中海集裝箱運輸股份有限公司

China Shipping Container Lines Company Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 02866)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER, 2008

FINANCIAL HIGHLIGHTS (UNDER HKFRS)

- Revenue decreased 11.1% to RMB34,756,152,000
- Profit attributable to equity holders of the Company decreased 98.7% to RMB42,973,000
- Basic earnings per share decreased 98.9% to RMB0.004
- Shipping volume decreased 4.9% to 6,942,148 TEU in the year 2008

The board of directors (the "Board") of China Shipping Container Lines Company Limited (the "Company") is pleased to present the audited consolidated results prepared under Hong Kong Financial Reporting Standards ("HKFRS") of the Company and its subsidiaries (the "Group") for the year ended 31 December, 2008, together with the restated comparative figures for the year ended 31 December, 2007.

CHAIRMAN'S STATEMENT

The financial crisis has adversely affected almost every company in the shipping industry since its outbreak. Adversely affected by various factors, the container shipping market is facing unprecedented challenges. With the deterioration of China's export trade, China's container through-put has dropped substantially on one hand and in addition, there has been increase in the deployment of shipping capacity. As a result, the freight rates for international trade lanes have been continuously decreasing, which caused the container shipping industry to quickly enter into recession.

In 2008, due to the significant plummet in freight rates and the shrinking demand from the Europe and the U.S. economies, both the Group's revenue and transportation volume suffered different degrees of decrease. For the year ended 31 December, 2008, the Group's revenue was RMB34,756,152,000, representing a decrease of approximately 11.1% as compared with last year. The Group's loaded cargo volume for the year 2008 was 6,942,148 TEU, representing a decrease of approximately 4.9% as compared with last year.

Despite the tough business environment, the Group continues to response positively and had changed its operation concept and management philosophy to strive for development during such difficult time.

OPERATION REVIEW

1. Continued to optimise the fleet structure

The Group let out part of its shipping capacity at appropriate time and dismantled obsolete vessels to optimise its fleet structure. As at 31 December, 2008, the fleet of the Group comprised of 158 vessels with a total shipping capacity of 493,016 TEU, among which the container vessels, each with a capacity of over 4,000 TEU, accounted for 81.1% of its total shipping capacity.

2. Optimised route design and improved service network

The Group cut down the shipping capacity deployed to loss-making routes according to the efficiency of routes, switched capacities deployed to different routes, made every effort to constrain the sphere of adverse impact and hence minimised the loss.

3. Further refined management, boosted revenue and cut cost

The Group continued to thoroughly implement the "three refinements" philosophy and to improve the refinement of the routes operation and internal management. The details included upgrading the construction of quality routes, improving "three ratios" (on-schedule ratio, container load ratio and satisfaction ratio), strengthening container management, moderately increasing the lease or sale of shipping space and detailing various cost-control measures. Owing to our effective cost control, all operating costs, except fuel cost, have dropped in different degree.

(1) Container management cost

The Group effectively controlled the container management cost through various measures such as arranging the reposition of empty containers rationally, speeding up the turnover of empty containers, taking advantage of the low seasons to meet the container manufacturing orders and container leasing orders for the entire year and controlling the container volume rationally. The container management cost amounted to approximately RMB2,720,000,000 in 2008, representing a decrease of nearly 20.6% as compared with the same period of last year. The Group's current total container volume amounted to 874,438 TEU. The slot to container ratio is 1:1.93.

(2) Transhipment cost

Owing to the implementation of the policy of pre-scheduling of slots allocation, the efficiency of goods transhipment and connection was improved. Those transhipments with duration over 12 days were basically restricted within 1% of the total transhipments. On the other hand, transhipment routes were further optimised and transhipments of reefer containers were strictly monitored and other measures were adopted to save sub-routes costs, such as choosing the transhipment ports rationally, using same vessels to transport for both domestic and foreign trades and transporting cargoes in both major trade lanes and sub-routes. Sub-route costs and other costs of the Group for the year 2008 were reduced by nearly 23.3% as compared to last year.

(3) Fuel cost

Fuel cost rose significantly in the first half of 2008. Although the shipping capacity increased slightly, the Group controlled the fuel cost efficiently through effective measures such as carrying out economic speed of vessels. The total fuel cost consumption for the entire year was controlled below 2,540,000 tons, which was lower than that of 2,780,000 tons in 2007.

(4) Port cost

Greater efforts were placed in negotiations to strictly limit the port charges contained in agreements. The Group had taken advantages of the growth in the loaded container volume and new trade lanes and reduced the port cost by using the preferential policy available to overall port charges etc.. The port charges for the year 2008 decreased by 10.5% as compared with the same period of last year.

4. Enhanced marketing and improved service quality

The Group further "transformed its business model, changed its concept of cargo solicitation and changed the structure of the sourcing of goods", focused on approaching FOB customers, expanded customer base and maintained market share.

5. Shared advantages with each other by extending external cooperation

The Group carried out extensive external cooperation in various flexible ways, shared advantages with each other and provided extended services. The Group continued to construct the sea-to-rail transportation network and created win-win situation by partnering with large customers.

6. Regulated listing affairs and strengthened capital operation

Pursuant to the requirements of the standardised operation of listed companies and our undertakings given during the issuance of A shares, in order to realise synergy in the Group's development, to resist the fluctuations of the shipping cycle and to adapt to the extension and development of container industry chain, the Group had successfully completed the acquisitions of China Shipping Terminal Development Co., Ltd. ("CS Terminal"), Shanghai China Shipping (Yangshan) International Container Storage and Transportation Co., Ltd. ("CS Yangshan") and China Shipping (Yangpu) Cold Storage and Transportation Co., Ltd. ("CS Yangpu") and also commenced the acquisitions of the assets such as Shanghai Inchon International Ferry Co., Ltd. ("Shanghai Inchon") in the year 2008. The Group had entered into an equity transfer agreement to acquire Shanghai Inchon.

FUTURE PROSPECT

The boom and bust of the shipping industry heavily depend on the upturn and downturn of the global economy. Due to the global economic recession, the growth in container trade volume had obviously slowed down. Meanwhile, the global shipping capacity is expected to grow at a high speed in the next two years. In addition, as an approximately 10% of the current shipping capacity in the market is idle, such capacity will still be a potential negative impact on the container shipping market. However, the Group is using our best endeavours, together with other liner shipping companies, to restore and stabilise the freight rates. Various plans are expected to be carried out starting from April 2009.

To this end, first of all, the Group emphasises that we are firmly confident and strategically well prepared, focused on long-term development and seek opportunities amidst the crisis. In our future operations, the following key matters shall be emphasized:

I. Refined management and stringent cost control shall be the primary tasks for the Group's development

1. *Fuel cost*

   The Group will continue to enhance the monitoring of the economic speed of vessels and take advantage of the low oil price to purchase at lock-in price for this year.

2. *Container management cost*

   The Group will thoroughly enhance the container management, rationally arrange the reposition of empty containers, reduce the cost of empty containers storage and the expenses of reposition of empty containers for sub-routes etc.

3. *Port charges*

   The Group will continue to enhance its negotiation power, make use of the Group's overall brand name advantage and scale advantage, strive for greater preferences in relation to ports, further strengthen cooperation, take advantage of the favourable opportunities of the Group's development in the port industry, and to obtain long-term steady favourable agreements in relation to certain ports.

4. *Transhipment cost*

   The Group will optimise the transhipment routes and reduce the transhipment frequencies.

II. Adhere to the strategy of large customers and broad partnership as the Group's development strategy

Based on an accurate grasp of the market trend and a rational control over the shipping capacity, in 2009, decrease in the Group's shipping capacity as a result of the termination of leases will reach 16,000 TEU and the Group's shipping capacity will realise a negative growth for the first time. Meanwhile, the Group will continue to hold on to the spirits of "No Alliance, More Cooperation and Going Our Own Way", strengthen external cooperation in accordance with the changes in the market supply and demand, further improve the distribution of global routes network, ensure the stability of the trade routes and cargo volume, and provide quality services to customers.

Secondly, the Group will continue to adhere to the strategy of large customers, continue to change its marketing concept, strengthen long-term cooperation with high net worth customers and increase the BCO ratio. Meanwhile, the Group will perfect the construction of sea-to-rail transportation network and build four to six sea-to-rail quality logistics chains.

III. Take diversified development as one of the important means for the Group's development

In recent years, the business model of container shipping industry has been shifted to door-to-door model. The Group will comprehensively integrate its relevant industrial resources such as container terminals and logistics to promote the formation of the Group's shipping supply chain model so as to improve the Group's competitive edge and realise the synergy as a result of such integration.

IV. Strengthen the formulation and implementation of the Group's internal control regulations

The Group will, through strengthening internal management, identify weaknesses in internal control system in time and improve its ability to prevent risk effectively. The Group will also conduct regular review and assessment on the completeness, reasonableness and effectiveness of its internal control system.

I, on behalf of the Group, would like to take this opportunity to thank all of the Company's shareholders for getting through all the difficulties in 2008 with us and for supporting us to face the future challenges with firm confidence.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER, 2008

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**33,449,274**	28,732,142
Leasehold land and land use rights		**96,397**	98,506
Intangible assets		**12,968**	–
Deferred income tax assets		**86,899**	–
Available-for-sale financial assets		**163,300**	175,617
Investment in an associated company		**38,915**	47,518
Investment in jointly controlled entities		**1,073,811**	990,016
		34,921,564	30,043,799
Current assets			
Bunkers		**470,261**	917,209
Trade and notes receivables	*4*	**2,262,142**	4,132,506
Prepayments and other receivables		**387,258**	411,793
Derivative financial instruments		**–**	21,694
Cash and cash equivalents		**11,675,995**	16,398,343
		14,795,656	21,881,545
Total assets		**49,717,220**	51,925,344

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**11,683,125**	11,683,125
Other reserves		**17,701,217**	20,416,288
Retained earnings			
– Proposed final dividend		**–**	467,325
– Others		**2,354,052**	2,403,008
		31,738,394	34,969,746
Minority interests		**713,464**	697,715
Total equity		**32,451,858**	35,667,461
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings		**4,231,712**	4,367,493
Domestic corporate bonds		**1,779,274**	1,775,488
Finance lease obligations		**2,064,032**	2,771,329
Deferred income tax liabilities		**53,535**	171,535
		8,128,553	9,085,845
Current liabilities			
Trade and notes payables	*5*	**3,271,506**	3,281,250
Accrual and other payables		**810,356**	900,775
Short-term bank borrowings		**1,553,612**	120,000
Long-term bank borrowings – current portion		**2,621,874**	1,048,266
Finance lease obligations – current portion		**531,659**	545,400
Current income tax liabilities		**322,802**	1,244,489
Provision		**25,000**	25,000
Derivative financial instruments		**–**	6,858
		9,136,809	7,172,038
Total liabilities		**17,265,362**	16,257,883
Total equity and liabilities		**49,717,220**	51,925,344
Net current assets		**5,658,847**	14,709,507
Total assets less current liabilities		**40,580,411**	44,753,306

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2008

		Year ended 31 December	
		2008	2007
	Note	***RMB'000***	*RMB'000*
			(Restated)
Revenue	*3*	**34,756,152**	39,072,489
Costs of services	*6*	**(33,741,836)**	(34,183,711)
Gross profit		**1,014,316**	4,888,778
Other (losses)/gains, net	*7*	**(569,658)**	85,347
Other income	*8*	**446,617**	179,510
Selling, administrative and general expenses	*6*	**(523,847)**	(769,519)
Operating profit		**367,428**	4,384,116
Finance costs	*9*	**(331,483)**	(561,492)
Share of (losses)/profits of an associated company		**(4,426)**	4,668
Share of profit of jointly controlled entities		**33,216**	9,163
Profit before income tax		**64,735**	3,836,455
Income tax credit/(expense)	*10*	**2,885**	(601,820)
Profit for the year		**67,620**	3,234,635
Attributable to:			
Equity holders of the Company		**42,973**	3,230,338
Minority interest		**24,647**	4,297
		67,620	3,234,635
Dividends	*11*	**–**	5,333,475
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– basic	*12*	**RMB0.004**	RMB0.34
– diluted	*12*	**RMB0.004**	RMB0.34

Notes:

1. GENERAL INFORMATION

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

The Group is principally engaged in owning, chartering and operating container vessels for the provision of international and domestic container marine transportation service and operating container terminal.

2 ACCOUNTING POLICIES AND BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRS. They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

2.1 Basis of preparation

(a) Amendments and interpretations effective in 2008

Relevant to the Group's operations:

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's consolidated financial statements, but is applied to the separate financial statements of the Company and the subsidiaries where relevant.

Not relevant to the Group's operations:

- The HKAS 39, 'Financial instruments: Recognition and measurement'.
- HK(IFRIC) – Int 12, 'Service Concession arrangements'.
- HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January, 2009 or later periods, but the Group has not early adopted them:

Relevant to the Group's operations:

- HKFRS 2 (Amendment), 'Share-based payment' (effective from 1 January, 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

- HKFRS 3 (Revised), 'Business combinations' (effective from 1 July, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

- HKFRS 8, 'Operating Segments', (effective from 1 January, 2009). HKFRS 8 replaces HKAS 14, 'Segment Reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. It is not expected to have a material impact on the Group's financial statements as the present segments information has been identified on the basis of internal reports reviewed by the decision-maker.

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January, 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

- HKAS 23 (Revised), 'Borrowing Costs' (effective from 1 January, 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Management does not anticipate any material impact on the Group's financial statements as the Group has already followed the principles of capitalise borrowing costs for qualifying assets in accordance with the existing HKAS 23.

- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.

HKICPA's improvements to HKFRS published in October 2008:

- HKAS 1 (Amendment), 'Presentation of Financial Statements' (effective from 1 January, 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, 'Financial Instruments: Recognition and Measurement' are examples of current assets and liabilities respectively.

- HKAS 23 (Amendment), 'Borrowing Costs' (effective from 1 January, 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 'Financial Instruments: Recognition and Measurement'. This eliminates the inconsistency of terms between HKAS 39 and HKAS 23.

- HKAS 28 (Amendment), 'Investments in Associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial Instruments: Disclosures') (effective from 1 January, 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases.

- HKAS 36 (Amendment), 'Impairment of Assets' (effective from 1 January, 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

- There are a number of minor amendments to HKFRS 7, 'Financial Instruments: Disclosures', HKAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', HKAS 10, 'Events after the Balance Sheet Date', HKAS 18, 'Revenue' and HKAS 34, 'Interim Financial Reporting' which are not addressed above. The Group will apply the above standards, amendments and interpretations from 1 January, 2009 or late period, where applicable. The Group is currently assessing the impact of these standards, amendments and interpretations on the Group's financial statements.

Not relevant to the Group's operations:

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective from 1 July, 2009).

- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January, 2009).

- HKAS 39 (amendment) 'Financial Instruments: Recognition and Measurement' – 'Eligible hedged items' (effective from 1 July, 2009).

- HK(IFRIC) – Int 13, 'Customer loyalty programmes' (effective from 1 July, 2008).

- HK(IFRIC) – Int 15, 'Agreements for construction of real estates' (effective from 1 January, 2009).

- HK(IFRIC) – Int 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October, 2008).

- HK(IFRIC) – Int 17 'Distributions of non-cash assets to owners' (effective from 1 July, 2009).

- HK(IFRIC) – Int 18, 'Transfers of Assets from Customers' (effective for transfers on or after 1 July, 2009)

HKICPA's improvements to HKFRS published in October 2008:

- HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption') (effective from 1 July, 2009).

- HKAS 19 (Amendment), 'Employee benefits' (effective from 1 January, 2009).

- HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January, 2009).

- HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January, 2009).

- HKAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to HKAS 7, 'Statement of cash flows') (effective from 1 January, 2009).

- HKAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January, 2009).

- HKAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January, 2009).

- HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures') (effective from 1 January, 2009).

- HKAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January, 2009).

- HKAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to HKAS 32 and HKFRS 7) (effective from 1 January, 2009).

- HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January, 2009).

- HKAS 40 (Amendment), 'Investment property' (and consequential amendments to HKAS 16) (effective from 1 January, 2009).

- HKAS 41 (Amendment), 'Agriculture' (effective from 1 January, 2009).

The minor amendments to HKAS 20 'Accounting for government grants and disclosure of government assistance', HKAS 29, 'Financial reporting in hyperinflationary economies', HKAS 40, 'Investment property' and HKAS 41, 'Agriculture', which are not addressed above.

2.2 Change in accounting policy

In the previous years, the Group adopted HKFRS 3 "Business Combination" to account for the business combinations under common control and resulted in goodwill amounting to approximately RMB 46,427,000 as at 31 December, 2007. In the current year, the Group decided to change its accounting policy for business combination under common control and adopt "merger accounting" as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") (Note 2.3).

In the previous years, the Group applied a policy of treating transactions on minority interests as transactions with parties external to the Group. As at 31 December, 2007, the purchases from minority interests resulted in goodwill amounting to approximately RMB10,529,000, being the difference between considerations paid and the relevant share of the carrying values of net assets of the subsidiaries based on the percentage of the interests acquired. In the current year, the Group decided to change its accounting policy for transactions on minority interests and apply a policy of treating transactions on minority interests as transactions with equity owners of the Group as allowed by HKFRS. For purchases of minority interests, the difference between considerations paid and the relevant share of the carrying value of net assets of the subsidiaries is deducted from equity.

The Company's shares are dual-listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. The directors of the Company (the "Directors") are of the view that applying the new accounting policies as described above can minimise the differences between the financial statements prepared under the China Accounting Standards and HKFRS, and can provide more comparable and relevant information to the readers of the financial statements in the PRC and overseas. These changes in accounting policies have been accounted for retrospectively and the financial statements for the year ended 31 December, 2007 have been restated in order to comply with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The effect on the consolidated financial statements arising from the aforementioned changes in accounting policies is as follows:

	31 December 2008	31 December 2007	1 January 2007
	RMB'000	*RMB'000*	*RMB'000*
Decrease in goodwill	**(56,956)**	(56,956)	(46,427)
Decrease in equity	**(56,956)**	(56,956)	(46,427)

There is no material impact on the income statement and basic and diluted earnings per share of the Group arising from the aforementioned change in accounting policies.

2.3 Merger accounting for business combination under common control

The Group and CS Terminal, CS Yangshan and CS Yangpu (the "Acquired Subsidiaries") are under common control of China Shipping Group. The Group has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" to account for the purchase of the equity interests in the Acquired Subsidiaries during the year, as if the acquisitions had been occurred and the Acquired Subsidiaries had been combined from 1 January, 2007, the beginning of the earliest financial period presented.

The net assets of the Group and the Acquired Subsidiaries are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of the Group's interest in the net fair value of the Acquired Subsidiaries' identifiable assets, liabilities and contingent liabilities over cost of acquisition at the time of the business combinations under common control. The consolidated income statement includes the results of the Group and the Acquired Subsidiaries from 1 January, 2007, the earliest date presented, regardless of the date of the business combinations under common control.

The comparative amounts in the consolidated financial statements are restated and presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, such as professional fees, registration fees, or costs of furnishing information to shareholders, incurred in relation to business combinations under common control that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

3 REVENUE 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 and operating container terminal. Revenue represents gross income from container shipping and container terminal operations, net of discounts allowed, where applicable.

	For the year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Revenue from		
– Container shipping and related business	**34,483,395**	38,847,883
– Container terminal and related business	**272,757**	224,606
	34,756,152	39,072,489

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

Primary reporting format – business segments

The Group's business is organised on a worldwide basis into two business segments: container shipping and related business, and container terminal and related business.

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

	Container shipping and related business *RMB'000*	Container terminal and related business *RMB'000*	Inter-segment elimination *RMB'000*	Group *RMB'000*
Income statement				
Revenue from external customers	**34,483,395**	**272,757**	**–**	**34,756,152**
Inter-segment revenue	**–**	**164,508**	**(164,508)**	**–**
Total segment revenue	**34,483,395**	**437,265**	**(164,508)**	**34,756,152**
Segment results	**526,680**	**128,297**	**(164,508)**	**490,469**
Other losses, net				**(569,658)**
Other income				**446,617**
Operating profit				**367,428**
Finance costs				**(331,483)**
Share of (losses)/profits of				
– an associated company	**(4,426)**	**–**	**–**	**(4,426)**
– jointly controlled entities	**7,014**	**26,202**	**–**	**33,216**
Profit before income tax				**64,735**
Income tax credit				**2,885**
Profit for the year				**67,620**
Balance sheet				
Segment assets	**44,555,332**	**3,703,529**	**(14,720)**	**48,244,141**
Jointly controlled entities	**60,253**	**1,013,558**	**–**	**1,073,811**
An associated company	**38,915**	**–**	**–**	**38,915**
Available-for-sale financial assets	**–**	**163,300**	**–**	**163,300**
Unallocated assets				**197,053**
Total assets				**49,717,220**
Segment liabilities	**3,783,866**	**231,463**	**(14,720)**	**4,000,609**
Unallocated liabilities				**13,264,753**
Total liabilities				**17,265,362**
Other items				
Depreciation and amortisation	**1,272,403**	**80,661**	**–**	**1,353,064**
Capital expenditure	**6,332,431**	**644,705**	**–**	**6,977,136**

The segment information for the year ended 31 December, 2007 is as follows:

	Container shipping and related business *RMB'000*	Container terminal and related business *RMB'000*	Inter-segment elimination *RMB'000*	Group *RMB'000*
Income statement				
Revenue from external customers	38,847,883	224,606	–	39,072,489
Inter-segment revenue	–	125,225	(125,225)	–
Total segment revenue	38,847,883	349,831	(125,225)	39,072,489
Segment results	4,173,756	70,728	(125,225)	4,119,259
Other gains, net				85,347
Other income				179,510
Operating profit				4,384,116
Finance costs				(561,492)
Share of profits of				
– an associated company	4,668	–	–	4,668
– jointly controlled entities	959	8,204	–	9,163
Profit before income tax				3,836,455
Income tax expenses				(601,820)
Profit for the year				3,234,635
Balance sheet				
Segment assets	47,488,552	3,194,117	–	50,682,669
Jointly controlled entities	959	989,057	–	990,016
An associated company	47,518	–	–	47,518
Available-for-sale financial assets	–	175,617	–	175,617
Unallocated assets				29,524
Total assets				51,925,344
Segment liabilities	3,796,899	301,373	–	4,098,272
Unallocated liabilities				12,159,611
Total liabilities				16,257,883
Other items				
Depreciation and amortisation	1,282,711	78,847	–	1,361,558
Capital expenditure	4,709,207	990,404	–	5,699,611

Secondary reporting format – geographical segments

The Group's container shipping businesses is managed on a worldwide basis. The revenue of the Group is generated from the world's major trade lanes including Pacific, Europe/Mediterranean, Asia Pacific, China Domestic and Others.

In respect of container terminals, revenue is based on the geographical locations in which the business operations are located. All of the Group's container terminals are located in the PRC.

The Directors 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 revenue:

	For the year ended December 31	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Pacific	**11,289,550**	14,060,086
Europe/Mediterranean	**10,681,324**	12,811,876
Asia Pacific	**4,972,501**	5,540,157
China Domestic	**5,544,189**	4,533,876
Others	**2,268,588**	2,126,494
	34,756,152	39,072,489

4 TRADE AND NOTES RECEIVABLES

	The Group As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Trade receivables		
– Fellow subsidiaries	**489,494**	2,036,114
– Third parties	**1,539,251**	1,849,827
	2,028,745	3,885,941
Notes receivables	**233,397**	246,565
	2,262,142	4,132,506

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

	The Group As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**2,054,556**	3,409,104
4 to 6 months	**124,381**	581,023
7 to 9 months	**63,278**	244,235
10 to 12 months	**52,254**	4,265
Over 1 year	**49,961**	8,810
	2,344,430	4,247,441
Less: provision for impairment of receivables	**(82,288)**	(114,935)
	2,262,142	4,132,506

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

Credit policy

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

5 TRADE AND NOTES PAYABLES

	The Group As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Trade payables		
– Fellow subsidiaries	**763,421**	385,319
– Third parties	**2,487,829**	2,881,097
	3,251,250	3,266,416
Notes payables	**20,256**	14,834
	3,271,506	3,281,250

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

	The Group As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**3,229,209**	3,203,425
4 to 6 months	**24,034**	77,825
7 to 9 months	**18,263**	–
	3,271,506	3,281,250

6 COSTS AND EXPENSES BY NATURE

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

	For the year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Costs of services		
Container repositioning and management	**10,246,539**	10,851,187
Bunkers consumed	**10,078,453**	7,559,827
Operating lease rentals	**3,390,265**	3,736,582
Port charges	**2,470,111**	2,761,217
Depreciation	**1,317,364**	1,331,097
Employee benefit expenses	**808,509**	661,614
Sub-route and others	**5,430,595**	7,282,187
	33,741,836	34,183,711
Selling, administrative and general expenses		
Employee benefit expenses	**295,429**	421,584
Rental expenses	**49,727**	47,397
Telecommunication and utilities expenses	**20,618**	29,567
Depreciation	**32,020**	28,039
Repair and maintenance expenses	**4,245**	9,524
Auditors' remuneration	**13,350**	8,250
Amortisation	**3,680**	2,422
(Reversal of)/provision for impairment of receivables	**(32,647)**	985
Office expenses and others	**137,425**	221,751
	523,847	769,519
	34,265,683	34,953,230

7 OTHER (LOSSES)/GAINS, NET

	For the year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
(Losses)/gains on forward foreign exchange contracts, net	**(5,094)**	21,024
Gains/(losses) on disposal of property, plant and equipment	**35,206**	(5,313)
Gains on de-recognition of container assets under finance leases and the related finance lease liabilities	**–**	127,384
Net foreign exchange losses	**(599,770)**	(57,748)
	(569,658)	85,347

8 OTHER INCOME

	For the year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Interest income	**394,178**	115,441
Dividend income from available-for-sale financial assets	**32,491**	12,008
Gains on disposal of available-for-sale financial assets	**9,955**	–
Information technology services fees	**9,993**	52,061
	446,617	179,510

9 FINANCE COSTS

	For the year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Interest expenses:		
– bank borrowings	**407,478**	458,699
– finance lease obligations	**146,626**	204,190
Total interest expenses	**554,104**	662,889
Less: amount capitalised in vessels under construction and construction in progress	**(222,621)**	(101,397)
	331,483	561,492

The capitalisation rate applied to funds borrowed generally and utilised for the vessels under construction and construction in progress is 4.16% (2007: 5.32%) per annum for the year ended 31 December, 2008.

10 INCOME TAX (CREDIT)/EXPENSE

	For the year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Current income tax		
– Hong Kong profits tax *(note (a))*	**–**	16,399
– PRC enterprise income tax *(note (b))*	**180,903**	1,250,914
Deferred taxation	**(183,788)**	(665,493)
	(2,885)	601,820

Note:

(a) Hong Kong profits tax

Hong Kong profits tax is provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for year ended 31 December, 2008. The Hong Kong profit tax for the year ended 31 December, 2008 is nil as there are no estimated assessable profits.

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

On 16 March, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which was effective from 1 January, 2008.

The Company is a joint stock limited company under the Company Law of the PRC and is registered in the Pudong New District, Shanghai. The original CIT rate applicable to the Company was 15%. Under the new CIT Law, the CIT rate applicable to the Company will increase gradually to 25% within 5 years from 2008 to 2012. This year the applicable income tax rate is 18%.

The original CIT rates applicable to the Company 's subsidiaries incorporated in the PRC range from 15% to 33%. Under the new CIT Law, except for certain subsidiaries whose CIT rates will increase gradually to 25% within 5 years from 2008 to 2012, the CIT rates for other subsidiaries are changed to 25% from 1 January, 2008.

Pursuant to relevant CIT regulations, the profits derived by the Company's overseas subsidiaries are subject to CIT. The Company uses a fixed rate approved by the tax bureau on the profits of the overseas subsidiaries for CIT purposes.

11 DIVIDENDS

	For the year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Special dividend, paid *(note (a))*	**–**	4,866,150
Final dividend, proposed *(note (b))*	**–**	467,325
	–	5,333,475

Note:

(a) At a Board meeting held on 8 August, 2007, the Directors proposed that part of the Group's distributable profits as at 30 June, 2007, amounting to RMB3,316,500,000, be distributed as bonus shares each at par value to the existing shareholders of the Company at the close of business on 29 September, 2007 on the basis of 5.5 bonus shares for every 10 existing shares owned by such shareholders. The remaining distributable profits as at 30 June, 2007, amounting to RMB1,549,650,000, was distributed in the form of cash dividend. This dividend proposal was approved by the shareholders meeting on 29 September, 2007.

(b) The Board does not recommend the payment of final dividend for the year ended 31 December, 2008 (2007: RMB467,325,000, representing RMB0.04 per ordinary share).

12 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	For the year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Profit attributable to equity holders of the Company	**42,973**	3,230,338
Weighted average number of ordinary shares in issue (thousands)	**11,683,125**	9,461,731
Basic earnings per share (RMB per share)	**RMB0.004**	RMB0.34

Diluted earnings per share is the same as the basic earnings per share, as the Company does not have any potential dilutive ordinary shares in the year ended 31 December, 2008 (2007: Nil).

13 BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in Notes 2.2 and 2.3 above, in May and October 2008, the Group acquired the Acquired Subsidiaries from China Shipping Group and its subsidiaries. Total considerations for the acquisitions amounted to RMB2,700,518,000.

No significant adjustments were made to the net assets and net profit or loss of any entities or businesses as a result of the common control combination to achieve consistency of accounting policies.

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheet as at 31 December, 2008 and 2007.

As at 31 December, 2008

	The Group excluding the Acquired Subsidiaries (Restated) *(Note 2.2)* *RMB'000*	Acquired Subsidiaries *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
ASSETS				
Investment in an associated company	38,915	–	–	38,915
Investment in joint controlled entities	60,253	1,013,558	–	1,073,811
Investment in subsidiaries of the Company	2,744,374	3,800	(2,748,174)	–
Available-for-sales financial assets	–	163,300	–	163,300
Other non-current assets	30,190,688	3,454,850	–	33,645,538
Current assets	14,430,761	379,615	(14,720)	14,795,656
Total assets	47,464,991	5,015,123	(2,762,894)	49,717,220
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	11,683,125	2,109,705	(2,109,705)	11,683,125
Other reserves	18,316,695	13,575	(629,053)	17,701,217
Retained earnings				
– Proposed final dividends	–	–	–	–
– Others	2,261,890	101,578	(9,416)	2,354,052
Minority interests	14,847	698,617	–	713,464
Total equity	32,276,557	2,923,475	(2,748,174)	32,451,858
LIABILITIES				
Non-current liabilities	7,490,616	637,937	–	8,128,553
Current liabilities	7,697,818	1,453,711	(14,720)	9,136,809
Total liabilities	15,188,434	2,091,648	(14,720)	17,265,362
Total equity and liabilities	47,464,991	5,015,123	(2,762,894)	49,717,220

As at 31 December, 2007

	The Group excluding the Acquired Subsidiaries (Restated) *(Note 2.2)* *RMB'000*	Acquired Subsidiaries *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
ASSETS				
Investment in associated companies	54,932	–	(7,414)	47,518
Investment in joint controlled entities	32,959	989,057	(32,000)	990,016
Investment in subsidiaries of the Company	–	3,800	(3,800)	–
Available-for-sales financial assets	–	175,617	–	175,617
Other non-current assets	25,967,646	2,863,002	–	28,830,648
Current assets	21,422,307	459,238	–	21,881,545
Total assets	47,477,844	4,490,714	(43,214)	51,925,344
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	11,683,125	2,109,705	(2,109,705)	11,683,125
Other reserves	18,354,353	10,031	2,051,904	20,416,288
Retained earnings				
– Proposed final dividends	467,325	–	–	467,325
– Others	2,379,557	22,937	514	2,403,008
Minority interests	1,927	681,715	14,073	697,715
Total equity	32,886,287	2,824,388	(43,214)	35,667,461
LIABILITIES				
Non-current liabilities	7,942,976	1,142,869	–	9,085,845
Current liabilities	6,648,581	523,457	–	7,172,038
Total liabilities	14,591,557	1,666,326	–	16,257,883
Total equity and liabilities	47,477,844	4,490,714	(43,214)	51,925,344

Note:

The above adjustments represent adjustments to eliminate the share capital of the Acquired Subsidiaries against the investment cost and the relevant interests in associated companies and jointly controlled entities of the Group attributable to the Acquired Subsidiaries as at 31 December, 2007. The difference of approximately RMB2,051,904,000 was made to the other reserve in the consolidated financial statements.

14 EVENTS AFTER THE BALANCE SHEET DATE

As announced by the Company, on 13 February, 2009, the Company entered into an investment agreement with China Shipping Group, China Shipping Development Company Limited, China Shipping (Hainan) Haisheng Shipping and Enterprise Co., Ltd. and Guangzhou Maritime Transport (Group) Co. Ltd. for the establishment of China Shipping Finance Company Limited ("CS Finance Company") in Shanghai, the PRC. The total registered capital of CS Finance Company is proposed to be RMB300,000,000, out of which 25% shall be contributed by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December, 2008, the Group recorded a revenue of RMB34,756,152,000, representing a decrease of 11.1% as compared to last year; profit before income tax was RMB64,735,000, representing a decrease of 98.3% as compared to last year; profit attributable to equity holders amounted to RMB42,973,000, representing a decrease of 98.7% as compared to last year; loaded cargo volume for the whole year amounted to 6,942,148 TEU, representing a decrease of 4.9% as compared to last year. For the year ended 31 December, 2008, the average freight rate per TEU of the Group amounted to RMB4,877, representing a decrease of approximately 8.0% as compared to 2007. The decrease was primarily due to the rapid decrease in loaded cargo volume and freight rates for international trade lanes as a result of weak consumption in various economic regions adversely affected by the financial crisis.

As at 31 December, 2008, the total shipping capacity of the Group reached 493,016 TEU. The shipping capacity in 2008 increased 10.5% as compared to 2007.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by RMB4,316,337,000 or 11.1% from RMB39,072,489,000 for the year ended 31 December, 2007 to RMB34,756,152,000 for the year ended 31 December, 2008. The decrease in revenue was primarily due to:

- *Decreased volume of loaded cargoes*

  The volume of loaded cargoes for the year ended 31 December, 2008 amounted to 6,942,148 TEU, representing a decrease of 4.9% as compared to the year 2007 as a result of the significant decrease in cargo volume for international trade lanes, including the Pacific trade lane and Europe/Mediterranean trade lane, which were adversely affected by the global financial crisis.

  Analysis of loaded container volume by trade lanes

Principal Markets	**2008** *TEU*	2007 *TEU*	Change *(%)*
Pacific	**1,303,937**	1,628,059	-19.9%
Europe/Mediterranean	**1,376,178**	1,457,918	-5.6%
Asia Pacific	**1,370,933**	1,233,035	11.2%
China Domestic	**2,709,974**	2,749,120	-1.4%
Others	**181,126**	230,695	-21.5%
Total	**6,942,148**	7,298,827	-4.9%

- *Decreased freight rate*

  The Group's average freight rate per TEU for the year 2008 amounted to RMB4,877, representing a decrease of 8.0% as compared to the year 2007. Among which, the average freight rate per TEU for international trade lanes recorded a decrease of about 10.6% as compared to the year 2007 to RMB6,754. Such decrease in the average freight rate for international trade lanes was mainly due to the significant decrease in cargo volume as a result of the recession of the global economy in real terms in 2008. The decrease in the trade lanes of Europe/Mediterranean and Asia Pacific was most remarkable. On the other hand, the average freight rate per TEU for China domestic trade lanes increased by RMB378 as compared to the same period last year to RMB1,945. This was mainly due to the development of quality trade lanes for China domestic trade by the Group, which attracted a number of steady and quality customers by reason of the Group's high standard of service.

Costs of services

For the year ended 31 December, 2008, total costs of services amounted to RMB33,741,836,000, representing a decrease of 1.3% as compared to the year 2007. Costs of services on a per TEU basis amounted to RMB4,661, maintaining at the same level as compared to the year 2007.

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

- Container and cargo costs decreased by 10.3% from RMB14,994,967,000 in 2007 to RMB13,444,170,000 mainly due to the decrease in the volume of loaded cargoes. Port charges amounted to RMB2,470,111,000, representing a decrease of 10.5%, as a result of the optimisation of trade lanes and the decrease in port calling and canal passing frequency. The stevedore charges for loaded and empty containers amounted to RMB7,575,244,000, representing a decrease of 8.8%, principally due to the decrease in the volume of loaded cargoes in the international trade and in the volume of repositioning of empty containers.

- Vessel and voyage costs for the year 2008 amounted to RMB14,683,630,000, representing an increase of 18.3% as compared to the year 2007. To a certain extent, vessel and voyage costs per TEU decreased with the deployment of large vessels which were ordered by the Group at low costs during the down cycle of the shipping industry. However, with the continuously high rise in fuel price in 2008, the highest price of WTI crude oil on the New York Mercantile Exchange once exceeded USD145 per barrel. As such, the Group's fuel costs in 2008 amounted to RMB10,078,453,000. To cope with the pressure from the soaring oil price, the Group managed to reduce the fuel consumption by arranging voyage reasonably and exercising economic speed control. In 2008, the Group recorded a unit fuel consumption of 7.8 kilograms per thousand ton-miles, representing a decrease of 4.4% as compared to the year 2007. These measures saved approximately RMB466,000,000 fuel costs for the Group.

- Sub-route and other costs amounted to RMB5,614,036,000, representing a decrease of 17.2% as compared to the year 2007. Such significant decrease was mainly due to the optimisation of transshipment routes and reduction of transshipment costs by the Group.

Gross profit

Due to the above reasons, the Group recorded a gross profit of RMB1,014,316,000 in 2008, representing a decrease of RMB3,874,462,000 or 79.3% as compared to the year 2007.

Income tax expense

For the period from 1 January, 2008 to 31 December, 2008, the CIT rate applicable to the Company was 18%. The Company's subsidiaries incorporated in the PRC were subject to CIT at a CIT rate ranging from 18% to 25% for the period from 1 January, 2008 to 31 December, 2008. The profits derived by the Company's overseas subsidiaries are subject to CIT at a fixed rate approved by the relevant tax bureau, on the profits of the overseas subsidiaries for CIT purpose.

Selling, administrative and general expenses

For the year ended 31 December, 2008, the Group's selling, administrative and general expenses were RMB523,847,000, representing a decrease of 31.9% as compared to the year 2007.

Profit attributable to equity holders

Due to the above reasons, the profit attributable to the equity holders of the Company decreased by RMB3,187,365,000 or 98.7% from RMB3,230,338,000 in 2007 to RMB42,973,000 in 2008.

Financial resources and financial liabilities

The Group's principal sources of working capital have been the cash flow from operations and bank borrowings. Cash is mainly used in financing costs of services, new vessels construction, purchase of containers, terminal construction, payment of dividends and the repayment of principal and interest for bank borrowings and finance leases.

As at 31 December, 2008, the Group's total bank borrowings were RMB8,407,198,000. The maturity profile is spread over a period between 2008 and 2018, with RMB4,175,486,000 repayable within one year, RMB2,257,159,000 in the second year, RMB352,543,000 in the third to fifth year, and RMB1,622,010,000 after the fifth year. The Group's long-term bank borrowings are mainly used for the purchase of new vessels, containers and terminal construction.

As at 31 December, 2008, the Group's long-term bank borrowings were secured by mortgages over several container vessels, vessels under construction, containers and terminal construction with a net book value of RMB2,373,710,000 (31 December, 2007: RMB2,621,242,000), and charges over shares of certain vessel owning subsidiaries.

As at 31 December, 2008, the Group had RMB borrowings at fixed interest rates in the amount of RMB1,815,500,000, USD borrowings at fixed interest rates in the amount of RMB802,792,000 and USD borrowings at floating interest rates in the amount of RMB5,788,906,000. The Group's borrowings are denominated in RMB or US dollars, and cash and cash equivalents are mainly denominated in these two currencies.

As at 31 December, 2008, the Group's obligations under finance leases amounted to RMB2,595,691,000 (31 December, 2007: RMB3,316,729,000). The maturity profile is spread as follows: the amount repayable within one year is RMB531,659,000, the amount repayable in the second year is RMB507,047,000, the amount repayable in the third to fifth year is RMB1,307,200,000 and the amount repayable after the fifth year is RMB249,785,000. Almost all of the Group's finance lease obligations payable are arranged for the lease of containers.

Net current assets

As at 31 December, 2008, the Group's net current assets amounted to RMB5,658,847,000. Current assets mainly comprised bunkers of RMB470,261,000, trade and notes receivables of RMB2,262,142,000, prepayments and other receivables of RMB387,258,000 and cash and cash equivalents of RMB11,675,995,000. Current liabilities mainly comprised trade and notes payables of RMB3,271,506,000, accrual and other payables of RMB810,356,000, current income tax liabilities of RMB322,802,000, short-term bank borrowings of RMB1,553,612,000, long-term bank borrowings – current portion of RMB2,621,874,000, finance lease obligations-current portion of RMB531,659,000, and provision of RMB25,000,000.

Cash flows

For the year 2008, the Group's net cash generated from operating activities was RMB3,125,367,000, denominated principally in RMB and US dollars, representing a decrease of RMB3,219,887,000 compared to the year 2007. Cash and cash equivalent balances at the end of 2008 decreased by RMB4,722,348,000 as compared to the same period last year, mainly reflecting the decrease in net cash inflow from operating activities and financing activities, and the increase in net cash outflow used in investing activities. The cash inflow from financing activities of the Group during the year mainly arose from bank borrowings. The above-mentioned fund will mainly be used for short-term business and purchase of containers and terminal construction. Net cash generated from operations, when not needed for working capital requirements or repayment of bank borrowings, is principally held as short-term and demand deposits.

The following table provides information regarding the Group's cash flows for the years ended 31 December, 2007 and 2008.

	For the year ended 31 December	
	2008	2007
	(RMB)	*(RMB)*
		(Restated)
Net cash generated from operating activities	**3,125,367,000**	6,345,254,000
Net cash used in investing activities	**(8,965,103,000)**	(6,058,092,000)
Net cash generated from financing activities	**1,117,388,000**	13,006,344,000
Net (decrease)/increase in cash and cash equivalents	**(4,722,348,000)**	13,293,506,000

Net cash generated from operating activities

For the year ended 31 December, 2008, the net cash generated from operating activities was RMB3,125,367,000, representing a decrease of RMB3,219,887,000 from RMB6,345,254,000 in 2007. The decrease was mainly due to the decrease in the operating turnover of liner service and the significant decline in the operating profit rate. The cash generated from operations for 2008 was RMB4,249,068,000, representing a decrease of 34.2% as compared with RMB6,455,974,000 in 2007.

Net cash used in investing activities

For the year ended 31 December, 2008, net cash used in investing activities was RMB8,965,103,000, representing an increase of RMB2,907,011,000 from RMB6,058,092,000 in 2007. The increase was mainly due to the increase in the Group's capital expenditure on vessels, containers and other construction in progress and payment for acquisition of equity interests of RMB9,392,934,000, representing an increase of RMB3,794,720,000 from RMB5,598,214,000 in 2007.

Net cash generated from financing activities

For the year ended 31 December, 2008, net cash generated from financing activities was RMB1,117,388,000, representing a net decrease of RMB11,888,956,000 as compared to the net cash generated from financing activities of RMB13,006,344,000 in 2007. In 2008, the Group did not issue any shares or bonds as in 2007, and its financing activities were mainly bank borrowings and repayments. In 2008, The Group borrowed RMB4,391,559,000 from banks, and repaid bank borrowings of RMB1,520,120,000 and principal of finance leases of RMB721,038,000.

Average debtor turnover

As the management determined to strengthen credit control over settlement from customers, the Group implemented auto funds transfer procedures to ship-owners' accounts which are with overseas agents in 2008. As at 31 December, 2008, the balance of trade receivables of the Group decreased by RMB1,857,196,000 as compared to the same period last year, and the balance of trade receivables from the related parties decreased by RMB1,546,620,000 as compared to the same period last year. The Group's average debtor turnover days slightly dropped as compared with last year, and accordingly the Group's capital risks were reduced.

Gearing ratio

As at 31 December, 2008, the Group's gearing ratio (i.e. the ratio of net financial debt over shareholder's equity) was 3.4%, which was higher than -16.2% in 2007. The increase in gearing ratio was mainly due to the fact that the net cash inflow from operating activities and financing activities was less than the cash outflow used in capital expenditures on construction of vessels, containers, payment of dividends and acquisition of equity interests.

Foreign exchange risk and hedging

Most of the revenue of the Group are settled or denominated in US dollars and most of the operating expenses are also settled or denominated in US dollars. As a result, the negative impact on the operating income due to the continuous appreciation of RMB can be offset by each other to a certain extent. However, due to the significant depreciation of major currencies for settlement against US dollar as a result of the outbreak of global financial crisis in the second half of 2008, the Group suffered net exchange losses of RMB599,770,000 and the exchange difference charged to equity amounted to RMB106,482,000 for the year ended 31 December, 2008. The Group continues to improve its currency structure and monitor the exchange rate fluctuation, convert net cash inflow from operating activities into RMB in a timely manner so as to minimise foreign currency risk, reduce the net currency assets denominated in foreign currency and consider appropriate measures including making hedging arrangement (e.g. forward exchange contracts), based on its operating needs to mitigate the Group's currency exposure.

Capital expenditure

During the year ended 31 December, 2008, the capital expenditure on vessels and vessels under construction amounted to RMB5,185,724,000, development of information system amounted to RMB12,486,000, purchase and construction of containers amounted to RMB807,213,000, purchase of office equipment and motor vehicle amounted to RMB42,128,000, acquisition of equity interests amounted to RMB2,638,419,000 and berth construction amounted to RMB634,397,000.

Capital commitments

As at 31 December, 2008, the Group had contracted but not provided for capital commitments of approximately RMB9,078,989,000 (among which RMB9,022,665,000 was contracted but not provided for capital commitments for vessels under construction). It is expected that part of the commitments will be financed by cash generated from operating activities and the proceeds from the A share issue, with the remaining portion by issuing bonds or by bank borrowings.

Acquisition

On 8 May, 2008, the Company entered into an equity transfer agreement with China Shipping Logistics Co., Ltd. ("CS Logistics") to acquire its entire 25% equity interest in CS Yangshan and entered into an equity transfer agreement with CS Logistics and Suzhou China Shipping International Container Storage and Transportation Co., Ltd. to acquire their entire aggregate 60% equity interest in CS Yangpu. The aggregate consideration payable for the acquisitions under these two agreements was RMB38,681,000. On 6 August, 2008, the Company entered into an equity transfer agreement with China Shipping Group to acquire its 100% equity interest in CS Terminal. The consideration payable for the acquisition under this agreement was RMB2,661,837,000. In addition, on 9 December, 2008 and 23 December, 2008, Shanghai Puhai Shipping Lines Co., Ltd., a wholly-owned subsidiary of the Company, entered into the equity transfer agreements with Hang Lim Shipping Co., Ltd. and China Shipping Group respectively to acquire their respective 24.5% and 51% equity interest in Shanghai Inchon. The consideration payable for the acquisitions under these two agreements was RMB11,110,701 and RMB23,128,400 respectively.

Dividends

No profit will be distributed for the year 2008 and none of the capital accumulation fund will be converted into additional share capital. The distributable profit of the year 2008 is proposed to be retained by the Company for distribution in the future and such proposal will be presented at the annual general meeting of the Company.

Contingent liabilities

As at 31 December, 2008, the Group had RMB25,000,000 contingent liabilities recorded as provision.

Employees, training and benefits

As at 31 December, 2008, the Group had 3,863 employees. Employees benefit expenses were approximately RMB1,103,938,000 (including a reversal for the year of RMB84,283,000 in relation to the H share share appreciation rights (the "Rights") granted to the Directors and employees). In addition, the Group entered into contracts with a number of subsidiaries of China Shipping Group, pursuant to which those companies provided the Group with approximately 3,221 crew members in aggregate who mainly worked on the Group's self-owned or bare boat chartered vessels.

Remuneration of the Group's employees includes basic salaries, other allowances and performance bonuses. The Group also adopts a performance discretionary incentive scheme for its staff. The scheme links up the financial benefits of the Group's staff with certain business performance indicators. Such indicators may include but not limited to the profit target of the Group.

Details of the performance discretionary incentive scheme vary among the members of the Group. The Group sets out certain performance indicators for each of its subsidiaries to achieve. Each subsidiary has the discretion to formulate its own detailed performance related remuneration policies according to its local circumstances.

The Group has adopted a compensation scheme on 12 October, 2005 and amended the same on 20 June, 2006, 26 June, 2007 and 26 June, 2008, which is to be satisfied by cash payments and is share-based, known as the "H Share Share Appreciation Rights Scheme". The fair value change of the Rights is recognised as an expense/(income) of the Group. Employees might in the future be entitled to compensation in the form of a cash payment, which is calculated based on the appreciation in the price of the Company's H share from the date of grant to the date of exercise.

OTHER DATA

Purchase, sale or redemption of shares

During the year ended 31 December, 2008, the Group has not purchased, sold or redeemed any of the Company's shares.

Audit committee

The financial statements for the year ended 31 December, 2008 of the Group, prepared under HKFRS, have been reviewed by the Company's audit committee.

Compliance with the "Code on Corporate Governance Practices" of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("Listing Rules")

The Board is pleased to confirm that none of the Directors is aware of any information that would reasonably indicate that the Group was not, at any time during the year 2008, in compliance with the code provisions of the "Code on Corporate Governance Practices" as set out in Appendix 14 to the Listing Rules.

The Company has adopted a code of conduct regarding directors' and supervisors' securities transactions on terms no less exacting than the required standard stipulated in the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company confirms, having made specific enquiries with all its Directors and supervisors, that its Directors and supervisors have complied with the required standard of securities transactions as set out in the Model Code.

Disclosure of information on the Hong Kong Stock Exchange's website

This announcement is available for viewing on the website of the Hong Kong Stock Exchange, http://www.hkexnews.hk and the Company's website at www.cscl.com.cn. All information required in Appendix 16 to the Listing Rules in the annual report for the year ended 31 December, 2008 will be mailed to shareholders and published on the Hong Kong Stock Exchange's website in due course.

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

Shanghai, the People's Republic of China
25 March, 2009

The Board as at the date of this announcement comprises of Mr. Li Shaode, Mr. Zhang Guofa, Mr. Huang Xiaowen and Mr. Zhao Hongzhou, being executive Directors, Mr. Ma Zehua, Mr. Zhang Jianhua, Mr. Lin Jianqing, Mr. Wang Daxiong, Mr. Yan Zhichong and Mr. Xu Hui, being non-executive Directors, and Mr. Hu Hanxiang, Mr Jim Poon (also known as Pan Zhanyuan), Mr. Wang Zongxi, Mr. Shen Kangchen and Mr. Shen Zhongying, being independent non-executive Directors.

* *The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name and under the English name "China Shipping Container Lines Company Limited".*