1 GENERAL INFORMATION

China Shipping Container Lines Company Limited ("the Company") and its subsidiaries (together, "the Group") principally engaged in owning, chartering and operating container vessels for the provision of international and domestic container marine transportation service.

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 (the "Transformation") by converting its registered capital and reserves as at 31 October, 2003 into 3,830,000,000 shares of RMB1 each. The Company's H shares (the "Share Issue") have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 June, 2004.

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

These consolidated accounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.

These consolidated accounts have been approved for issue by the Board of Directors on 10 April, 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The consolidated accounts of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

The adoption of new/revised HKFRS

In 2006, the Group adopted the amendments and interpretation of HKFRS below, which are relevant to its operations.

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The Group has assessed the impact of the adoption of these amendments and interpretation and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies.

Standards, interpretation and amendments to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published which are relevant to the Group's operations and accounts and are mandatory for the Group's accounting periods beginning on or after 1 January, 2007 or later periods as follows:

Effective from 1 January, 2007

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK (IFRIC) – Int 8	Scope of HKFRS 2
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 10	Interim Reporting and Impairment
HK (IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HKFRS 7	Financial Instruments: Disclosures

Effective from 1 January, 2009

HKFRS 8	Operating Segments

The Group has not early adopted the above standards, amendments and interpretations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the accounts will be resulted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 CONSOLIDATION

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

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account (Note 2.8).

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 CONSOLIDATION *(continued)*

(b) *Transactions and minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) *Associated company*

Associated company is entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associated company is accounted for using the equity method of accounting and is initially recognised at cost. The Group's investment in an associated company includes goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2.8).

The Group's share of its associated company's post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its investment in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

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

In the Company's balance sheet the investment in an associated company is stated at cost less provision for impairment losses. The results of associated company are accounted for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 CONSOLIDATION *(continued)*

(d) *Jointly controlled entity*

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Investment in a jointly controlled entity is accounted for in the accounts under the equity method and is stated at cost plus share of post-acquisition results and reserves and goodwill on acquisition less provision for impairment losses (Note 2.8). The share of post-acquisition results and reserves is based on the relevant profit sharing ratios.

In the Company's balance sheet the investment in a jointly controlled entity is stated at cost less provision for impairment losses. The results of jointly controlled entity are accounted for by the Company on the basis of dividend received and receivable.

2.3 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 FOREIGN CURRENCY TRANSLATION *(continued)*

(c) Group companies (continued)

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 FIXED ASSETS

(a) Vessels under construction

Vessels under construction are stated at cost less accumulated impairment losses. Capitalisation of vessel construction cost is based on actual cost incurred during the year. No depreciation is provided for vessels under construction.

(b) Vessel repairs and surveys

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

(c) Construction in progress

Construction in progress represents office building under renovation and other fixed assets under construction or pending installation and is stated at cost. Cost includes the cost of acquisition of the building and the actual renovation costs incurred during the year. No depreciation is provided for construction in progress.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 FIXED ASSETS *(continued)*

(d) *Other fixed assets*

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

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

Depreciation of fixed assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	Estimated useful lives
Container vessels	25 years from the date of first registration
Building	40 years
Containers	8 to 10 years
Improvements on vessels under operating leases*	5 years or the period of the lease, whichever is the shorter
Computer and office equipment	5 to 8 years
Motor vehicles	6 years

* *represent improvements on vessels operated by the Group under operating leases*

The residual values of fixed assets and their useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 FIXED ASSETS *(continued)*

(e) Gain or loss on sale

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account.

(f) Capitalisation of fixed assets

All direct cost relating to the construction of container vessels, including finance costs on related borrowed funds during the construction period, are capitalised as fixed assets.

2.6 LAND USE RIGHTS

All land in PRC is state-owned or collectively-owned and no individual land ownership exists. The Group acquires the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights, which are amortised over the lease period using the straight-line method.

2.7 ASSETS UNDER LEASES

(i) Where the Group is a lessee

(a) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the leases at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The interest element of the finance cost is recognised in the consolidated profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 ASSETS UNDER LEASES *(continued)*

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

(b) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss account on a straight-line basis over the period of the leases.

(ii) Where the Group is a lessor

Operating lease

Assets leased out under operating leases are included in fixed assets on the balance sheet and when applicable, and are depreciated in accordance with the Group's depreciation policies, as set out in Note 2.5 above. Rental income, net of any incentives given to the lessees, is recognised on a straight-line basis over the period of leases.

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

A sale and leaseback transaction involves the sale of an asset by the Group and the leasing of the same asset back to the Group. The lease payments and the sale price are usually interdependent as they are negotiated as a package.

Sale and leaseback arrangements that result in the Group retaining the majority of the risks and rewards of ownership of assets are accounted for as finance leases. Any excess of sales proceeds over the carrying amount is deferred and amortised over the period of leases.

2.8 GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 IMPAIRMENT OF ASSETS

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

2.10 FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 FINANCIAL ASSETS *(continued)*

(b) Loans and receivables

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 2.12.

2.11 BUNKERS

Bunkers represent fuels and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis.

2.12 TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the consolidated profit and loss account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 CASH AND CASH EQUIVALENTS

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

2.14 SHARE CAPITAL

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

2.15 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated company, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.17 EMPLOYEE BENEFITS

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 EMPLOYEE BENEFITS *(continued)*

(b) *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. Contributions to the plans are expensed as incurred.

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 HK$1,000 per person.

The Group's contributions to the above defined contribution schemes are fully vested upon contribution and are expensed as incurred.

(c) *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. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 EMPLOYEE BENEFITS *(continued)*

(d) Share-based compensation

The Group operates a cash-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of share appreciation rights is recognised as expense. The employees are entitled to a future cash payment, based on the increase in the Company's share price from a specified level over a specified period of time.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share appreciation rights, by applying an option pricing models, taking into account the terms and condition on which the share appreciation rights were granted, and the extent to which the employees have rendered service to date.

At each balance sheet date, the Group measures the services acquired and the liability incurred at the fair value of the liabilities. The fair value of the liabilities are re-measured at each balance sheet date and at the date of settlement, with any changes in fair value, if any, recognised in the consolidated profit and loss account for the year.

2.18 PROVISIONS

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 REVENUE RECOGNITION

The Group recognises revenues on the following bases:

(i) Liner services

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

(ii) Chartering

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

(iii) Interest income

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

2.20 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 accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's consolidated accounts in the period in which the dividends are approved by the Company's equity holders.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk, cash flow and fair value interest-rate 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 mainly operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the RMB and United States Dollars ("USD").

Other currencies against RMB and USD have been comparatively stable for the year ended 31 December, 2006. As a result, the Group considers its exposure to foreign exchange risk as low and the Group has not used any forward contracts or other means to hedge its foreign currency exposure for the year ended 31 December, 2006.

(ii) Price risk

The Group's results of operations may be significantly affected by the fluctuation of the fuel price which is a significant expense for the Group. While the international fuel price is determined by worldwide market's demand and supply, domestic fuel price is regulated by the relevant authorities of the state government. Fuel expense represents 22% and 19% of the Group's total costs of sales for the years ended 31 December, 2006 and 2005 respectively.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 FINANCIAL RISK FACTORS *(continued)*

(b) Credit risk

The Group has no significant concentration of credit risk. The Group has policies that limit the amount of credit exposure to any financial institutions. The Group has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. No single customer accounted for greater than 10% of total revenues during the year.

(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.

The Group finances its working capital requirements through a combination of funds generated from operations, proceeds and bank loans.

(d) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December, 2006 and 2005, over 64% and 71% of the Group's borrowings respectively were at fixed rates. The weighted average effective interest rates and terms of repayment of the Group's borrowings are disclosed in Note 26.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk but may enter into interest rate hedging instruments in the future to hedge any significant interest rate exposure.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 FAIR VALUE ESTIMATION

The carrying value less impairment provision of trade and notes receivables, prepayment and other receivables, cash and cash equivalents, trade and notes payables, accrual and other payables, current borrowings and balances with group companies are assumed to approximate their fair values due to the short term maturities of these assets and liabilities . The fair value of long-term borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) ESTIMATED IMPAIRMENT OF FIXED ASSETS

The Group assesses annually whether fixed assets and land use rights have any indication of impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of fixed assets have been determined based on value-in-use calculations. These calculations and valuations require the use of judgement and estimates.

(ii) INCOME TAXES

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(continued)

(ii) INCOME TAXES *(continued)*

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

(iii) USEFUL LIVES OF FIXED ASSETS

Management determines the estimated useful lives and residual values for the Group's fixed assets. Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) PROVISION OF OPERATING COST

Operating costs, which comprise container and cargo, vessel and voyage costs, sub-route and other costs, are recognised on a percentage of completion basis as set out in Note 2.19. Invoices in relation to these expenses are received approximately up to six months after the expenses have been incurred. Consequently, recognition of operating costs 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 operating cost in future periods. Historically, the Group has not experienced significant deviation between the estimated and actual expenses.

5 TURNOVER AND SEGMENT INFORMATION

The principal activities of the Group are owning, chartering and operating container vessels for the provision of international and domestic container marine transportation service. Turnover represents gross revenues from liner and chartering services, net of discounts allowed, where applicable.

	2006	2005
	RMB'000	RMB'000
Turnover		
Liner	**30,375,447**	28,126,526
Chartering	**126,931**	248,154
	30,502,378	28,374,680

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

The business segment reporting includes provisions of liner service and chartering of vessels. In respect of the geographical segment reporting, segment revenues from liner and chartering services cover the world's major trade lanes.

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

The Group's business is organised into two business segments: liner and chartering. The Group's business is dominated by provision of liner services. The chartering business is of insufficient size to be reported separately.

5 TURNOVER AND SEGMENT INFORMATION *(continued)*

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

The Group's liner and chartering businesses are managed on a worldwide basis. The turnover generated from the world's major trade lanes includes North America, South America, Europe/ Mediterranean, Australia, East and Southeast Asia, Middle East, China domestic and others.

The directors of the Company consider that the nature of the Group's business precludes a meaningful allocation of the Group's assets to specific geographical segments as defined under HKAS 14 "Segment Reporting". Accordingly, geographical segment information is only presented for turnover:

	2006	2005
	RMB'000	RMB'000
North America	**12,840,106**	11,060,184
South America	**650,379**	281,271
Europe/Mediterranean	**8,600,589**	10,372,910
Australia	**1,278,240**	1,378,370
East and Southeast Asia	**1,596,373**	1,758,694
Middle East	**1,097,042**	78,322
China Domestic	**2,419,817**	1,938,820
Others	**2,019,832**	1,506,109
	30,502,378	28,374,680

6 OPERATING COSTS

	2006 RMB'000	2005 RMB'000
Operating costs		
Container and cargo	**12,789,231**	10,473,989
Vessel and voyage	**10,280,565**	7,752,946
Sub-route and others	**5,321,810**	5,104,197
	28,391,606	23,331,132

7 OTHER OPERATING INCOME

	2006 RMB'000	2005 RMB'000
Interest income	**74,849**	84,801
Information technology services fees	**42,213**	25,825
Reversal of provision for impairment of receivables	**16,109**	–
Recovery of payment for claims	**–**	28,305
Compensation income *(Note (i))*	**–**	99,331
	133,171	238,262

Note:

(i) Pursuant to an agreement between a fellow subsidiary and the City of Los Angeles on 21 May, 2005, the City of Los Angeles made compensation to the fellow subsidiary for the delay in providing premises at Berths 100-102. Out of the aforementioned compensation receivable from the City of Los Angeles, the fellow subsidiary agreed to pay USD12,000,000 to the Company to compensate the Company for the additional costs incurred by the Group due to the delay in the provision of port related services.

8 EXPENSES BY NATURE

	2006 RMB'000	2005 RMB'000
Auditor's remunerations	**4,980**	4,500
Cost of bunkers consumed	**6,311,076**	4,383,763
Depreciation:		
– Owned container vessels chartered-out under operating leases	**14,462**	20,316
– Other owned assets	**694,170**	414,101
– Containers under finance leases	**474,856**	441,202
	1,183,488	875,619
Loss on disposal of fixed assets	**11,645**	5,034
Operating lease rental:		
– Container vessels	**2,399,354**	2,360,813
– Containers	**587,676**	587,459
– Buildings	**43,000**	32,809
	3,030,030	2,981,081
Provision for impairment of receivables	**–**	6,211
Employee benefit expense, including directors' and supervisors' emoluments *(Note 9,10)*	**739,498**	605,171
Foreign exchange losses	**19,034**	58,699
Bank charges	**4,372**	1,598

9 EMPLOYEE BENEFIT EXPENSE

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

	2006 RMB'000	2005 RMB'000
Staff salaries and hiring of crews	**562,486**	475,080
Social welfare benefits	**124,727**	94,849
Pension cost	**50,853**	33,791
Share based compensation granted to directors and employees *(note(i))*	**1,432**	1,451
	739,498	605,171

9 EMPLOYEE BENEFIT EXPENSE *(continued)*

Note:

(i) H SHARE SHARE APPRECIATION RIGHTS SCHEME

In accordance with the "Resolution Regarding Adoption and Approval of the H Share Share Appreciation Rights Scheme and Implementation Methods" passed at the Company's second Special General Meeting in year 2005 held on 12 October, 2005, the Company implemented a H share share appreciation rights scheme as appropriate incentive policy. Under this scheme, the H share share appreciation rights (the "Rights") are granted in units with each unit representing one H share. No shares will be issued under the share appreciation rights scheme. Upon exercise of the Rights, the grantee will receive a cash payment in RMB, subject to any applicable withholding tax, translated from the Hong Kong dollars "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 above the exercise price of the Rights, based on the applicable exchange rate between RMB and HKD at the date of the exercise. The market price of the Company's H shares at the time of exercise of the Rights shall be the average closing price of the Company's H shares on the Stock Exchange for the 4 trading days before the date of exercise and on the date of exercise.

The eligible grantees are: the directors of the Company (other than independent non-executive directors), the supervisors of the Company (other than independent supervisors), the senior executives of the Company, the head 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 term of the scheme is 10 years. The Rights proposed to be granted account for 2% of the current total issued share capital of the Company, i.e. 120,600,000 units of Rights, which will be granted on three occasions, i.e. an initial grant and two further annual grants. The initial grant was made on 12 October, 2005, when 30,150,000 units of Rights accounting for 0.5% of the total issued share capital of the Company were granted. Two further annual grants will be made on 1 July, 2007 and 1 July, 2009 respectively.

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 will vest 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.

During the year ended 31 December, 2006, no Rights were exercised. The Company recognised compensation expense of the Rights over the applicable vesting period. For the year ended 31 December, 2006, compensation expense recognised by the Group in respect of the Rights was RMB1,432,000 (2005: RMB1,451,000).

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(a) DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The remuneration of each director and supervisor for the year ended 31 December, 2006 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
2006				
Director				
Mr. Jia Hongxiang	–	146	166	312
Mr. Huang Xiaowen	–	144	157	301
Mr. Zhao Hongzhou	–	115	139	254
Mr. Hu Hanxiang	88	–	–	88
Mr. Gu Nianzu	88	–	–	88
Mr. Wang Zongxi	88	–	–	88
Mr. Lam Siu Wai, Steven	275	–	–	275
Supervisor				
Mr. Huang Xinming	–	144	166	310
Mr. Hua Min	88	–	–	88
Ms. Pan Yingli	88	–	–	88
Mr. Wang Xiuping	–	358	93	451
	715	907	721	2,343

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

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

The remuneration of each director and supervisor for the year ended 31 December, 2005 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
2005				
Director				
Mr. Jia Hongxiang	–	568	156	724
Mr. Huang Xiaowen	–	511	143	654
Mr. Zhao Hongzhou	–	454	130	584
Mr. Hu Hanxiang	88	–	–	88
Mr. Gu Nianzu	88	–	–	88
Mr. Wang Zongxi	88	–	–	88
Mr. Lam Siu Wai, Steven	275	–	–	275
Supervisor				
Mr. Huang Xinming	–	568	156	724
Mr. Hua Min	88	–	–	88
Ms. Pan Yingli	88	–	–	88
Mr. Wang Xiuping	–	295	77	372
	715	2,396	662	3,773

No directors or supervisors of the Company waived any emoluments during the year (2005: Nil). No discretionary bonus was paid to any of the directors or supervisors of the Company during the year (2005: Nil).

The remaining six directors (2005: seven) and two supervisors (2005: three) of the Company did not receive any emoluments from the Company or any of its subsidiaries during the year.

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

(b) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year do not include any directors (2005: three) and supervisors (2005: one). The emoluments payable to the five (2005: remaining one) individuals during the year are as follows:

	2006	2005
	RMB'000	RMB'000
Basic salaries and allowances	**2,129**	1,061
Pension and others welfare	**475**	312
	2,604	1,373

The emoluments of the above five (2005: one) individuals fell within the following bands:

	2006	2005
Nil to HK$1,000,000 (equivalent to approximately RMB1,004,000)	**5**	–
HK$1,000,000 (equivalent to approximately RMB1,004,000) to HK$2,000,000 (equivalent to approximately RMB2,008,000)	**–**	1
	5	1

(c) During the year, no emoluments were paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2005: nil).

11 FINANCE COSTS

	2006 RMB'000	2005 RMB'000
Interest expenses:		
– bank loans	**362,627**	278,404
– finance lease obligations	**295,123**	288,520
Total interest expenses	**657,750**	566,924
Less: amount capitalised in vessels under construction	**(123,751)**	(139,651)
	533,999	427,273

The capitalisation rate applied to funds borrowed generally and utilised for the vessels under construction is 5.43% (2005: 5.46%) per annum for the year ended 31 December, 2006.

12 TAXATION

(a) INCOME TAX EXPENSE

	2006 RMB'000	2005 RMB'000
Current income tax		
– Hong Kong profits tax *(note (i))*	**1,214**	2,198
– PRC enterprise income tax *(note (ii))*	**76,504**	234,807
Deferred taxation *(Note 28)*	**200,129**	487,163
	277,847	724,168

Notes:

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for year ended 31 December, 2006.

12 TAXATION *(continued)*

(a) INCOME TAX EXPENSE *(continued)*

(ii) PRC enterprise income tax ("EIT")

The Company is a joint stock limited company under the Company Law of the PRC and was registered in the Pudong New District, Shanghai. According to the relevant laws and regulations, the EIT rate applicable to the Company is 15%.

The Company's subsidiaries incorporated in the PRC are subject to EIT at a rate ranging from 0% to 33% for the year ended 31 December, 2006 (2005: 0% – 33%).

Pursuant to relevant EIT regulations, the profits derived by the Company's overseas subsidiaries are subject to EIT. The Company has obtained approval from the tax bureau to adopt a fixed rate of 16.5% on the profits of the overseas subsidiaries for EIT purposes.

(iii) The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2006 **RMB'000**	2005 RMB'000
Profit before income tax	**1,142,561**	4,309,263
Less: Share of profit of an associated company	**(6,529)**	(5,960)
	1,136,032	4,303,303
Tax calculated at a taxation rate of 15% (2005:15%)	**(170,405)**	(645,495)
Write-off of deferred tax assets on finance lease *(Note 28)*	**(69,148)**	–
Effect of different tax rate in subsidiaries	**(38,294)**	(78,673)
Tax expense	**(277,847)**	(724,168)

12 TAXATION *(continued)*

(b) OTHER TAXES

(i) Value-added tax ("VAT")

The Company's subsidiaries in the PRC are subject to VAT, which is charged on top of the selling price at a general rate of 17%. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT on sales to determine the net VAT payable.

(ii) Business tax

Revenue derived from liner services provided by the Company and its subsidiaries in the PRC is subject to business tax at rates ranging from 3% to 5% for the year ended 31 December, 2006 (2005: 3% to 5%).

13 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the accounts of the Company to the extent of RMB309,716,000 (2005: RMB1,344,212,000).

14 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of RMB859,210,000 (2005: RMB3,582,782,000) by the number of 6,030,000,000 (2005: 6,030,000,000) shares in issue.

	2006	2005
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	**859,210**	3,582,782
Number of ordinary shares in issue (thousands)	**6,030,000**	6,030,000
Basic earnings per share (RMB per share)	**RMB0.14**	RMB0.59

Diluted earnings per share has not been presented as the Company has no potential dilutive shares.

15 DIVIDENDS

	2006 RMB'000	2005 RMB'000
Final, proposed of RMB0.04 (2005: RMB0.12) *(note (i))*		
– per domestic share	**144,400**	433,200
– per H share	**96,800**	290,400
	241,200	723,600

Note:

(i) The dividends paid during the year ended 31 December, 2006 were 2005 final proposed dividends of RMB723,600,000 (RMB0.12 per share). The dividends paid during the year ended 31 December, 2005 were 2004 special dividend to ultimate holding company of RMB480,098,000 and 2004 final proposed dividends of RMB1,206,000,000 (RMB0.2 per share). A dividend in respect of 2006 of RMB0.04 per share, amounting to a total dividend of RMB241,200,000, was proposed at the Board of Directors' Meeting on 10 April, 2007. These accounts do not reflect this dividend payable.

16 FIXED ASSETS

The Group

	Container vessels RMB'000	Building RMB'000	Vessels under construction RMB'000	Construction in progress RMB'000	Improvement on vessels under operating leases RMB'000	Containers RMB'000	Motor vehicles RMB'000	Computer and office equipment RMB'000	Total RMB'000
At 1 January, 2005									
Cost	9,390,632	–	4,351,466	225,601	326,288	3,480,108	36,409	178,686	17,989,190
Accumulated depreciation and impairment losses	(1,013,012)	–	–	–	(240,074)	(1,436,500)	(16,160)	(92,858)	(2,798,604)
Net book amount	8,377,620	–	4,351,466	225,601	86,214	2,043,608	20,249	85,828	15,190,586
Year ended 31 December, 2005									
Opening net book amount	8,377,620	–	4,351,466	225,601	86,214	2,043,608	20,249	85,828	15,190,586
Exchange difference	(17,758)	–	(70,918)	–	–	(16,841)	–	–	(105,517)
Transfers	4,592,311	169,826	(4,592,311)	(209,304)	–	–	–	39,478	–
Transfer to land use rights	–	–	–	(13,918)	–	–	–	–	(13,918)
Additions	29,966	–	3,919,286	13,022	8,456	2,325,224	6,571	40,415	6,342,940
Acquisition from fellow subsidiaries	71,001	–	–	–	–	167,251	–	–	238,252
Disposals	–	–	–	–	–	(4,309)	(417)	(1,185)	(5,911)
Depreciation	(344,007)	(2,689)	–	–	(17,416)	(476,399)	(5,256)	(29,852)	(875,619)
Closing net book amount	12,709,133	167,137	3,607,523	15,401	77,254	4,038,534	21,147	134,684	20,770,813
At 31 December, 2005									
Cost	14,066,152	169,826	3,607,523	15,401	334,744	5,948,550	41,931	253,412	24,437,539
Accumulated depreciation and impairment losses	(1,357,019)	(2,689)	–	–	(257,490)	(1,910,016)	(20,784)	(118,728)	(3,666,726)
Net book amount	12,709,133	167,137	3,607,523	15,401	77,254	4,038,534	21,147	134,684	20,770,813
Year ended 31 December, 2006									
Opening net book amount	12,709,133	167,137	3,607,523	15,401	77,254	4,038,534	21,147	134,684	20,770,813
Exchange difference	(18,055)	–	(79,889)	–	–	(92,550)	(66)	(868)	(191,428)
Transfers	2,863,253	25,971	(2,863,253)	(37,312)	–	–	–	11,341	–
Addition from purchase of a subsidiary	–	–	–	–	–	–	103	2,682	2,785
Additions	31,833	–	2,151,813	31,697	3,855	963,583	2,513	14,545	3,199,839
Acquisition from fellow subsidiaries	54,760	–	–	–	–	837,731	–	–	892,491
Disposals	(8,049)	–	–	–	(11,032)	(4,277)	(381)	(3,422)	(27,161)
Depreciation	(519,777)	(4,160)	–	–	(30,905)	(583,032)	(5,072)	(40,542)	(1,183,488)
Closing net book amount	15,113,098	188,948	2,816,194	9,786	39,172	5,159,989	18,244	118,420	23,463,851
At 31 December, 2006									
Cost	16,975,344	195,797	2,816,194	9,786	166,498	6,847,128	43,958	274,957	27,329,662
Accumulated depreciation and impairment losses	(1,862,246)	(6,849)	–	–	(127,326)	(1,687,139)	(25,714)	(156,537)	(3,865,811)
Net book amount	15,113,098	188,948	2,816,194	9,786	39,172	5,159,989	18,244	118,420	23,463,851

16 FIXED ASSETS *(continued)*

The Company

	Container vessels RMB'000	Building RMB'000	Vessels under construction RMB'000	Construction in progress RMB'000	Improvement on vessels under operating leases RMB'000	Containers RMB'000	Motor vehicles RMB'000	Computer and office equipment RMB'000	Total RMB'000
At 1 January, 2005									
Cost	8,664,364	–	1,836,615	225,601	300,430	2,877,468	5,156	121,006	14,030,640
Accumulated depreciation and impairment losses	(956,288)	–	–	–	(222,412)	(1,424,147)	(2,598)	(68,209)	(2,673,654)
Net book amount	7,708,076	–	1,836,615	225,601	78,018	1,453,321	2,558	52,797	11,356,986
Year ended 31 December, 2005									
Opening net book amount	7,708,076	–	1,836,615	225,601	78,018	1,453,321	2,558	52,797	11,356,986
Transfers	4,572,578	169,826	(4,572,578)	(208,374)	–	–	–	38,548	–
Transfer to land use rights	–	–	–	(13,918)	–	–	–	–	(13,918)
Additions	29,966	–	3,899,921	12,586	–	–	2,613	4,301	3,949,387
Acquisition from a fellow subsidiary	71,001	–	–	–	–	–	–	–	71,001
Disposals	–	–	–	–	–	(4,277)	–	(436)	(4,713)
Depreciation	(322,929)	(2,689)	–	–	(12,518)	(356,108)	(750)	(13,729)	(708,723)
Closing net book amount	12,058,692	167,137	1,163,958	15,895	65,500	1,092,936	4,421	81,481	14,650,020
At 31 December, 2005									
Cost	13,337,909	169,826	1,163,958	15,895	300,430	2,870,311	7,769	161,915	18,028,013
Accumulated depreciation and impairment losses	(1,279,217)	(2,689)	–	–	(234,930)	(1,777,375)	(3,348)	(80,434)	(3,377,993)
Net book amount	12,058,692	167,137	1,163,958	15,895	65,500	1,092,936	4,421	81,481	14,650,020
Year ended 31 December, 2006									
Opening net book amount	12,058,692	167,137	1,163,958	15,895	65,500	1,092,936	4,421	81,481	14,650,020
Transfers	1,468,235	25,971	(1,468,235)	(37,312)	–	–	–	11,341	–
Additions	27,566	–	1,913,275	31,203	–	–	1,714	–	1,973,758
Transfer to a subsidiary	–	–	–	–	–	(1,092,936)	–	–	(1,092,936)
Disposals	(8,049)	–	–	–	(11,032)	–	–	(128)	(19,209)
Depreciation	(483,952)	(4,160)	–	–	(25,359)	–	(1,133)	(25,538)	(540,142)
Closing net book amount	13,062,492	188,948	1,608,998	9,786	29,109	–	5,002	67,156	14,971,491
At 31 December, 2006									
Cost	14,812,456	195,797	1,608,998	9,786	128,329	–	9,483	171,254	16,936,103
Accumulated depreciation and impairment losses	(1,749,964)	(6,849)	–	–	(99,220)	–	(4,481)	(104,098)	(1,964,612)
Net book amount	13,062,492	188,948	1,608,998	9,786	29,109	–	5,002	67,156	14,971,491

16 FIXED ASSETS *(continued)*

(a) As at 31 December, 2006, the net book value of containers held under finance lease by the Group amounted to approximately RMB3,806,385,000 (2005: RMB2,722,223,000).

(b) As at 1 January, 2006, the Company transferred its containers under finance leases with net book value of RMB1,092,936,000 to a subsidiary.

(c) As at 31 December, 2006, the net book value of container vessels, vessels under construction and containers of the Group and the Company pledged as securities for the long-term bank loans amounted to approximately RMB7,009,915,000 and RMB4,941,694,000 (2005: RMB6,727,496,000 and RMB5,463,524,000) respectively (Note 26).

(d) As at 31 December, 2006, the aggregate cost, accumulated depreciation and accumulated impairment losses of the leased assets, where the Group and the Company are the lessor, comprised vessels under chartering arrangements, amounted to RMB376,620,000, RMB162,758,000 and RMB32,916,000 (2005: RMB486,383,000, RMB194,733,000 and RMB32,916,000) respectively.

(e) As at 31 December, 2006, the accumulated capitalised borrowing costs of the Group and the Company included in vessels under construction amounted to approximately RMB194,637,000 and RMB71,098,000 (2005: RMB131,864,000 and RMB62,013,000) respectively.

(f) As at 31 December, 2006, the accumulated impairment losses of the container vessels of the Group and the Company amounted to RMB59,279,000 (2005: RMB59,279,000).

(g) Depreciation expenses of RMB1,163,981,000 (2005: RMB858,483,000) has been charged to consolidated profit and loss account within operating costs, and RMB19,507,000 (2005: RMB17,136,000) has been charged to consolidated profit and loss account within administrative and general expenses.

17 LAND USE RIGHTS

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

	RMB'000
Year ended 31 December, 2005	
Opening net book value	–
Transfer from fixed assets *(Note 16)*	13,918
Amortisation charge for the year	(232)
Closing net book amount	13,686
At 31 December, 2005	
Cost	13,918
Accumulated amortisation	(232)
Net book amount	13,686
Year ended 31 December, 2006	
Opening net book value	13,686
Amortisation charge for the year	(330)
Closing net book amount	13,356
At 31 December, 2006	
Cost	13,918
Accumulated amortisation	(562)
Net book amount	13,356

All of the Group's land use rights are located in Shanghai, the PRC and are held on leases of 30 to 50 years from the dates of acquisition.

18 GOODWILL

	The Group RMB'000
Year ended 31 December, 2005	
Opening and closing net book amount	13,281
At 31 December, 2005	
Cost	13,281
Impairment expense	–
Net book amount	13,281
Year ended 31 December, 2006	
Opening net book amount	**13,281**
Addition from purchase of a subsidiary	**33,146**
Impairment expense	**–**
Closing net book amount	**46,427**
At 31 December, 2006	
Cost	**46,427**
Impairment expense	**–**
Net book amount	**46,427**

GOODWILL IMPAIRMENT TEST

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.8. The carrying amounts of goodwill acquired through acquisition of equity interests of subsidiaries are solely allocated to these subsidiaries for impairment testing.

The recoverable amount of the subsidiary is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates which are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risk relating to the subsidiary.

Based on the impairment tests of goodwill, in the opinion of the Directors, no impairment provision is considered necessary for the balance of the Group's goodwill.

19 INVESTMENTS IN SUBSIDIARIES

	The Company As at 31 December 2006 RMB'000	2005 RMB'000
Unlisted shares, at cost	**396,188**	295,928
Loan to a subsidiary	**932,289**	1,177,258
	1,328,477	1,473,186

(a) During the year, the Company made capital injection to its subsidiaries, Shanghai Puhai Shipping Liners Co., Ltd. , Quanzhou China Shipping Container Lines Co., Ltd., China Shipping Container Lines (Fuzhou) Co., Ltd. and Longkou China Shipping Container Lines Co., Ltd. in the form of cash amounting to RMB100,000,000, RMB105,000, RMB105,000 and RMB50,000 respectively. These capital injections have been verified by BDO Zhong Hua Certified Public Accountants (上海眾華滬銀會計師事務所), Quanzhou Ming Cheng Certified Public Accountants Company Limited (泉州名城有限責任會計師事務所), Fuzhou Da Zheng Certified Public Accountants Company Limited (福州大正有限責任會計師事務所) and Yantai Jin Du Certified Public Accountants Company Limited (煙台金都有限責任會計師事務所), who issued capital certification reports on 15 August, 2006, 9 February, 2006, 14 January, 2006 and 22 February, 2006 respectively.

(b) The loan to a subsidiary is unsecured, interest bearing at LIBOR plus 0.05% per annum and wholly repayable on 27 December, 2009.

(c) A list of subsidiaries as at 31 December, 2006 is set out in Note 35(a).

20 INVESTMENT IN AN ASSOCIATED COMPANY

	The Group As at 31 December 2006 RMB'000	2005 RMB'000
Beginning of the year	**47,596**	46,892
Share of an associated company's results		
– profit before income tax	**8,944**	8,164
– income tax expense	**(2,415)**	(2,204)
	6,529	5,960
Dividend received	**(5,367)**	(5,256)
End of the year	**48,758**	47,596

20 INVESTMENT IN AN ASSOCIATED COMPANY *(continued)*

	The Company As at 31 December	
	2006	2005
	RMB'000	RMB'000
Unlisted investments, at cost	**29,214**	29,214

The Group and the Company's interest in its principal associated company, which is unlisted, is as follows:

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Total assets	**51,280**	50,684
Total liabilities	**2,522**	3,088
Revenue	**39,972**	35,987
Net profit	**6,529**	5,960
Percentage of interest held	**40%**	40%

Details of the associated company as at 31 December, 2006 are set out in Note 35(b).

21 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	The Group and the Company As at 31 December 2006 RMB'000	2005 RMB'000
Share of net assets	**32,000**	–

The Group and the Company's interest in its principal jointly controlled entity, which is unlisted, is as follows:

	As at 31 December 2006 RMB'000	2005 RMB'000
Total assets	**32,000**	–
Total net assets	**32,000**	–
Percentage of interest held	**50%**	–

Details of the jointly controlled entity as at 31 December, 2006 are set out in Note 35(c).

There are no contingent liabilities relating to the Group and the Company's investment in jointly controlled entity, and no contingent liabilities of the ventures itself.

22 TRADE AND NOTES RECEIVABLES

	The Group As at 31 December 2006 RMB'000	2005 RMB'000
Trade receivables		
– Fellow subsidiaries	**1,932,592**	1,997,785
– Others	**1,431,516**	1,933,858
	3,364,108	3,931,643
Notes receivables	**126,295**	122,702
	3,490,403	4,054,345

22 TRADE AND NOTES RECEIVABLES *(continued)*

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

	The Group As at 31 December 2006 RMB'000	2005 RMB'000
1 to 3 months	**2,914,493**	2,547,888
4 to 6 months	**561,926**	699,593
7 to 9 months	**114,784**	428,547
10 to 12 months	**–**	499,913
Over 1 year	**13,150**	8,463
	3,604,353	4,184,404
Less: provision for impairment of receivables	**(113,950)**	(130,059)
	3,490,403	4,054,345

The Group has reversed RMB16,109,000 (Note 7) for the impairment of its trade receivables during the year ended 31 December, 2006. The income has been included in other operating income in the consolidated profit and loss account.

	The Company As at 31 December 2006 RMB'000	2005 RMB'000
Trade receivables		
– Subsidiaries	**664,393**	491,295
– Fellow subsidiaries	**292,996**	446,840
– Others	**108,779**	11,325
	1,066,168	949,460
Notes receivables	**112,093**	78,245
	1,178,261	1,027,705

22 TRADE AND NOTES RECEIVABLES *(continued)*

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

	The Company As at 31 December	
	2006	2005
	RMB'000	RMB'000
1 to 3 months	**1,170,648**	896,502
4 to 6 months	**12,240**	105,959
7 to 9 months	**4,554**	15,205
10 to 12 months	**–**	39,404
Over 1 year	**13,150**	8,463
	1,200,592	1,065,533
Less: provision for impairment of receivables	**(22,331)**	(37,828)
	1,178,261	1,027,705

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

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

	The Group As at 31 December		The Company As at 31 December	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,176,638**	962,206	**412,932**	420,848
HKD	**7,717**	33,659	**–**	–
USD	**1,966,129**	2,419,871	**754,182**	575,168
Other currencies	**339,919**	638,609	**11,147**	31,689
	3,490,403	4,054,345	**1,178,261**	1,027,705

There is no concentration of credit risk with respect to trade receivables, as the group and the company has a large number of customers, internationally dispersed.

22 TRADE AND NOTES RECEIVABLES *(continued)*

CREDIT POLICY

Credit terms in the range between 30 to 50 days are granted to those customers with good payment history. Invoices to other customers are due for payment upon presentation.

23 CASH AND CASH EQUIVALENTS

	The Group As at 31 December		The Company As at 31 December	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**2,065,367**	2,605,368	**881,695**	1,027,342
Short-term bank deposits	**850,175**	818,005	**43,363**	–
	2,915,542	3,423,373	**925,058**	1,027,342

The effective interest rate on short-term bank deposits was 4.6% per annum (2005: 3.6%); these deposits have an average maturity of 5 days (2005: 3 days).

Cash and cash equivalents are denominated in the following currencies:

	The Group As at 31 December		The Company As at 31 December	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**889,378**	921,022	**602,632**	679,078
HKD	**120,764**	74,008	**41,716**	41,579
USD	**1,742,818**	2,232,504	**278,872**	301,559
Other currencies	**162,582**	195,839	**1,838**	5,126
	2,915,542	3,423,373	**925,058**	1,027,342

As at 31 December, 2006, cash and cash equivalents of RMB1,302,895,000 (2005: RMB1,367,246,000) were held by the Company and certain subsidiaries of the Group with bank accounts operating in the PRC where exchange controls apply.

24 SHARE CAPITAL

	Domestic shares of RMB1 each	H shares of RMB1 each (note (i))	Total
	RMB'000	RMB'000	RMB'000
At 31 December, 2005	3,610,000	2,420,000	6,030,000
At 31 December, 2006	**3,610,000**	**2,420,000**	**6,030,000**

Note:

(i) The domestic shares and H shares rank pari passu in all material respects except that the dividends to holders of H shares are declared in RMB but paid in HKD.

25 OTHER RESERVES

The Group

	Capital surplus	Statutory surplus reserve *(note(i))*	Statutory public welfare fund *(note(ii))*	Discretionary common reserve *(note (iii))*	Translation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January, 2005	4,851,488	380,473	380,473	740	–	5,613,174
Currency translation difference	–	–	–	–	(97,757)	(97,757)
Profit appropriation	–	407,262	206,159	–	–	613,421
At 31 December, 2005 and 1 January, 2006	4,851,488	787,735	586,632	740	(97,757)	6,128,838
Currency translation difference	–	–	–	–	(194,233)	(194,233)
Transfer	–	586,632	(586,632)	–	–	–
Profit appropriation	–	63,910	–	–	–	63,910
At 31 December, 2006	**4,851,488**	**1,438,277**	**–**	**740**	**(291,990)**	**5,998,515**

The Company

	Capital surplus	Statutory surplus reserve *(note(i))*	Statutory public welfare fund *(note(ii))*	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January, 2005	4,771,887	367,551	367,551	5,506,989
Profit appropriation	–	402,206	201,103	603,309
At 31 December, 2005 and 1 January, 2006	4,771,887	769,757	568,654	6,110,298
Transfer	–	568,654	(568,654)	–
Profit appropriation	–	59,977	–	59,977
At 31 December, 2006	**4,771,887**	**1,398,388**	**–**	**6,170,275**

25 OTHER RESERVES *(continued)*

Notes:

(i) In accordance with the PRC regulations and the Articles of Association of the companies within the Group, before distributing the net profit of each year, each of the companies registered in the PRC is required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under Accounting Standards for Business Enterprises and Accounting System for Business Enterprises of the PRC to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares. However, such statutory surplus reserve fund must be maintained at a minimum of 25% of the entity's share capital after such issuance.

(ii) Before 1 January, 2006, companies registered in the PRC within the Group are required to set aside 5% to 10% of their statutory net profit for the year as determined under Accounting Standards for Business Enterprises and Accounting System for Business Enterprises of the PRC to the statutory public welfare fund. The statutory public welfare fund is to be utilised to build or acquire capital items, for the entity's employees and cannot be used to pay off staff welfare expenses. Titles to these capital items remain with the entity.

According to the Company Law of the PRC which was revised on 27 October, 2005, the Company is no longer required to make profit appropriation to the statutory public welfare fund commencing from 1 January, 2006. Pursuant to the notice "Cai Qi [2006] No. 67." issued by the Ministry of Finance of the PRC, the balance of this fund as at 1 January, 2006 was transferred to the statutory surplus reserve.

(iii) Transfer to discretionary common fund is at the discretion of the companies in the Group.

26 BANK BORROWINGS

	The Group As at 31 December		The Company As at 31 December	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-Current				
Long-term bank loans	**5,538,152**	5,107,112	**3,408,940**	3,616,800
Current				
Short-term bank loans	**400,000**	–	**400,000**	–
Long-term bank loans – current portion	**707,608**	501,053	**475,000**	380,000
	1,107,608	501,053	**875,000**	380,000
	6,645,760	5,608,165	**4,283,940**	3,996,800
Representing:				
– unsecured	**1,642,870**	817,439	**862,000**	154,000
– secured	**5,002,890**	4,790,726	**3,421,940**	3,842,800
Total bank borrowings	**6,645,760**	5,608,165	**4,283,940**	3,996,800
Analysed as follows:				
– wholly repayable within five years	**4,347,310**	–	**2,902,700**	–
– not wholly repayable within five years	**2,298,450**	5,608,165	**1,381,240**	3,996,800
Total bank borrowings	**6,645,760**	5,608,165	**4,283,940**	3,996,800

26 BANK BORROWINGS *(continued)*

The maturity of bank borrowings is as follows:

	The Group As at 31 December		The Company As at 31 December	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**1,107,608**	501,053	**875,000**	380,000
In the second year	**707,608**	753,461	**475,000**	552,560
In the third to fifth year	**4,079,808**	2,543,910	**2,622,700**	1,945,695
After fifth year	**750,736**	1,809,741	**311,240**	1,118,545
	6,645,760	5,608,165	**4,283,940**	3,996,800

As at 31 December, 2006, the long-term bank loans of the Group and the Company were secured by the following:

(i) Legal mortgage over certain container vessels, vessels under construction and containers of the Group and the Company with net book value of approximately RMB7,009,915,000 and RMB4,941,694,000 (2005: RMB6,727,496,000 and RMB5,463,524,000) respectively (Note 16(c)).

(ii) Charges over shares of certain vessels owning subsidiaries (Note 35 (a)(ii)).

(iii) Assignment of shipbuilding contracts related to certain vessels under construction.

26 BANK BORROWINGS *(continued)*

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

	The Group As at 31 December		The Company As at 31 December	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB				
– at fixed rates	**4,283,940**	3,996,800	**4,283,940**	3,996,800
– at floating rates	**–**	–	**–**	–
USD				
– at fixed rates	**–**	–	**–**	–
– at floating rates	**2,361,820**	1,611,365	**–**	–
	6,645,760	5,608,165	**4,283,940**	3,996,800

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

	The Group As at 31 December		The Company As at 31 December	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowing				
– RMB	**5.18%**	5.46%	**5.18%**	5.46%
– USD	**5.96%**	4.05%	**–**	–

The carrying amounts of current borrowings approximate their fair value.

26 BANK BORROWINGS *(continued)*

The carrying amounts and the fair values of long term bank borrowings are as follows:

	The Group		The Company	
	As at 31 December		As at 31 December	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Carrying amounts	**6,245,760**	5,608,165	**3,883,940**	3,996,800
Fair Values	**6,150,725**	5,521,114	**3,788,905**	3,909,749

The carrying amounts of USD bank borrowings approximate their fair value.

The fair values of RMB bank borrowings are based on discounted cash flow using a rate based on the borrowings rate of 6.12% per annum (2005: 6.12%).

The Group and the Company have the following undrawn borrowing facilities.

	The Group		The Company	
	As at 31 December		As at 31 December	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Floating rate	**1,210,348**	143,581	**–**	–
Fixed rate	**4,760,360**	3,407,500	**4,760,360**	3,407,500
	5,970,708	3,551,081	**4,760,360**	3,407,500

27 FINANCE LEASE OBLIGATIONS

	The Group As at 31 December, 2006		
	Minimum lease payment RMB'000	**Finance charges RMB'000**	**Net present value of minimum lease payment RMB'000**
Finance lease obligations			
Within one year	**995,756**	**300,032**	**695,724**
In the second year	**889,384**	**224,690**	**664,694**
In the third to fifth year	**2,106,029**	**374,336**	**1,731,693**
After fifth year	**865,105**	**62,243**	**802,862**
	4,856,274	**961,301**	**3,894,973**
Less: no later than one year (current portion)	**(995,756)**	**(300,032)**	**(695,724)**
	3,860,518	**661,269**	**3,199,249**

	The Group As at 31 December, 2005		
	Minimum lease payment RMB'000	Finance charges RMB'000	Net present value of minimum lease payment RMB'000
Finance lease obligations			
Within one year	716,348	257,667	458,681
In the second year	683,496	205,430	478,066
In the third to fifth year	1,584,020	355,130	1,228,890
After fifth year	768,413	70,395	698,018
	3,752,277	888,622	2,863,655
Less: no later than one year (current portion)	(716,348)	(257,667)	(458,681)
	3,035,929	630,955	2,404,974

The effective interest rate of finance lease obligations of the Group is 10.3% per annum (2005:14.0%).

27 FINANCE LEASE OBLIGATIONS *(continued)*

The carrying amounts and the fair values of finance lease obligations of the Group are as follows:

	The Group	
	2006	2005
	RMB'000	RMB'000
Carrying amounts	**3,894,973**	2,863,655
Fair Values	**3,879,892**	2,850,612

The fair values are based on discounted cash flow using a rate based on internal rate of return of the lessor at 7.1% per annum (2005: 8.4%).

All finance lease obligations are dominated in USD.

As at 1 January, 2006, the Company transferred its finance lease obligations with carrying value of RMB1,283,526,000 to a subsidiary. The details of the Company's finance lease obligations as at 31 December, 2005 are set out below:

	The Company As at 31 December, 2005		
	Minimum lease payment RMB'000	Finance charges RMB'000	Net present value of minimum lease payment RMB'000
Finance lease obligations			
Within one year	443,924	151,086	292,838
In the second year	406,719	111,348	295,371
In the third to fifth year	753,745	157,539	596,206
After fifth year	116,918	17,807	99,111
	1,721,306	437,780	1,283,526
Less: no later than one year (current portion)	(443,924)	(151,086)	(292,838)
	1,277,382	286,694	990,688

As at 31 December, 2005, the effective interest rate of finance lease obligations of the Company was 14.8% per annum.

27 FINANCE LEASE OBLIGATIONS *(continued)*

The carrying amounts and their fair values of finance lease obligations of the Company are as follows:

	The Company	
	2006	2005
	RMB'000	RMB'000
Carrying amounts	**–**	1,283,526
Fair Values	**–**	1,267,735

As at 31 December, 2005, the fair values were based on discounted cash flow using a rate based on internal rate of return of the lessor at 12.0% per annum.

All finance lease obligations were denominated in USD.

28 DEFERRED INCOME TAX

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

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	**(15,887)**	(72,759)	**(10,942)**	(67,814)
– Deferred tax assets to be recovered within 12 months	**(19,957)**	(9,791)	**(19,957)**	(9,791)
	(35,844)	(82,550)	**(30,899)**	(77,605)
Deferred tax liabilities:				
– Deferred tax liabilities to be settled after more than 12 months	**873,093**	719,670	**79,396**	36,769
	837,249	637,120	**48,497**	(40,836)

28 DEFERRED INCOME TAX *(continued)*

The gross movement on the deferred tax liabilities/(assets) is as follows:

	The Group	
	2006	2005
	RMB'000	RMB'000
Beginning of the year	**637,120**	149,957
Deferred taxation charged to consolidated profit and loss account *(Note 12)*	**200,129**	487,163
End of the year	**837,249**	637,120

	The Company	
	2006	2005
	RMB'000	RMB'000
Beginning of the year	**(40,836)**	(94,164)
Deferred taxation charged to profit and loss account	**89,333**	53,328
End of the year	**48,497**	(40,836)

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

Deferred tax liabilities:

	The Group			The Company
	Profits of subsidiaries	**Residual value difference**	**Total**	**Residual value difference**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January, 2005	244,121	–	244,121	–
Charged to profit and loss account	438,780	36,769	475,549	36,769
At 31 December, 2005	682,901	36,769	719,670	36,769
Charged to profit and loss account	110,796	42,627	153,423	42,627
At 31 December, 2006	**793,697**	**79,396**	**873,093**	**79,396**

28 DEFERRED INCOME TAX *(continued)*

Deferred tax liabilities mainly relates to deferred tax liabilities provided at a fixed rate of 16.5% on the profit of overseas subsidiaries which are subject to PRC EIT and payable upon profit remittance to the Company.

Deferred tax assets:

	The Group			
	Interest element of finance lease obligations RMB'000	**Capitalised dry docking expense** RMB'000	**Tax losses** RMB'000	**Total** RMB'000
At 1 January, 2005	(86,345)	(7,819)	–	(94,164)
Charged/(credited) to consolidated profit and loss account	17,197	(638)	(4,945)	11,614
At 31 December, 2005	(69,148)	(8,457)	(4,945)	(82,550)
Charged/(credited) to consolidated profit and loss account	69,148	(2,485)	(19,957)	46,706
At 31 December, 2006	**–**	**(10,942)**	**(24,902)**	**(35,844)**

28 DEFERRED INCOME TAX *(continued)*

	The Company			
	Interest element of finance lease obligations RMB'000	**Capitalised dry docking expense** RMB'000	**Tax losses** RMB'000	**Total** RMB'000
At 1 January, 2005	(86,345)	(7,819)	–	(94,164)
Charged/(credited) to profit and loss account	17,197	(638)	–	16,559
At 31 December, 2005	(69,148)	(8,457)	–	(77,605)
Charged/(credited) to profit and loss account	69,148	(2,485)	(19,957)	46,706
At 31 December, 2006	**–**	**(10,942)**	**(19,957)**	**(30,899)**

Deferred tax assets are recognised for tax losses carry forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. The tax loss of the Company approximately RMB133,048,000 (2005: Nil) has five-year expiry dates. The tax loss of a subsidiary approximately RMB28,257,000 (2005: RMB28,257,000) has no expiry dates.

29 TRADE AND NOTES PAYABLES

	The Group As at 31 December	
	2006 **RMB'000**	2005 RMB'000
Trade payables		
– Fellow subsidiaries	**259,834**	467,858
– Others	**1,945,221**	2,281,554
	2,205,055	2,749,412
Notes payables	**–**	10,000
	2,205,055	2,759,412

29 TRADE AND NOTES PAYABLES *(continued)*

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

	The Group As at 31 December	
	2006	2005
	RMB'000	RMB'000
1 to 3 months	**2,132,189**	1,954,087
4 to 6 months	**45,774**	697,283
7 to 9 months	**27,092**	108,042
	2,205,055	2,759,412

	The Company As at 31 December	
	2006	2005
	RMB'000	RMB'000
Trade payables		
– Subsidiaries	**466,979**	428,404
– Fellow subsidiaries	**362,793**	1,323,755
– Others	**288,431**	22,244
	1,118,203	1,774,403
Notes payables	**80,000**	26,000
	1,198,203	1,800,403

29 TRADE AND NOTES PAYABLES *(continued)*

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

	The Company As at 31 December	
	2006	2005
	RMB'000	RMB'000
1 to 3 months	**1,039,059**	1,661,288
4 to 6 months	**106,545**	139,115
7 to 9 months	**52,599**	–
	1,198,203	1,800,403

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

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

	The Group As at 31 December		The Company As at 31 December	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**841,803**	639,622	**297,226**	127,622
HKD	**56,075**	50,430	**–**	–
USD	**1,150,148**	1,931,201	**885,568**	1,630,921
Other currencies	**157,029**	138,159	**15,409**	41,860
	2,205,055	2,759,412	**1,198,203**	1,800,403

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) RECONCILIATION OF PROFIT BEFORE INCOME TAX TO NET CASH GENERATED FROM OPERATIONS:

	2006 RMB'000	2005 RMB'000
Profit before income tax	**1,142,561**	4,309,263
Depreciation	**1,183,488**	875,619
Amortisation of land use rights	**330**	232
Share of profit of an associated company	**(6,529)**	(5,960)
Interest expense	**238,876**	138,753
Interest income	**(74,849)**	(84,801)
(Reversal of)/provision for impairment of receivables	**(16,109)**	6,211
Finance charge of finance lease obligations	**295,123**	288,520
Loss on disposal of fixed assets (See below)	**11,645**	5,034
Operating profit before working capital changes	**2,774,536**	5,532,871
Increase in bunkers	**(82,655)**	(303,029)
Decrease/(increase) in trade and notes receivables	**654,496**	(695,725)
Decrease in prepayments and other receivables	**33,659**	184,334
(Decrease)/increase in trade and notes payables	**(577,162)**	618,634
Increase/(decrease) in accruals and other payables	**172,832**	(32,867)
Net cash generated from operations	**2,975,706**	5,304,218

In the cash flow statement, proceeds from disposal of fixed assets comprise:

	2006 RMB'000	2005 RMB'000
Net book amount *(Note 16)*	**27,161**	5,911
Loss on disposal of fixed assets *(Note 8)*	**(11,645)**	(5,034)
Proceeds from disposal of fixed assets	**15,516**	877

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(continued)

(b) SIGNIFICANT NON-CASH TRANSACTIONS

During the year ended 31 December, 2006, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of RMB296,684,000 (2005: RMB1,353,002,000).

(c) ACQUISITION OF A SUBSIDIARY COMPANY

On 27 August, 2006, China Shipping Container Lines (Hong Kong) Co., Ltd. ("CSHK"). a wholly-owned subsidiary of the Company entered into a Share Purchase Agreement with China Shipping Agency Logistics (Oversea) Co., Limited, Rich Shipping Agency Co., Ltd. and China Shipping (Hong Kong) Agency Co., Ltd, which are all fellow subsidiaries of the Group, to acquire the net assets of Universal Shipping (Asia) Co., Ltd. ("Universal Shipping") at a consideration of RMB80,141,000.

Universal Shipping is engaged in provision of shipping services in the PRC. Particulars of the assets and liabilities acquired are as follows:

	Fair value RMB'000	Carrying amount RMB'000
Property, plant and equipment	2,785	2,785
Trade receivables, prepayments and other receivables	79,740	79,740
Cash and cash equivalents	1,613	1,613
Trade payables, accruals and other payables	(37,023)	(37,023)
Deferred tax liability	(120)	(120)
Net assets acquired	46,995	
Goodwill on acquisition	33,146	
Purchase consideration settled in cash	80,141	
Cash and cash equivalents acquired	(1,613)	
Cash outflow on acquisition	78,528	

31 COMMITMENTS

(a) CAPITAL COMMITMENTS

As at 31 December, 2006 and 2005, the Group and the Company had the following significant capital commitments which were not provided for in the balance sheets:

	The Group As at 31 December 2006 RMB'000	2005 RMB'000
Contracted but not provided for:		
– Vessels under construction	**4,100,999**	4,315,787
– Purchase of containers	**–**	160,036
	4,100,999	4,475,823

	The Company As at 31 December 2006 RMB'000	2005 RMB'000
Contracted but not provided for:		
– Vessels under construction	**3,969,969**	4,018,445

(b) PURCHASE COMMITMENTS

As at 31 December, 2006 and 2005, the Group had the following significant purchase commitments of bunkers which were not provided for in the balance sheets:

	The Group As at 31 December 2006 RMB'000	2005 RMB'000
Contracted but not provided for:		
– Purchase of bunkers	**1,754,165**	415,914

31 COMMITMENTS *(continued)*

(c) OTHER COMMITMENTS

As at 31 December, 2006 and 2005, the Group and the Company had the following significant commitments which were not provided for in the balance sheets:

	The Group As at 31 December	
	2006	2005
	RMB'000	RMB'000
Contracted but not provided for:		
– Investment	**–**	111,100

	The Company As at 31 December	
	2006	2005
	RMB'000	RMB'000
Contracted but not provided for:		
– Investment	**–**	100,000

31 COMMITMENTS *(continued)*

(d) LEASE COMMITMENTS

As at 31 December, 2006 and 2005, the Group and the Company had future aggregate minimum lease payments under non-cancelable operating leases as follows:

	The Group	
	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Land and buildings:		
– Within one year	**44,339**	41,385
– In the second to fifth year	**62,835**	88,436
– After fifth year	**4,248**	12,867
	111,422	142,688
Vessels chartered-in and containers under operating leases:		
– Within one year	**2,935,592**	2,641,580
– In the second to fifth year	**6,940,418**	5,667,242
– After fifth year	**3,825,150**	2,838,513
	13,701,160	11,147,335
	13,812,582	11,290,023

31 COMMITMENTS *(continued)*

(d) LEASE COMMITMENTS *(continued)*

	The Company As at 31 December	
	2006	2005
	RMB'000	RMB'000
Land and buildings:		
– Within one year	**6,420**	5,675
– In the second to fifth year	**19,828**	22,701
– After fifth year	**3,639**	11,351
	29,887	39,727
Vessels chartered-in and containers under operating leases:		
– Within one year	**243,624**	283,861
– In the second to fifth year	**338,940**	592,910
– After fifth year	**–**	41,206
	582,564	917,977
	612,451	957,704

32 FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December, 2006 and 2005, the Group and the Company had future aggregate minimum lease receipts under non-cancellable operating leases as following:

	The Group	
	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Vessels chartered-out under operating leases:		
– Within one year	**49,960**	105,644
– In the second to fifth year	**27,850**	7,722
	77,810	113,366

	The Company	
	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Vessels chartered-out under operating leases:		
– Within one year	**929,088**	1,504,449
– In the second to fifth year	**1,979,036**	4,171,371
	2,908,124	5,675,820

33 CONTINGENT LIABILITIES

As at 31 December, 2006, the Group and the Company have no significant contingent liabilities.

34 SIGNIFICANT RELATED-PARTY TRANSACTIONS

The Group is part of a larger group of companies under China Shipping (Group) Company (incorporated in the PRC) and has extensive transactions and relationships with members of the China Shipping (Group) Company. China Shipping (Group) Company itself is a state-owned enterprise and is controlled by the PRC government. Neither of them produces accounts for public use.

As the Group is controlled by China Shipping (Group) Company, it is considered to be indirectly controlled by the PRC government, which controls a substantial number of entities in the PRC. In accordance with HKAS 24 "Related Party Disclosure", state-owned enterprises and their subsidiaries, other than China Shipping (Group) Company and its subsidiaries, directly or indirectly controlled by the PRC Government are also deemed as related parties of the Group ("other state-owned enterprises"). For purpose of related party transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relative to related-party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in the accounts (Note 16 and Note 30), the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the years and balances arising from related party transactions for the year ended 31 December, 2006 and 31 December, 2005.

34 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(a) During the year, for the purpose of this report, the directors are of the view that the following companies are related parties of the Group:

Name	Relationship with the Group
China Shipping (Group) Company	Ultimate holding company
Rich Shipping Co., Ltd.	Fellow subsidiary
Shanghai Marine Transport (Group) Co., Ltd.	Fellow subsidiary
Guangzhou Marine Transport (Group) Co., Ltd.	Fellow subsidiary
Dalian Marine Transport (Group) Company	Fellow subsidiary
China Shipping Development Co., Ltd.	Fellow subsidiary
China Shipping Passenger Liner Co., Ltd.	Fellow subsidiary
China Shipping (Hainan) Haisheng Shipping and Enterprise Co., Ltd.	Fellow subsidiary
Shanghai Inchon International Ferry Co., Ltd.	Fellow subsidiary
China Shipping Terminal 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 Regional Holdings Pte Ltd.	Fellow subsidiary
China Shipping Agency (Australia) Co., 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 Suppliers Co., Ltd.	Fellow subsidiary
China Shipping (Hongkong) Holdings Co., Ltd.	Fellow subsidiary
China Shipping (North America) Holding Co., Ltd.	Fellow subsidiary
China Shipping (North America) Agency Co.,Inc.	Fellow subsidiary
China Shipping (Malaysia) Agency Sdn. Bhd.	Fellow subsidiary
China Shipping (Argentina) Agency S.A.	Fellow subsidiary
China Shipping (Brazil) Agency S.A.	Fellow subsidiary
China Shipping Egypt Co, Ltd.	Fellow subsidiary
West Basin Container Terminals LLC.	Related company

Same as disclosed elsewhere in the accounts (Note 16 and Note 30), the Group had the following transactions and balances with related parties, which in the opinion of the directors, were carried out in the ordinary course of the Group's business.

34 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

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

	Notes	**2006 RMB'000**	2005 RMB'000
Transactions with fellow subsidiaries			
Revenue:			
Information technology services	*(i)*	**42,213**	25,825
Lease of containers	*(ii)*	**854**	4,785
Liner services	*(i)*	**1,661,158**	941,774
Lease of vessels	*(i)*	**7,592**	1,273
Compensation income	*(Note 7(i))*	**–**	99,331
Expense:			
Agency management services	*(i)*	**13,696**	14,705
Interest element of finance lease obligations in connection with lease of containers	*(ii)*	**149,009**	213,254
Lease of containers	*(ii)*	**67,682**	–
Lease of chassis	*(i)*	**39,400**	19,797
Lease of properties	*(ii)*	**10,922**	11,902
Cargo and liner agency services	*(i)*	**406,352**	208,924
Container management services	*(i)*	**751,920**	790,380
Time charter services	*(i)*	**232,650**	288,188
Bareboat charter services	*(i)*	**76,795**	56,769
Ship repair services	*(i)*	**58,560**	54,780
Supply of fresh water, vessel fuel, lubricants, spare parts and other materials	*(i)*	**474,523**	346,144
Depot services	*(i)*	**30,541**	19,075
Information technology services	*(i)*	**27,083**	27,755
Provision of motor vehicles	*(i)*	**952**	2,718
Provision of crew members	*(i)*	**121,244**	140,450
Loading and unloading services	*(i)*	**875,888**	693,601
Sub-route services	*(i)*	**164,379**	101,935
Ground container transport costs	*(i)*	**152,151**	34,218

34 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

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

(i) These transactions were conducted in accordance with various master agreements entered into between the Company and fellow subsidiaries on 10 May, 2004.

(ii) These transactions were conducted in accordance with relevant agreements entered into between the Company and fellow subsidiaries.

	2006	2005
	RMB'000	RMB'000
Transactions with other state-owned enterprises		
Revenue:		
Interest income from bank deposits	**17,737**	19,873
Expense:		
Port charges	**2,507,759**	3,061,575
Purchase of bunkers and spare parts	**451,910**	352,229
Interest expenses	**312,265**	223,109
Vessel maintenance costs	**81,277**	74,998
Other transactions:		
Progress payment made on construction of vessels	**1,518,655**	3,195,946

34 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties

	2006 RMB'000	2005 RMB'000
Balances with fellow subsidiaries		
Trade receivables *(note (i))*	**1,992,363**	2,059,573
Less: provisions	**(59,771)**	(61,788)
	1,932,592	1,997,785
Trade payables *(note (i))*	**(259,834)**	(467,858)
Finance lease obligations *(note(ii))*	**(957,684)**	(1,283,526)
	715,074	246,401

Notes:

(i) These balances arose from the ordinary course of the Group's business and are unsecured and interest free.

(ii) The Group has entered into finance lease arrangement to lease containers from its fellow subsidiaries. These balances carry interest at an average rate of 11.6% (2005: 14.8%) per annum as agreed between both parties.

34 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties *(continued)*

	2006 **RMB'000**	2005 RMB'000
Balances with other state-owned enterprises		
Bank deposits *(note (i))*	**1,350,583**	1,031,286
Bank loans *(note (ii))*	**5,064,810**	3,821,800
Other payables *(note (iii))*	**985,105**	752,825

Notes:

(i) Interest of bank deposits is at market rates ranging from 0.72% to 3.6% per annum (2005: from 0.72% to 3.6%).

(ii) As at 31 December, 2006, the bank loans were secured by legal mortgage over certain container vessels and vessels in construction with net book value of approximately RMB4,941,694,000 for the Group (2005: RMB3,842,800,000).

(iii) These balances arose from the ordinary course of the Group's business are unsecured, interest free and no fixed payment terms.

(d) Key management compensation:

	2006 **RMB'000**	2005 RMB'000
Salaries and other short-term employee benefits	**2,806**	4,172
Post employment benefits	**1,229**	975

35 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANY AND JOINTLY CONTROLLED ENTITY

(a) SUBSIDIARIES

As at 31 December, 2006, the Company has direct and indirect interests in the following subsidiaries:

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Established and operate in the PRC						
China Shipping Container Lines Dalian Co., Ltd .	5 January, 2003	Limited liability company	RMB10,000,000	90%	–	Cargo and liner agency
China Shipping Container Lines Guangzhou Co., Ltd.	26 January, 2003	Limited liability company	RMB10,000,000	90%	–	Cargo and liner agency
China Shipping Container Lines Hainan Company Limited *(note(i))*	14 January, 2003	Limited liability company	RMB10,000,000	40%	–	Cargo and liner agency
China Shipping Container Lines Qingdao Company Limited	3 January, 2003	Limited liability company	RMB10,000,000	90%	–	Cargo and liner agency
China Shipping Container Lines Shanghai Co., Ltd.	13 January, 2003	Limited liability company	RMB71,140,000	90%	–	Cargo and liner agency
China Shipping Container Lines Shenzhen Co., Ltd.	15 January, 2003	Limited liability company	RMB10,000,000	90%	–	Cargo and liner agency
China Shipping Container Lines Tianjin Company Limited	3 January, 2003	Limited liability company	RMB10,000,000	90%	–	Cargo and liner agency
China Shipping Container Lines Xiamen Co., Ltd.	6 January, 2003	Limited liability company	RMB10,000,000	90%	–	Cargo and liner agency

35 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANY AND JOINTLY CONTROLLED ENTITY *(continued)*

(a) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Indirectly held	Principal activities
China Shipping Container (Yangpu) Co., Ltd.	5 December, 2002	Limited liability company	RMB38,000,000	90%	4%	Domestic containers shipping cargo sales, slot booking, container transportation centre, transhipment, depot construction, repair leasing, sale and purchasing containers, leasing, sales and purchase of vessels and container related business
China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. *(note (i))*	13 December, 2001	Limited liability company	RMB6,000,000	40%	–	Transportation, placement and storage of containers, refrigeration, warehousing and storage business, the examination and repair of containers and chassis, leasing, import and export, and supply of equipment and external technology consulting, the importations of generators used for refrigerated containers

35 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANY AND JOINTLY CONTROLLED ENTITY *(continued)*

(a) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Shanghai Puhai Shipping Co., Ltd.	19 November, 1992	Limited liability company	RMB222,911,111	94.49%	4.96%	International container shipping, transportation of goods (including containers) between ports along with the mainland domestic coast and Chang Jiang (Yangtze) River, construction, repair, leasing and sales of containers, vessel leases and sales, crew labour services and training and other shipping services, cargo agency for water transportation and shipping agency services
China Shipping Container Lines (Fuzhou) Co., Ltd.	20 May, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
China Shipping Container Lines (Haikou) Co., Ltd. *(note(i))*	5 November, 2003	Limited liability company	RMB3,000,000	–	36%	Cargo and liner agency
China Shipping Container Lines (Jiangsu) Co., Ltd.	19 September, 2003	Limited liability company	RMB6,500,000	45%	49.5%	Transportation
China Shipping Container Lines Lianyunggang Co., Ltd.	12 March, 2003	Limited liability company	RMB5,000,000	10%	81%	Cargo and liner agency

35 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANY AND JOINTLY CONTROLLED ENTITY *(continued)*

(a) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
China Shipping Container Lines (Qinghuangdao) Co., Ltd.	6 May, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
China Shipping Container Lines (Rizhao) Co., Ltd.	18 July, 2003	Limited liability company	RMB500,000	–	90.1%	Cargo and liner agency
China Shipping Container Lines (Zhejiang) Co., Ltd.	18 June, 2003	Limited liability company	RMB7,000,000	45%	49.5%	Cargo and liner agency
Dandong China Shipping Container Lines Co., Ltd.	18 April, 2003	Limited liability company	RMB500,000	–	90.01%	Cargo and liner agency
Dongguan China Shipping Container Lines Co., Ltd.	14 May, 2004	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
Fangchenggang China Shipping Container Lines Co., Ltd.	6 May, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
Jiangmen China Shipping Container Lines Co., Ltd.	21 August, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
Jinzhou China Shipping Container Lines Co., Ltd.	18 March, 2003	Limited liability company	RMB500,000	–	90.1%	Cargo and liner agency
Quanzhou China Shipping Container Lines Co., Ltd.	2 September, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
Shantou China Shipping Container Lines Co., Ltd.	18 April, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
Yingkou China Shipping Container Lines Co., Ltd.	9 January, 2003	Limited liability company	RMB1,000,000	10%	81%	Cargo and liner agency

35 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANY AND JOINTLY CONTROLLED ENTITY *(continued)*

(a) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Indirectly held	Principal activities
Zhanjiang China Shipping Container Lines Co., Ltd.	23 May, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
Zhongshan China Shipping Container Lines Co., Ltd.	15 May, 2003	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
Weihai China Shipping Container Lines Co., Ltd.	8 September, 2004	Limited liability company	RMB5,000,000	–	90.1%	Cargo and liner agency
Yantai China Shipping Container Lines Co., Ltd.	21 December, 2006	Limited liability company	RMB5,000,000	–	90%	Cargo and liner agency
Longkou China Shipping Container Lines Co., Ltd.	23 February , 2006	Limited liability company	RMB500,000	10%	81%	Cargo and liner agency
China Shipping Container Lines Chongqing Co., Ltd.	25 April, 2005	Limited liability company	RMB5,000,000	76.50%	14.18%	Cargo and liner agency
Changsha China Shipping Container Lines Co., Ltd.	13 April, 2005	Limited liability company	RMB5,000,000	76.50%	14.18%	Cargo and liner agency
China Shipping Container Lines Wuhu Co., Ltd.	29 March, 2005	Limited liability company	RMB1,500,000	76.50%	14.18%	Cargo and liner agency
Nantong China Shipping Container Lines Co., Ltd.	21 June, 2005	Limited liability company	RMB5,000,000	63%	28.35%	Cargo and liner agency
China Shipping Container Lines Wuhan Co., Ltd.	26 May, 2005	Limited liability company	RMB5,000,000	76.50%	14.18%	Cargo and liner agency
Jiujiang China Shipping Container Lines Co., Ltd.	27 April, 2005	Limited liability company	RMB5,000,000	76.50%	14.18%	Cargo and liner agency

35 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANY AND JOINTLY CONTROLLED ENTITY *(continued)*

(a) SUBSIDIARIES *(continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest Directly held	Indirectly held	Principal activities
Zhangjiagang China Shipping Container Lines Co., Ltd.	15 March, 2005	Limited liability company	RMB5,000,000	63%	28.35%	Cargo and liner agency
Incorporated and operate in Hong Kong						
China Shipping Container Lines (Hong Kong) Co., Ltd.	3 July, 2002	Limited liability company	HK$ 1,000,000	100%	–	International container shipping and liner agency
Universal Shipping (Asia) Co., Ltd.	11 June ,1999	Limited liability company	HK$ 10,000	–	100%	Provision of shipping services
Incorporated in the British Virgin Islands						
China Shipping Container Lines (Asia) Co., Ltd.	28 October, 2002	Limited liability company	US$50,000	100%	–	Sales, purchase and lease of vessels
Intercontinental Computer Co., Ltd.	8 April, 2003	Limited liability company	US$50,000	–	100%	Development of information technology systems and provision of information technology services
Yangshan A Shipping Company Limited	23 December, 2003	Limited liability company	US$50,000	–	100%	Owning of vessel
Yangshan B Shipping Company Limited	23 December, 2003	Limited liability company	US$50,000	–	100%	Owning of vessel
Yangshan C Shipping Company Limited *(note (ii))*	23 April, 2004	Limited liability company	US$50,000	–	100%	Owning of vessel
Yangshan D Shipping Company Limited *(note (ii))*	23 April, 2004	Limited liability company	US$50,000	–	100%	Owning of vessel
Incorporated in the Republic of Cyprus						
Arisa Navigation Company Limited	18 June, 2002	Limited liability company	CYP1,000	–	100%	Owning of vessel

35 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANY AND JOINTLY CONTROLLED ENTITY *(continued)*

(a) SUBSIDIARIES *(continued)*

Notes:

(i) According to respective Memorandum and Articles of Association, the Company has the power to appoint more than half of the total number of directors of these companies. These companies are therefore accounted for as subsidiaries.

(ii) Shares of the subsidiaries were charged for certain long term bank loans as at 31 December, 2006 (Note 26).

(b) ASSOCIATED COMPANY

As of 31 December, 2006, the Group had direct equity interests in the following associated company:

Name	Date of establishment	Type of legal entity	Place of operation	Registered capital	Attributable equity interest	Principal activities
Established in the PRC						
Shanghai HaiXin YuanCang International Logistics Co., Ltd.	18 May, 1995	Limited liability company	PRC	US$11,600,000	40%	Cargo and liner agency

35 PARTICULARS OF SUBSIDIARIES, ASSOCIATED COMPANY AND JOINTLY CONTROLLED ENTITY *(continued)*

(c) JOINTLY CONTROLLED ENTITY

As of 31 December, 2006, the Group had direct equity interests in the following jointly controlled entity:

Name	Date of establishment	Type of legal entity	Place of operation	Registered capital	Attributable equity interest	Principal activities
Established in the PRC						
China Shipping Yangshan International Container Storage& Transportation Co., Ltd	8 November , 2006	Limited liability company	PRC	RMB 64,000,000	50%	Placement and storage of containers, refrigeration, warehousing and storage business, the examination and repair of containers and leasing, loading and unloading, and supply of equipment and external technology consulting.

All subsidiaries, associated company and jointly controlled entity are private companies, or if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

The English name of certain subsidiaries, the associated company and the jointly controlled entity referred to in these accounts represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

36 EVENTS AFTER THE BALANCE SHEET DATE

(a) APPROVAL OF CORPORATE BONDS

According to the board meeting held on 26 March, 2007, the Company intends to issue of domestic corporate bonds ("the Bonds") of an aggregate value of RMB1.8 billion with maturity of 10 years and fixed interest rate estimated as between 4.1% to 4.4% per annum, to all qualified domestic institutional investors in the PRC excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan ("Mainland China"). The net proceeds of the issue of the Bonds are to fund the construction within Mainland China of: (i) four container vessels (each with a volume of 4,250TEU); and (ii) eight container vessels (each with a volume of 8,530 TEU). This proposal is previously approved by a special general meeting held on 28 August 2006 and subsequently by the National Development and Reform Commission of the PRC in notice "Fa Gai Cai Jin [2007] No.602" in the year 2007.

(b) NEW CORPORATE INCOME TAX LAW

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that these accounts are approved for issue, detailed measures concerning these items has yet to be issued by the State Council. Consequently, the Company is not in a position to assess the impact, if any, to the carrying value of deferred tax assets and liabilities as at 31 December 2006. The Company will continue to evaluate the impact as more detailed regulations are announced.

37 ULTIMATE HOLDING COMPANY

The Directors regard China Shipping (Group) Company, a state-owned enterprise established in the PRC as being the ultimate holding company of the Group.