817,115
Bank borrowings				
– unsecured	**12,379,878**	10,125,924	**304,845**	936,540
– secured	**3,957,448**	4,766,160	**–**	–
	18,937,326	16,892,084	**4,599,783**	3,753,655

32 INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

The maturity periods of the borrowings are as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**8,020,195**	1,528,272	**1,999,783**	829,686
In the second year	**7,067,374**	4,387,980	**2,600,000**	12,571
In the third to fifth year	**2,454,772**	8,816,735	**–**	2,911,398
After fifth year	**1,394,985**	2,159,097	**–**	–
	18,937,326	16,892,084	**4,599,783**	3,753,655

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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**15,657,359**	11,634,164	**1,999,783**	817,115
6 to 12 months	**–**	121,500	**–**	–
In the second to fifth year	**2,600,000**	4,402,380	**2,600,000**	2,936,540
After fifth year	**679,967**	734,040	**–**	–
	18,937,326	16,892,084	**4,599,783**	3,753,655

As at 31 December 2013, 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 RMB5,942,678,000 (2012: RMB6,033,486,000) (note 17(b)), and

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

32 INTEREST-BEARING BANK AND OTHER 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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB				
– at fixed rates	**2,600,000**	3,985,840	**2,600,000**	2,000,000
USD				
– at fixed rates	**375,122**	1,393,579	**–**	936,540
– at floating rates	**15,962,204**	11,512,665	**1,999,783**	817,115
	18,937,326	16,892,084	**4,599,783**	3,753,655

The weighted average effective interest rates at the respective statement of financial position dates are set out as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings				
– RMB	**5.67%**	6.35%	**–**	–
– USD	**2.71%**	2.55%	**1.76%**	3.60%
Borrowing from a related party				
– RMB	**4.75%**	5.02%	**4.69%**	5.02%

The carrying amounts of the current bank borrowings approximate their fair values as at the statement of financial position 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% (2012: 6.55%), are as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Carrying amounts	**10,917,131**	15,363,812	**2,600,000**	2,923,969
Fair values	**10,872,225**	15,350,360	**2,555,094**	2,855,874

32 INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

The Group has the following undrawn borrowing facilities as at 31 December 2013:

	The Group	
	2013	2012
	RMB'000	RMB'000
Floating rate:		
– Expiring within one year	**–**	807,812
– Expiring beyond one year	**1,704,466**	–
	1,704,466	807,812

33 DOMESTIC CORPORATE BONDS

	The Group and the Company	
	2013	2012
	RMB'000	RMB'000
Non-current domestic corporate bonds	**1,791,530**	1,789,078

On 12 June 2007, the Company issued domestic corporate bonds in the PRC with a 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 2013, the estimated fair value of the bonds is approximately RMB1,706,526,000 (2012: RMB1,662,124,000). 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% (2012: 6.55%) per annum.

Notes to the Consolidated Financial Statements

34 FINANCE LEASE OBLIGATIONS – THE GROUP

	2013			2012		
	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	**46,996**	**12,223**	**34,773**	136,414	16,780	119,634
In the second year	**46,991**	**10,120**	**36,871**	48,457	12,593	35,864
In the third to fifth year	**129,835**	**16,898**	**112,937**	142,855	24,302	118,553
After fifth year	**38,284**	**1,495**	**36,789**	78,899	4,932	73,967
	262,106	**40,736**	**221,370**	406,625	58,607	348,018
Less: within one year (current portion)	**(46,996)**	**(12,223)**	**(34,773)**	(136,414)	(16,780)	(119,634)
	215,110	**28,513**	**186,597**	270,211	41,827	228,384

The average effective interest rate of finance lease obligations of the Group is 5.80% (2012: 6.40%) per annum.

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

All finance lease obligations are denominated in USD.

35 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 Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income tax assets:				
– Deferred income tax assets to be settled after more than 12 months	**496,534**	496,859	**491,889**	491,889
Deferred income tax liabilities:				
– Deferred income tax liabilities to be settled after more than 12 months	**(27)**	(11)	**–**	–
	496,507	496,848	**491,889**	491,889

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of year	**496,848**	12,562	**491,889**	6,250
Charged to consolidated statement of profit or loss *(note 12)*	**(341)**	484,286	**–**	485,639
End of year	**496,507**	496,848	**491,889**	491,889

Notes to the Consolidated Financial Statements

35 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 RMB'000	Others RMB'000	Total RMB'000
The Group			
At 1 January 2012	3,282	9,311	12,593
Charged to consolidated statement of profit or loss	485,639	(1,373)	484,266
At 31 December 2012	488,921	7,938	496,859
Charged to consolidated statement of profit or loss	(3,282)	2,957	(325)
At 31 December 2013	**485,639**	**10,895**	**496,534**
The Company			
At 1 January 2012	–	6,250	6,250
Charged to consolidated statement of profit or loss	485,639	–	485,639
At 1 January 2013, 31 December 2012 and 2013	**485,639**	**6,250**	**491,889**

Deferred income tax liabilities:

	Others RMB'000
The Group	
At 1 January 2012	(31)
Credited to consolidated statement of profit or loss	20
At 31 December 2012	(11)
Credited to consolidated statement of profit or loss	(16)
At 31 December 2013	**(27)**
The Company	
At 1 January 2012, 31 December 2012 and 2013	–

35 DEFERRED INCOME TAX *(continued)*

As at 31 December 2013, 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 RMB2,543,670,000 and RMB2,097,444,000, respectively, because it is uncertain that the temporary differences can be reversed in the foreseeable future. Tax losses amounting to approximately RMB2,406,036,000 of the Group will expire within five years from 1 January 2013. Tax losses amounting to approximately RMB137,634,000 of the Group are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. All tax losses of the Company will expire within five years from 1 January 2013.

36 TRADE PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables				
– Subsidiaries	**–**	–	**3,389,343**	3,304,164
– Fellow subsidiaries	**795,372**	937,097	**616,931**	402,048
– Third parties	**3,095,007**	2,946,748	**596,045**	758,309
	3,890,379	3,883,845	**4,602,319**	4,464,521

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 3 months	**3,642,819**	3,742,546	**4,594,742**	4,446,147
4 to 6 months	**121,760**	70,593	**3,557**	5,247
7 to 9 months	**89,017**	7,898	**1,259**	2,481
10 to 12 months	**15,353**	37,792	**2,761**	271
1 to 2 years	**21,430**	25,016	**–**	10,375
	3,890,379	3,883,845	**4,602,319**	4,464,521

Notes to the Consolidated Financial Statements

36 TRADE PAYABLES *(continued)*

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,979,837**	1,584,610	**3,303,602**	3,534,388
HKD	**77,549**	81,012	**14,565**	25,991
USD	**1,665,597**	2,097,789	**1,237,492**	832,513
Other currencies	**167,396**	120,434	**46,660**	71,629
	3,890,379	3,883,845	**4,602,319**	4,464,521

The carrying amounts of the trade payables approximate their fair values as at the statement of financial position dates.

37 PROVISIONS

	Legal claims
	RMB'000
The Group and the Company	
At 1 January 2012, 31 December 2012 and 2013 Utilised during the year	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 2013.

38 DISPOSAL OF SUBSIDIARIES

	2013 RMB'000
Net assets disposed of:	
Property, plant and equipment	2,321,996
Cash and bank balances	59,708
Trade payables	(32,573)
Other payables and accruals	(7,520)
Interest-bearing bank and other borrowings	(1,403,340)
Non-controlling interests	(422,222)
Gain on disposal of subsidiaries	240,001
	756,050
Satisfied by:	
Cash	756,050

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2013 RMB'000
Cash consideration	756,050
Cash and bank balances disposed of	(59,708)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	696,342

Notes to the Consolidated Financial Statements

39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

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

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Profit/(loss) before income tax:		
From continuing operations	**(2,828,388)**	(26,447)
From a discontinued operation *(note 14)*	**356,119**	180,979
Depreciation *(notes 17)*	**1,540,612**	1,527,116
Amortisation *(notes 18, 19)*	**9,559**	9,139
Dividend income from available-for-sale financial assets	**(12,576)**	(11,497)
Share of results of associated companies *(note 22)*	**(43,666)**	(39,277)
Share of results of joint ventures *(note 23)*	**(55,175)**	(51,166)
Interest expense	**518,692**	519,781
Finance charge of finance lease obligations *(note 11)*	**15,956**	29,350
Interest income	**(117,409)**	(163,256)
Change in fair value of share-based compensation liability *(note 9)*	**(17,261)**	8,064
Provision for impairment of trade receivables	**4,434**	16,433
Gains on disposal of items of property, plant and equipment	**18,238**	(1,145,291)
Loss on disposal of a joint venture	**481**	–
Gain on disposal of subsidiaries *(note 38)*	**(240,001)**	–
Operating (loss)/profit before working capital changes	**(850,385)**	853,928
Increase in inventories	**(319,032)**	(31,651)
Increase in trade and notes receivables	**(332,805)**	(503,069)
Decrease/(increase) in prepayments and other receivables	**178,172**	(1,949)
Increase in restricted cash	**(1,100)**	(1,000)
Increase in trade payables	**61,643**	63,417
Increase/(decrease) in accruals and other payables	**191,929**	(150,088)
Net cash (used in)/generated from operations	**(1,071,578)**	229,588

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

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

	2013	2012
	RMB'000	RMB'000
Net book amount *(note 17)*	**179,647**	2,263,150
(Loss)/gains on disposal of items of property, plant and equipment	**(18,238)**	1,145,291
Decrease of receipts in advance	**–**	(19,129)
Proceeds from disposal of items of property, plant and equipment	**161,409**	3,389,312

40 COMMITMENTS

(A) CAPITAL COMMITMENTS

As at 31 December 2013 and 2012, the Group and the Company had the following significant capital commitments which were not provided for in the statements of financial position:

	The Group		**The Company**	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted but not provided for:				
– Vessels under construction	**6,492,589**	4,515,252	**–**	722,631

40 COMMITMENTS *(continued)*

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

As at 31 December 2013 and 2012, the Group and the Company had future aggregate minimum lease payments under non-cancelable operating leases as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Land and buildings:				
– Within one year	**38,988**	53,440	**3,689**	6,222
– In the second to fifth year	**59,239**	62,747	**2,889**	4,063
– After fifth year	**12,651**	9,333	**–**	–
	110,878	125,520	**6,578**	10,285
Vessels chartered-in and containers under operating leases:				
– Within one year	**2,548,751**	2,545,261	**32,559**	38,315
– In the second to fifth year	**6,032,487**	6,827,364	**–**	5,226
– After fifth year	**868,228**	1,490,589	**–**	–
	9,449,466	10,863,214	**32,559**	43,541
	9,560,344	10,988,734	**39,137**	53,826

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.

40 COMMITMENTS *(continued)*

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

As at 31 December 2013 and 2012, 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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Vessels chartered-out under operating leases:				
– Within one year	**53,656**	206,942	**599,737**	714,105
– In the second to fifth year	**16,875**	599,429	**1,074,273**	2,102,365
– After fifth year	**3,125**	270,708	**55,510**	165,428
	73,656	1,077,079	**1,729,520**	2,981,898

(D) OTHER COMMITMENTS

As at 31 December 2013 and 2012, the Group had the following significant commitments which were not provided for in the statements of financial position:

	The Group	
	2013	2012
	RMB'000	RMB'000
Investments:		
– Contracted but not provided for	**312,000**	332,000
– Authorised but not contracted for	**39,200**	94,200
	351,200	426,200

As at 31 December 2013, the investment commitments included capital commitments in relation to the Group's interests in jointly ventures amounting to RMB191,200,000 and to the Group's interests in an associate amounting to RMB160,000,000.

41 CONTINGENT LIABILITIES

As at 31 December 2013, the Group and the Company have no significant contingent liabilities.

42 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.

(A) FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012, 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 2013 and 2012.

42 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(B) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

	2013	2012
	RMB'000	RMB'000
Transactions with parent and ultimate holding company		
Non-current borrowing	**600,000**	2,000,000
Interest expense from non-current borrowing	**106,262**	79,684
Transactions with fellow subsidiaries		
Revenue:		
Liner services	**155,343**	271,447
Fuel supply	**1,125,712**	–
Information technology services	**14,094**	10,057
Expenditure:		
Lease of containers	**182,287**	235,795
Lease of chassis	**22,088**	23,566
Lease of properties	**20,072**	19,421
Cargo and liner agency services	**587,593**	574,862
Container management services	**150,070**	137,430
Ship repair services	**75,580**	36,001
Supply of fresh water, vessel fuel, lubricants, spare parts and other materials	**2,127,274**	2,171,813
Depot services	**8,559**	10,569
Information technology services	**43,054**	31,634
Provision of crew members	**31,926**	39,787
Loading and unloading services	**583,709**	551,652
Purchase of containers	**479,025**	212,432
Transactions with China Shipping Finance Co., Ltd.		
Borrowings	**643,040**	–
Interest expense from borrowings	**934**	–
Interest income from deposits	**93,682**	66,683

Notes to the Consolidated Financial Statements

42 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(C) BALANCES WITH RELATED PARTIES

	2013 **RMB'000**	2012 RMB'000
Balances with parent and ultimate holding company		
Borrowings	**(2,600,000)**	(2,000,000)
Interest payables	**(79,247)**	(73,684)

	2013 **RMB'000**	2012 RMB'000
Balances with fellow subsidiaries		
Trade receivables	**349,396**	397,881
Less: provisions	**(10,482)**	(12,649)
	338,914	385,232
Trade payables	**(795,372)**	(937,097)

	2013 **RMB'000**	2012 RMB'000
Balances with CS Finance		
Interest receivables	**10,468**	55,524
Interest payables	**402**	–
Borrowings	**363,040**	–
Deposits	**3,052,729**	3,054,718

The balances are unsecured and interest-free.

42 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

	2013	2012
	RMB'000	RMB'000
Basic salaries and allowances	**3,428**	9,923
Pension and others welfare	**1,532**	1,044
Fair value of the Rights *(note 9)*	**(1,025)**	2,136
	3,935	13,103

43 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

(A) SUBSIDIARIES

As at 31 December 2013, the Company has direct and indirect interests in the following subsidiaries:

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Indirectly held	Principal activities
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
Shanghai Puhai Shipping Lines Co., Ltd.	19 November 1992	Limited liability company	RMB682,911,111	98.2%	1.8%	International container shipping

43 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES *(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
Established and operating in the PRC *(continued)*						
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
China Shipping Container Terminal Development (Shanghai) Co., Ltd.	18 February 2008	Limited liability company	RMB1,000,000	–	100%	Operation of container terminal

43 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES *(continued)*

(A) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest		Principal activities
				Directly held	Indirectly held	
Established and operating in the PRC *(continued)*						
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
Quanzhou China Shipping Container Lines Co., Ltd.	2 September 2003	Limited liability company	RMB1,550,000	10%	90%	Cargo and liner agency

43 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES *(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
Established and operating in the PRC *(continued)*						
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
Zhangzhou China Shipping Container Lines Co., Ltd.	11 June 2010	Limited liability company	RMB1,550,000	–	100%	Cargo and liner agency

Notes to the Consolidated Financial Statements

43 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES *(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
Established and operating in the PRC *(continued)*						
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

43 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES *(continued)*

(A) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest		Principal activities
				Directly held	Indirectly held	
Established and operating in the PRC *(continued)*						
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
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

43 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES *(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
Established and operating in the PRC *(continued)*						
Cangzhou China Shipping Container Lines Co., Ltd.	6 April 2012	Limited liability company	RMB500,000	–	100%	Operation of container terminal
CSCL Wuhan Real Estate Investment Consulting Co., Ltd.	19 September 2012	Limited liability company	RMB11,100,000	100%	–	Real estate management
Shanghai Zhenjing Industrial Co., Ltd.	11 November 2013	Limited liability company	RMB80,000,000	100%		Real estate management
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 Spring Shipping Co., Ltd.	5 June 2013	Limited liability company	HKD10,000	–	100%	Ownership of vessel

43 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES *(continued)*

(A) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest		Principal activities
				Directly held	Indirectly held	
Incorporated and operating in Hong Kong *(continued)*						
CSCL Summer Shipping Co., Ltd.	5 June 2013	Limited liability company	HKD10,000	–	100%	Ownership of vessel
CSCL Mercury Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Ownership of vessel
CSCL Mars Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Ownership of vessel
CSCL Neptune Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Ownership of vessel
CSCL Venus Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Ownership of vessel
CSCL Star Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Ownership of vessel
CSCL Uranus Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Ownership of vessel
CSCL Saturn Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Ownership of vessel
CSCL Jupiter Shipping Co., Ltd.	5 August 2010	Limited liability company	HKD10,000	–	100%	Ownership of vessel
Incorporated and operating in Panama						
PH. Xiang Xiu Shipping S.A.	8 August 2008	Limited liability company	USD 2	–	100%	Ownership of vessel

43 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES *(continued)*

(A) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Incorporated in the British Virgin Islands						
China Shipping Container Lines (Asia) Co., Ltd.	28 October 2002	Limited liability company	USD514,465,000	–	100%	Sales, purchase and lease of vessels and containers
Yangshan A Shipping Company Limited	23 December 2003	Limited liability company	USD50,000	–	100%	Ownership of vessel
Yangshan B Shipping Company Limited	23 December 2003	Limited liability company	USD50,000	–	100%	Ownership of vessel
Yangshan C Shipping Company Limited	23 April 2004	Limited liability company	USD50,000	–	100%	Ownership of vessel
Yangshan D Shipping Company Limited	23 April 2004	Limited liability company	USD50,000	–	100%	Ownership of vessel
Incorporated in the Marshall Islands						
Yangshan E Shipping Company Limited	11 September 2007	Limited liability company	USD50,000	–	100%	Ownership of vessel
Incorporated in the Republic of Cyprus						
Arisa Navigation Company Limited	18 June 2002	Limited liability company	CYP1,000	–	100%	Ownership of vessel
Incorporated in South Africa						
China Shipping (Africa) Holdings (PTY) Ltd.	11 September 2012	Private company	USD2,000,000	100%	–	No restriction
China Shipping (South Africa) Agency (PTY) Ltd	29 October 2013	Private company	ZAR1,700,000	–	100%	No restriction

43 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES *(continued)*

(A) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Incorporated in Brazil						
China Shipping (South America) Holdings Ltda	27 May 2013	Private company	BRL5,852,000	95%	5%	No restriction
Incorporated in Singapore						
Golden Sea Shipping Pte.Ltd.	13 August 2012	Limited liability company	SGD1,000,000	–	100%	Shipping lines
China Shipping (Singapore) Petroleum Co., Ltd.	29 August 2012	Limited liability company	USD 5,000,000	–	91%	Provision of bunker

(B) ASSOCIATED COMPANIES

As at 31 December 2013, 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%	Provision of 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.

43 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES *(continued)*

(C) JOINT VENTURES

As at 31 December 2013, the Group has direct equity interests in the following joint ventures:

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%	Provision of 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
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

43 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES *(continued)*

(C) JOINT VENTURES *(continued)*

Name	Date of establishment	Type of legal entity	Place of operation	Registered capital	Attributable equity interest	Principal activities
Established in the PRC *(continued)*						
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
Lianyungang Gangtie International Container Joint Transport Co., Ltd.	21 December 2011	Limited liability company	PRC	RMB3,400,000	30%	Logistics

Dalian Vanguard International Logistics Co., Ltd. and Jinzhou Port Container-Railway Logistic Co., Ltd. are joint ventures directly held by the Company.

The English names of certain subsidiaries, associated companies and joint ventures 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.

44 COMPARATIVE AMOUNTS

In 2013, the Group changed the presentation of container demurrage fees charged to customers ("the Demurrage charges"). The Demurrage charges by the Group in year 2013 were reclassified from deduction of costs of services to revenue. For the purpose of alignment, the Group represented the comparative figures for year 2012 ("the Representation"). The result of the Representation increased the revenue and costs of services of the Group for the year ended 31 December 2012 each by RMB843,575,000.

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

45 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2014.

Five Years Financial Summary

CONSOLIDATED RESULTS

	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
Revenue	19,502,679	34,498,808	27,908,895	32,997,924	**33,917,357**
Operating profit/(loss)	(6,346,452)	4,240,988	(2,663,225)	436,096	**(2,418,070)**
Finance costs	(196,023)	(164,393)	(140,523)	(506,357)	**(457,618)**
Profit/(loss) before income tax from continuing operations	(6,541,248)	4,110,382	(2,800,054)	(26,447)	**(2,828,387)**
Income tax (expense)/credit	(9,417)	(51,440)	(42,381)	460,547	**(36,290)**
Profit/(loss) for the year from continuing operations	(6,550,665)	4,058,942	(2,842,435)	434,100	**(2,864,677)**
Profit for the year from a discontinued operation	78,923	174,299	141,962	139,510	**280,632**
Profit for the year attributable to non-controlling interests	(17,306)	(30,107)	(42,996)	(48,689)	**(26,053)**
Profit/(loss) for the year attributable to equity holders of the Company	(6,489,048)	4,203,134	(2,743,469)	524,921	**(2,610,098)**
Dividends	–	–	–	–	**–**

CONSOLIDATED ASSETS AND LIABILITIES

	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
Non-current assets	34,779,624	35,498,563	39,094,542	38,281,157	**33,233,743**
Current assets	9,512,678	13,517,562	10,317,948	12,924,106	**17,583,145**
Current liabilities	7,608,711	8,654,025	9,791,948	6,350,317	**13,703,549**
Non-current liabilities	10,705,393	10,399,857	12,719,853	17,381,285	**12,895,285**
Net assets	25,978,198	29,962,243	26,900,689	27,473,661	**24,218,054**