

SUMMARY FINANCIAL STATEMENTS

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Important Note

The summary financial statements as set out on pages 49 to 71 contain only a summary of the information in the Directors' report, a summary of the financial statements of the Company's Financial Report and information required under Section 203A of the Companies Act, Cap 50 and regulations made thereunder, applicable to summary financial statements. They do not contain sufficient information to allow for a full understanding of the results of the Group and the state of affairs of the Company and the Group.

For further information, the full financial statements, the Auditors' report on those statements and the Directors' report in the Financial Report should be consulted. Shareholders may request for a hard copy of the Financial Report at no cost. Please use the Request Slip enclosed with this Annual Report.

SUMMARY DIRECTORS' REPORT

For the Financial Year Ended 26 December 2008

Directors

The Directors of the Company in office at the date of this report are:

Cheng Wai Keung	<i>(Chairman)</i>
Friedbert Malt	<i>(Vice Chairman)</i>
Ronald Dean Widdows	<i>(Group President & Chief Executive Officer)</i> <i>(Appointed on 7 July 2008)</i>
James Connal Scotland Rankin	
Robert Holland, Jr	
Christopher Lau Loke Sam	
Timothy Charles Harris	
Peter Wagner	
Bobby Chin Yoke Choong	
Simon Claude Israel	
Tan Pheng Hock	
Boon Swan Foo	<i>(Appointed on 28 July 2008)</i>

Principal Activities

The principal activities of the Company are those of investment holding and the ownership and charter of shipping vessels, as well as participation in ventures related to these activities and the principal activities of its subsidiaries.

The principal activities of the subsidiaries are:

- i) investment holding and the ownership and charter of shipping vessels and other related assets;
- ii) the provision of transportation services for containerised cargo in the global markets;
- iii) the provision of supply chain management, warehousing, distribution and customer logistics solutions (by way of a global network of services spanning ocean, air and overland operations) to customers;
- iv) the operation of container terminals and provision of other related services;
- v) participation in ventures related to the activities listed under (i), (ii), (iii) and (iv) above; and
- vi) the provision of other related and complementary services including ship management, engineering and repairs to customers.

The Group also engages in other incidental activities such as the disposals of shipping vessels, containers and related assets as well as non-core properties and assets from time to time.

There have been no significant changes in the nature of these activities during the financial year.

Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options and Performance Shares" on pages 49 to 52.

Share Options and Performance Shares

Share options under the NOL Share Option Plan ("NOL SOP") are granted to Directors and employees of the Group. The exercise price of the options is determined at the average closing market price of the shares for the three trading days immediately preceding the grant date. Individual awards to employees take into consideration the job level, performance and leadership potential of the employee. Pursuant to the terms of the NOL SOP, share options will vest after a specified number of years from the grant date.

Performance shares under the NOL Performance Share Plan ("NOL PSP") are awarded to key executives conditional upon the Group meeting or exceeding a prescribed financial target condition during the performance period, and also conditional on the participants meeting their performance conditions. Pursuant to the terms of the NOL PSP, performance shares will vest after a specified number of years from the end of the performance period.

The Executive Resource and Compensation Committee ("ERCC") is responsible for administering the NOL SOP and NOL PSP. The ERCC currently comprises of six Non-Executive Directors: James Connal Scotland Rankin (Chairman), Cheng Wai Keung, Friedbert Malt, Timothy Charles Harris, Tan Pheng Hock and Boon Swan Foo.

Share Options and Performance Shares (continued)

Details of options granted, exercised and cancelled under the NOL SOP during the financial year ended 26 December 2008 are as follows:

Share Options	(a)	(b)	(c)	(d)	(e)	(f)	(g)	Total
Date option granted	31/12/04	31/12/04	13/3/06 ²	13/3/06 ²	12/3/07 ³	12/3/07 ³	22/2/08 ⁴	
Exercise period								
From	31/12/05	31/12/05	13/3/07	13/3/07	12/3/08	12/3/08	22/2/09	
To	30/12/09	30/12/14	12/3/11	12/3/16	11/3/12	11/3/17	21/2/18	
Exercise price per option	S\$2.06 ¹	S\$2.06 ¹	S\$2.20	S\$2.20	S\$3.32	S\$3.32	S\$3.62	
Number of options outstanding as at 29 December 2007	515,000	4,677,500	581,000	15,473,033	384,000	6,660,000	–	28,290,533
During the financial year								
– Options granted	–	–	–	–	–	–	9,658,000	9,658,000
– Options exercised	(66,000)	(88,000)	(31,333)	(927,663)	–	(64,331)	–	(1,177,327)
– Options cancelled	–	(9,000)	–	(245,670)	–	(293,335)	(711,000)	(1,259,005)
Balance as at 26 December 2008	449,000	4,580,500	549,667	14,299,700	384,000	6,302,334	8,947,000	35,512,201

Directors' Interests:

26 December 2008

– Cheng Wai Keung	129,000	–	126,000	–	90,000	–	–	345,000
– Friedbert Malt	64,000	–	63,000	–	45,000	–	–	172,000
– Ronald Dean Widdows	–	390,000	–	583,000	–	198,000	255,000	1,426,000
– James Connal Scotland Rankin	–	–	47,000	–	34,000	–	–	81,000
– Robert Holland, Jr	48,000	–	47,000	–	34,000	–	–	129,000
– Christopher Lau Loke Sam	48,000	–	47,000	–	34,000	–	–	129,000
– Timothy Charles Harris	–	–	47,000	–	34,000	–	–	81,000
– Peter Wagner	–	–	47,000	–	34,000	–	–	81,000

28 December 2007

– Cheng Wai Keung	129,000	–	126,000	–	90,000	–	–	345,000
– Friedbert Malt	64,000	–	63,000	–	45,000	–	–	172,000
– Ang Kong Hua	64,000	–	63,000	–	45,000	–	–	172,000
– Thomas Held	–	–	–	–	–	48,000	–	48,000
– Yasumasa Mizushima	18,000	–	47,000	–	34,000	–	–	99,000
– James Connal Scotland Rankin	–	–	47,000	–	34,000	–	–	81,000
– Robert Holland, Jr	48,000	–	47,000	–	34,000	–	–	129,000
– Christopher Lau Loke Sam	48,000	–	47,000	–	34,000	–	–	129,000
– Timothy Charles Harris	–	–	47,000	–	34,000	–	–	81,000
– Peter Wagner	–	–	47,000	–	34,000	–	–	81,000

¹ In accordance with the modified rules of the NOL SOP approved by shareholders at the Extraordinary General Meeting held on 3 January 2006 and the advice of the independent financial advisor, the exercise price of the outstanding share options under the NOL SOP was reduced by S\$0.92 to S\$2.06 as a result of the capital reduction and cash distribution exercise.

² From the date of grant, one-third of the share options granted have each vested on 13 March 2007 and 13 March 2008. The remaining one-third will vest on 13 March 2009.

³ From the date of grant, one-third of the share options granted have vested on 12 March 2008. One-third will vest on 12 March 2009 and the remaining one-third will vest on 12 March 2010.

⁴ From the date of grant, one-third of the share options granted have vested on 22 February 2009. One-third will vest on 22 February 2010 and the remaining one-third will vest on 22 February 2011.

Details of options granted to the Directors of the Company under the NOL SOP up to 26 December 2008 are as follows:

Name of Directors	Granted in financial year ended 26 December 2008	Aggregate granted since commencement of the NOL SOP to 26 December 2008	Aggregate exercised since commencement of the NOL SOP to 26 December 2008	Aggregate expired since commencement of the NOL SOP to 26 December 2008	Aggregate outstanding as at 26 December 2008
Cheng Wai Keung	–	545,000	(200,000)	–	345,000
Friedbert Malt	–	272,000	(100,000)	–	172,000
Ronald Dean Widdows	255,000	2,790,843	(1,039,062)	(325,781)	1,426,000
James Connal Scotland Rankin	–	189,000	(108,000)	–	81,000
Robert Holland, Jr	–	129,000	–	–	129,000
Christopher Lau Loke Sam	–	129,000	–	–	129,000
Timothy Charles Harris	–	81,000	–	–	81,000
Peter Wagner	–	81,000	–	–	81,000

No share options were exercised by the Directors during the financial year ended 26 December 2008.

The Directors' interests in the share options of the Company as at 16 January 2009 were the same as at 26 December 2008.

Subject to the terms and conditions of the NOL PSP, the following table sets forth the number of performance shares awarded, vested and cancelled during the financial year ended 26 December 2008:

Performance Shares	(a)	(b)	(c)	(d)	(e)	Total
Performance period						
From	27/12/03	01/01/05	31/12/05	30/12/06	29/12/07	
To	31/12/04 ⁵	30/12/05 ⁶	29/12/06 ⁷	28/12/07 ⁸	26/12/08 ⁹	
Number of shares outstanding as at 29 December 2007	548,559	2,405,348	1,831,000	–	–	4,784,907
During the financial year						
– Shares awarded	–	–	–	2,344,000	–	2,344,000
– Shares vested	(548,559)	(1,202,666)	(610,310)	–	–	(2,361,535)
– Shares cancelled	–	(12,334)	(49,334)	(285,000)	–	(346,668)
Balance as at 26 December 2008	–	1,190,348	1,171,356	2,059,000	–	4,420,704

Directors' Interests:

26 December 2008						
– Ronald Dean Widdows	–	105,667	100,667	144,000	–	350,334
28 December 2007						
– Thomas Held	–	–	39,000	–	–	39,000

⁵ From the end of the performance period, one-third of the performance shares awarded have each vested on 2 January 2006, 2 January 2007 and 2 January 2008.

⁶ From the end of the performance period, one-third of the performance shares awarded have each vested on 2 January 2007, 2 January 2008 and 2 January 2009.

⁷ From the end of the performance period, one-third of the performance shares awarded have each vested on 2 January 2008 and 2 January 2009. The remaining one-third will vest on 2 January 2010.

⁸ From the end of the performance period, one-third of the performance shares awarded have vested on 2 January 2009. One-third will vest on 2 January 2010 and the remaining one-third will vest on 2 January 2011.

⁹ No performance shares for the performance period from 29 December 2007 to 26 December 2008 will be awarded in 2009 as the prescribed financial target condition was not met during the performance period.

Share Options and Performance Shares (continued)

Since the commencement of the NOL PSP to 26 December 2008, the aggregate number of performance shares awarded was 12,439,758, of which 5,056,850 have vested and 2,962,204 were cancelled. The aggregate number of performance shares outstanding as at 26 December 2008 was 4,420,704.

Details of performance shares awarded to a Director of the Company under the NOL PSP up to 26 December 2008 are as follows:

Name of Director	Awarded in financial year ended 26 December 2008	Aggregate awarded since commencement of the NOL PSP to 26 December 2008	Aggregate vested since commencement of the NOL PSP to 26 December 2008	Aggregate outstanding as at 26 December 2008
Ronald Dean Widdows	144,000	876,814	(526,480)	350,334

As at 16 January 2009, Ronald Dean Widdows' interest in the performance shares of the Company was 146,334 performance shares.

Pursuant to provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Singapore Companies Act, in addition to information disclosed elsewhere in the report, it is reported that:

- (i) Except as disclosed on page 50, no options were granted by the Company or any subsidiary during the financial year and there were no other unissued shares under option at the end of the financial year.
- (ii) Except as disclosed on page 51, no performance shares were awarded by the Company or any subsidiary during the financial year and there were no other unissued performance shares at the end of the financial year.
- (iii) No options were granted to controlling shareholders or their associates, or directors and employees of the parent group.
- (iv) No performance shares were awarded to controlling shareholders or their associates, or directors and employees of the parent group.
- (v) No employee has received 5% or more of the total number of options and performance shares available under the NOL SOP and NOL PSP.
- (vi) No options have been granted at a discount during the financial year.

During the financial year, the Company re-issued 18,000 (2007: 123,666) treasury shares pursuant to the NOL SOP at exercise prices of S\$2.20 (2007: S\$2.06 and S\$2.20) per share, for share options granted on 13 March 2006 (2007: 31 December 2004 and 13 March 2006 respectively) and re-issued 755,617 (2007: Nil) treasury shares pursuant to the NOL PSP. New shares were issued for the vesting of performance shares by a Director.

Directors' Interests in Shares or Debentures

According to the register of Directors' shareholdings, none of the Directors holding office at the end of the financial year had any interest in the share capital or debentures of the Company except as follows:

	Ordinary shares			
	Holdings registered in name of Director or nominee		Holdings in which Director is deemed to have an interest	
	At 29/12/07 or date of appointment, if later		At 29/12/07 or date of appointment, if later	
	At 26/12/08	At 26/12/08	At 26/12/08	At 26/12/08
Cheng Wai Keung	1,250,000	1,250,000	–	–
Friedbert Malt	40,000	40,000	–	–
Ronald Dean Widdows	444,480	444,480	–	–
James Connal Scotland Rankin	108,000	108,000	–	–
Robert Holland, Jr	250,000	100,000	–	–
Peter Wagner	30,000	30,000	–	–
Bobby Chin Yoke Choong	–	–	16,851	16,851

Details of the Directors' interests in the share options granted under the NOL SOP and performance shares awarded under the NOL PSP have been separately disclosed under "Share Options and Performance Shares" on pages 49 to 52.

The Directors' interests in the share capital of the Company as at 16 January 2009 were the same as at 26 December 2008 except for Ronald Dean Widdows, whose holdings registered in his own name was 648,480 shares as at 16 January 2009.

According to the register of Directors' shareholdings, none of the Directors holding office at the end of the financial year had any interest in the share capital or debentures of related corporations except as follows:

	Holdings registered in name of Director or nominee		Holdings in which Director is deemed to have an interest	
	At 29/12/07 or date of appointment, if later		At 29/12/07 or date of appointment, if later	
	At 26/12/08	At 26/12/08	At 26/12/08	At 26/12/08
	At 26/12/08	At 26/12/08	At 26/12/08	At 26/12/08
Chartered Semiconductor Manufacturing Ltd				
<i>Ordinary shares</i>				
Tan Pheng Hock	7,000	7,000	–	–
Boon Swan Foo	18,800	18,800	–	–
Singapore Airlines Limited				
<i>Ordinary shares</i>				
Bobby Chin Yoke Choong	–	–	2,000	–
Simon Claude Israel	9,000	9,500	–	–
Singapore Airport Terminal Services Limited				
<i>Ordinary shares</i>				
Boon Swan Foo	40,000	40,000	–	–
SIA Engineering Company Limited				
<i>Ordinary shares</i>				
Boon Swan Foo	25,000	25,000	–	–
Singapore Food Industries Limited				
<i>Ordinary shares</i>				
Boon Swan Foo	8,000	8,000	–	–

Directors' Interests in Shares or Debentures (continued)

	Holdings registered in name of Director or nominee		Holdings in which Director is deemed to have an interest	
	At 26/12/08	At 29/12/07 or date of appointment, if later	At 26/12/08	At 29/12/07 or date of appointment, if later
Singapore Technologies Engineering Ltd				
<i>Ordinary shares</i>				
Tan Pheng Hock	868,689	578,364	–	–
Boon Swan Foo	1,230,000	1,230,000	–	–
<i>Options to subscribe for ordinary shares</i>				
Tan Pheng Hock				
– Exercisable at S\$2.00 per share between 11/8/01 to 10/8/09	5,000	5,000	–	–
– Exercisable at S\$2.26 per share between 10/2/02 to 9/2/10	300,000	400,000	–	–
– Exercisable at S\$2.72 per share between 20/2/02 to 19/2/11	225,000	225,000	–	–
– Exercisable at S\$2.68 per share between 11/8/02 to 10/8/11	227,500	227,500	–	–
– Exercisable at S\$2.29 per share between 8/2/03 to 7/2/12	175,000	175,000	–	–
– Exercisable at S\$1.92 per share between 13/8/03 to 12/8/12	175,000	175,000	–	–
– Exercisable at S\$1.79 per share between 7/2/04 to 6/2/13	200,000	200,000	–	–
– Exercisable at S\$1.86 per share between 12/8/04 to 11/8/13	200,000	200,000	–	–
– Exercisable at S\$2.09 per share between 10/2/05 to 9/2/14	200,000	200,000	–	–
– Exercisable at S\$2.12 per share between 11/8/05 to 10/8/14	200,000	200,000	–	–
– Exercisable at S\$2.37 per share between 8/2/06 to 7/2/15	200,000	200,000	–	–
– Exercisable at S\$2.57 per share between 11/8/06 to 10/8/15	200,000	200,000	–	–
– Exercisable at S\$3.01 per share between 10/2/07 to 9/2/16	200,000	200,000	–	–
– Exercisable at S\$2.84 per share between 11/8/07 to 10/8/16	200,000	200,000	–	–
– Exercisable at S\$3.23 per share between 16/3/08 to 15/3/17	200,000	200,000	–	–
<i>Conditional award of 250,000 performance shares to be delivered after 2007</i>				
Tan Pheng Hock	–	0 to 375,000	–	–
<i>Conditional award of 250,000 performance shares to be delivered after 2008</i>				
Tan Pheng Hock	0 to 375,000	0 to 375,000	–	–
<i>Conditional award of 200,000 performance shares to be delivered after 2009</i>				
Tan Pheng Hock	0 to 300,000	0 to 300,000	–	–
<i>Conditional award of 250,000 performance shares to be delivered after 2010</i>				
Tan Pheng Hock	0 to 375,000	–	–	–
<i>Conditional award of 45,000 restricted shares to be delivered after 2008</i>				
Tan Pheng Hock	0 to 67,500	0 to 67,500	–	–
<i>Conditional award of 96,000 restricted shares to be delivered after 2009</i>				
Tan Pheng Hock	0 to 144,000	–	–	–

	Holdings registered in name of Director or nominee		Holdings in which Director is deemed to have an interest	
	At 26/12/08	At 29/12/07 or date of appointment, if later	At 26/12/08	At 29/12/07 or date of appointment, if later
Singapore Telecommunications Limited				
<i>Ordinary shares</i>				
Cheng Wai Keung	1,550	1,550	1,360	1,360
Christopher Lau Loke Sam	1,560	1,560	–	–
Simon Claude Israel	179,820	179,820	1,360	1,360
Tan Pheng Hock	1,800	1,800	1,550	1,550
Boon Swan Foo	23,890	23,890	1,360	1,360
SP AusNet securities*				
<i>Ordinary shares</i>				
Bobby Chin Yoke Choong	–	–	20,000	20,000
Starhub Ltd				
<i>Ordinary shares</i>				
Tan Pheng Hock	25,150	25,150	–	–
TeleChoice International Limited				
<i>Ordinary shares</i>				
Tan Pheng Hock	30,000	30,000	–	–
Vertex Technology Fund (II) Ltd*				
<i>Ordinary shares</i>				
Tan Pheng Hock	–	–	–	5

The Directors' interests in the share capital of the related corporations as at 16 January 2009 were the same as at 26 December 2008.

The related corporations are related to the Company by virtue of a common ultimate holding company, Temasek Holdings (Private) Limited.

* Stapled Group securities, each comprising of one SP Australia Networks (Transmission) Ltd share, one SP Australia Networks (Distribution) share and one SP Australia Networks (Finance) Trust unit.

* Held in trust by a trustee company on behalf of the Director.

Directors' Contractual Benefits

Simon Claude Israel has an employment relationship with the ultimate holding company and has received remuneration in that capacity.

Tan Pheng Hock has an employment relationship with a subsidiary of the ultimate holding company and has received remuneration in that capacity.

Since the end of the previous financial year, no other Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the summary financial statements and in this report.

Unusual Items after the Financial Year

In the opinion of the directors except as disclosed in the summary financial statements, no item, transaction or event of a material and unusual nature, has arisen during or in the interval between the end of the financial year to the date of this report which will affect substantially the results of the operations, render any item misleading, or affect the ability of the Company and of the Group in meeting its obligations for the financial year in which this report is made.

Audit Committee


At the date of this report, the Audit Committee ("AC") consists of four Non-Executive Directors, all of whom are independent. Chaired by Mr Christopher Lau Loke Sam, the other three members of the Committee are Mr Robert Holland, Jr, Mr Peter Wagner and Mr Bobby Chin Yoke Choong.

For the financial year ended 26 December 2008, the AC undertook a review of the volume of non-audit services provided by the external auditors to assess whether the nature and extent of those services might prejudice the independence and objectivity of the auditors. The AC was satisfied that such services did not affect the independence of the external auditors. The AC also reviewed the cost-effectiveness of the audit conducted by the external auditors.

The summary financial statements set out on pages 49 to 71 were approved by the Board of Directors on 26 February 2009 and were signed on its behalf by:



Cheng Wai Keung
Director



Ronald Dean Widdows
Director

Singapore, 26 February 2009

AUDITORS' STATEMENT

To the Members of Neptune Orient Lines Limited

We have audited the financial statements of Neptune Orient Lines Limited and its subsidiaries for the financial year ended 26 December 2008, from which the summarised financial statements were derived, in accordance with Singapore Standards of Auditing. The financial statements comprise the balance sheets of the Group and the Company as at 26 December 2008, the statement of changes in equity of the Group and the Company, the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying summary financial statements set out on pages 49 to 71 are consistent in all material respects, with the full financial statements and Directors' report from which they were derived, and comply with the requirements of Section 203A of the Singapore Companies Act, Cap 50, and regulations made thereunder, applicable to summary financial statements.

For a better understanding of the financial position and the results of the operations of the Company and the Group for the year and of the scope of our audit, the summary financial statements information on pages 49 to 71 (excluding the Directors' report information) should be read in conjunction with the full financial statements and our audit report thereon.

In our Auditors' report dated 26 February 2009, which is reproduced below, we expressed an unqualified opinion on the financial statements of Neptune Orient Lines Limited and its subsidiaries:

"Auditors' Report to the Members of Neptune Orient Lines Limited

We have audited the accompanying financial statements of Neptune Orient Lines Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 14 to 104 for the financial year ended 26 December 2008, which comprise the balance sheets of the Group and the Company as at 26 December 2008, the statements of changes in equity of the Group and the Company, the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at 26 December 2008 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.”



Ernst & Young LLP

Public Accountants and Certified Public Accountants

Singapore, 26 February 2009

CONSOLIDATED INCOME STATEMENT

For the Financial Year Ended 26 December 2008

	Group	
	2008 US\$'000	2007 US\$'000
Revenue	9,285,125	8,159,977
Cost of sales	(8,328,979)	(6,865,603)
Gross profit	956,146	1,294,374
Other gains (net)		
– Miscellaneous	39,807	47,909
– Finance and investment income	13,096	26,703
Expenses		
– Administrative	(694,182)	(717,443)
– Restructuring costs	(71,684)	–
– Finance	(34,946)	(44,013)
– Other operating	(79,041)	(32,113)
Share of results of associated companies	3,799	3,300
Share of results of joint ventures	4,194	7,146
Profit before income tax	137,189	585,863
Income tax expense	(48,926)	(53,900)
Net profit for the financial year	88,263	531,963
Attributable to:		
Equity holders of the Company	83,114	522,761
Minority interest	5,149	9,202
	88,263	531,963

	Group	
	2008 US cts	2007 US cts
Earnings per share		
Basic	5.66	35.72
Diluted	5.63	35.33

	Group	
	2008 US\$'000	2007 US\$'000
Dividends		
<i>Ordinary dividends paid</i>		
Final tax exempt (one-tier) dividend of 10.00 Singapore cents per share paid in respect of the financial year 2007 (2006: 4.00 Singapore cents per share)	108,759	38,671
Interim tax exempt (one-tier) dividend of 4.00 Singapore cents per share paid in respect of the financial year 2008 (2007: 4.00 Singapore cents per share)	42,518	38,820
	151,277	77,491

Ordinary dividends proposed

The Directors recommended a final tax exempt (one-tier) dividend of 4.00 Singapore cents per share in respect of the financial year ended 26 December 2008 for approval by shareholders in the next Annual General Meeting to be convened on 15 April 2009.

The recommended final dividend has not been provided for in these financial statements and will be accounted for in the shareholders' equity as an appropriation of 2008 profits after tax in the financial statements for the financial year ending 25 December 2009.

BALANCE SHEETS

As at 26 December 2008

	Group		Company	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Assets				
Current Assets				
Cash and cash equivalents	429,219	504,365	15,760	44,584
Trade and other receivables	828,706	1,044,710	594,207	579,694
Inventories at cost	159,015	161,126	–	–
Derivative financial instruments	11,293	119,918	5,473	57,990
Other current assets	62,296	54,004	1,669	589
Total current assets	1,490,529	1,884,123	617,109	682,857
Non-current Assets				
Investments in subsidiaries	–	–	994,695	996,358
Investments in associated companies	29,018	15,107	1	1
Investments in joint ventures	27,287	23,004	–	–
Available-for-sale financial assets	92	147	–	–
Property, plant and equipment	3,642,636	2,812,777	458,519	283,111
Investment properties	9,047	21,348	–	–
Deferred charges	3,245	4,213	45	–
Intangible assets	29,229	32,927	107	141
Goodwill arising on consolidation	129,095	121,454	–	–
Deferred income tax assets	3,683	20,506	–	–
Other non-current assets	80,730	73,105	2,295	2,586
Total non-current assets	3,954,062	3,124,588	1,455,662	1,282,197
Total Assets	5,444,591	5,008,711	2,072,771	1,965,054
Liabilities				
Current Liabilities				
Trade and other payables	1,066,478	1,116,496	131,880	93,498
Current income tax liabilities	35,283	32,313	19,641	18,660
Borrowings	466,963	54,263	92,706	2,268
Provisions	100,933	38,572	330	370
Deferred income	–	4,663	–	–
Derivative financial instruments	94,739	59,406	5,473	57,931
Other current liabilities	170,761	238,218	–	–
Total current liabilities	1,935,157	1,543,931	250,030	172,727
Non-current Liabilities				
Borrowings	777,682	537,252	–	–
Provisions	127,308	123,613	–	–
Deferred income	–	537	–	–
Deferred income tax liabilities	24,972	18,180	11,449	11,310
Other non-current liabilities	74,881	77,981	–	–
Total non-current liabilities	1,004,843	757,563	11,449	11,310
Total Liabilities	2,940,000	2,301,494	261,479	184,037
Net Assets	2,504,591	2,707,217	1,811,292	1,781,017
Equity				
Share capital	845,379	840,738	845,379	840,738
Treasury shares	(5,216)	(6,926)	(5,216)	(6,926)
	840,163	833,812	840,163	833,812
Shares held by employee benefit trust	(1,413)	(610)	–	–
Treasury shares reserve	(1,195)	(78)	(1,195)	(78)
Foreign currency translation reserve	14,215	15,971	–	–
Retained earnings	1,657,862	1,726,025	935,304	918,017
Share-based compensation reserve	37,020	29,207	37,020	29,207
Hedging reserve	(86,141)	57,523	–	59
Fair value reserve	33	68	–	–
Capital and reserves attributable to equity holders of the Company	2,460,544	2,661,918	1,811,292	1,781,017
Minority interest	44,047	45,299	–	–
Total Equity	2,504,591	2,707,217	1,811,292	1,781,017
Net current (liabilities)/assets	(444,628)	340,192	367,079	510,130

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 26 December 2008

Group

2008	Share capital US\$'000	Treasury shares US\$'000	Shares held by employee benefit trust US\$'000	Treasury shares reserve US\$'000
Balance at 29 December 2007	840,738	(6,926)	(610)	(78)
Fair value losses on cash flow hedges	-	-	-	-
Fair value losses on cash flow hedges transferred to the income statement	-	-	-	-
Fair value loss on available-for-sale financial asset	-	-	-	-
Tax on fair value gains and losses	-	-	-	-
Currency translation differences	-	-	(17)	-
Net losses recognised directly in equity	-	-	(17)	-
Net profit for the financial year	-	-	-	-
Total (losses)/gains recognised for the financial year	-	-	(17)	-
Dividends to equity holders	-	-	-	-
Dividends to minority interest	-	-	-	-
Acquisition of additional interests in subsidiaries	-	-	-	-
Disposal of subsidiaries	-	-	-	-
Employee equity compensation schemes:				
– value of employee services	-	-	-	-
– new shares issued	4,641	-	-	-
– treasury shares re-issued	-	2,331	-	(1,117)
Purchase of treasury shares	-	(621)	-	-
Purchase of shares by employee benefit trust	-	-	(786)	-
Balance at 26 December 2008	845,379	(5,216)	(1,413)	(1,195)

Capital and reserves attributable to equity holders of the Company

Foreign currency translation reserve US\$'000	Retained earnings US\$'000	Share-based compensation reserve US\$'000	Hedging reserve US\$'000	Fair value reserve US\$'000	Minority interest US\$'000	Total equity US\$'000
15,971	1,726,025	29,207	57,523	68	45,299	2,707,217
-	-	-	(198,289)	-	-	(198,289)
-	-	-	55,488	-	-	55,488
-	-	-	-	(55)	-	(55)
-	-	-	(863)	20	-	(843)
(1,756)	-	-	-	-	(725)	(2,498)
(1,756)	-	-	(143,664)	(35)	(725)	(146,197)
-	83,114	-	-	-	5,149	88,263
(1,756)	83,114	-	(143,664)	(35)	4,424	(57,934)
-	(151,277)	-	-	-	-	(151,277)
-	-	-	-	-	(4,834)	(4,834)
-	-	-	-	-	(962)	(962)
-	-	-	-	-	120	120
-	-	11,737	-	-	-	11,737
-	-	(2,737)	-	-	-	1,904
-	-	(1,187)	-	-	-	27
-	-	-	-	-	-	(621)
-	-	-	-	-	-	(786)
14,215	1,657,862	37,020	(86,141)	33	44,047	2,504,591

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the Financial Year Ended 26 December 2008

Group

2007	Share capital US\$'000	Treasury shares US\$'000	Shares held by employee benefit trust US\$'000	Treasury shares reserve US\$'000
Balance at 30 December 2006	822,066	–	(2,482)	–
Fair value gains on cash flow hedges	–	–	–	–
Fair value gains on cash flow hedges transferred to the income statement	–	–	–	–
Fair value loss on available-for-sale financial asset	–	–	–	–
Tax on fair value gains and losses	–	–	–	–
Currency translation differences	–	–	–	–
Net gains/(losses) recognised directly in equity	–	–	–	–
Net profit for the financial year	–	–	–	–
Total gains/(losses) recognised for the financial year	–	–	–	–
Dividends to equity holders	–	–	–	–
Dividends to minority interest	–	–	–	–
Acquisition of additional interests in a subsidiary	–	–	–	–
Capital contribution by minority interest	–	–	–	–
Disposal of a subsidiary	–	–	–	–
Employee equity compensation schemes:				
– value of employee services	–	–	–	–
– new shares issued	18,672	–	–	–
– treasury shares re-issued	–	353	–	(78)
Purchase of treasury shares	–	(7,279)	–	–
Sale of shares by employee benefit trust	–	–	1,872	–
Balance at 28 December 2007	840,738	(6,926)	(610)	(78)

Capital and reserves attributable to equity holders of the Company

Foreign currency translation reserve US\$'000	Retained earnings US\$'000	Share-based compensation reserve US\$'000	Hedging reserve US\$'000	Fair value reserve US\$'000	Minority interest US\$'000	Total equity US\$'000
10,240	1,280,755	21,423	(23,449)	164	33,378	2,142,095
-	-	-	140,654	-	-	140,654
-	-	-	(58,693)	-	-	(58,693)
-	-	-	-	(150)	-	(150)
-	-	-	(989)	54	-	(935)
5,731	-	-	-	-	(67)	5,664
5,731	-	-	80,972	(96)	(67)	86,540
-	522,761	-	-	-	9,202	531,963
5,731	522,761	-	80,972	(96)	9,135	618,503
-	(77,491)	-	-	-	-	(77,491)
-	-	-	-	-	(897)	(897)
-	-	-	-	-	(14)	(14)
-	-	-	-	-	28	28
-	-	-	-	-	3,669	3,669
-	-	10,532	-	-	-	10,532
-	-	(2,645)	-	-	-	16,027
-	-	(103)	-	-	-	172
-	-	-	-	-	-	(7,279)
-	-	-	-	-	-	1,872
15,971	1,726,025	29,207	57,523	68	45,299	2,707,217

CONSOLIDATED CASH FLOW STATEMENT

For the Financial Year Ended 26 December 2008

	Group	
	2008	2007
	US\$'000	US\$'000
Cash Flows from Operating Activities		
Profit before income tax	137,189	585,863
Adjustments for:		
Amortisation of non-current assets and deferred income	485	(446)
Depreciation of property, plant and equipment	262,264	254,138
Depreciation of investment properties	273	478
Fair value losses on ineffective cashflow hedges		
– bunker call options	4,860	–
– bunker swaps	393	–
Premium on bunker call option	3,466	5,459
Interest expense	27,986	36,465
Interest income	(9,019)	(25,776)
Investment income	(38)	(25)
Share-based compensation costs	11,737	10,532
Write-off of inventories	360	347
Fair value (gains)/losses on shares held by employee benefit trust	(2,030)	1,813
Net profit on disposal of property, plant and equipment	(24,892)	(24,022)
Net profit on disposal of subsidiaries	(2,292)	–
Net profit on disposal of associated companies	–	(419)
Net profit on disposal of available-for-sale financial assets	(1,134)	(153)
Net loss on disposal of other non-current investments	–	11
Net provision for impairment of loans and non-trade debts to associated companies	28	1,263
Net write-back of impairment of loans receivable	(627)	(279)
Net write-back of impairment in value of property, plant and equipment	(28)	(230)
Net write-back of impairment in value of investment properties	–	(1,570)
Net provision for impairment of other non-current assets	36	201
Net provision for restructuring and termination costs	72,437	1,235
Net provision for insurance, litigation and other claims, net of reimbursement of US\$4.5 million (2007: US\$12.4 million)	22,523	20,007
Net provision for drydocking costs	4,274	2,097
Share of results of associated companies	(3,799)	(3,300)
Share of results of joint ventures	(4,194)	(7,146)
Unrealised translation (gains)/losses	(1,407)	4,541
Operating cash flow before working capital changes	498,851	861,084
Changes in operating assets and liabilities, net of effects from disposal of subsidiaries:		
Receivables	202,825	(170,917)
Inventories	1,751	(60,104)
Payables	(155,486)	242,654
Net amount due from associated companies	(26)	968
Cash generated from operations	547,915	873,685
Interest paid	(21,434)	(36,735)
Interest received	11,125	25,341
Net income tax paid	(37,843)	(34,366)
Net cash inflow from operating activities	499,763	827,925

	Group	
	2008	2007
	US\$'000	US\$'000
Cash Flows from Investing Activities		
Acquisition of additional interests in subsidiaries	(8,603)	(14)
Investment in an associated company	(10,394)	(3,924)
Net proceeds from loans receivable	1,068	251
Investment income received	38	25
Dividends received from an associated company	437	353
Dividends received from joint ventures	1,360	1,260
Additions in other non-current investments	–	(734)
Purchase of property, plant and equipment	(879,049)	(911,830)
Subsequent expenditure on investment properties	–	(18)
Purchase of intangible assets	(2,975)	(1,209)
Proceeds from disposal of property, plant and equipment	49,351	34,763
Proceeds from disposal of an investment property	–	4,245
Proceeds from disposal of available-for-sale financial assets	1,077	165
Proceeds from disposal of other non-current investments	3,297	76
Net cash inflow (net of transaction costs) from disposal of subsidiaries, net of cash disposed ¹⁰	1,338	13,112
Net cash outflow from investing activities	(843,055)	(863,479)
Cash Flows from Financing Activities		
Proceeds from borrowings	779,323	13,134
Net cash inflow contributed by employee benefit trust	321	217
Dividends paid to equity holders	(151,277)	(77,491)
Dividends paid to minority interest	(4,834)	(897)
Capital contribution by minority interest	–	28
Proceeds from issue of new ordinary shares	1,904	16,027
Proceeds from re-issuance of treasury shares	27	172
Purchase of treasury shares	(621)	(7,279)
Repayment of borrowings	(356,526)	(96,405)
Payment of costs incurred in connection with long term financing	(171)	(1,900)
Net cash inflow/(outflow) from financing activities	268,146	(154,394)
Net Decrease in Cash and Cash Equivalents	(75,146)	(189,948)
Cash and Cash Equivalents at Beginning of Financial Year	504,365	694,313
Cash and Cash Equivalents at End of Financial Year	429,219	504,365

	Group	
	2008	2007
	US\$'000	US\$'000
¹⁰ Summary of effect of disposal of subsidiaries on the Group's cash flow		
Net assets disposed:		
Non-current assets	4,405	10,935
Current assets	1,054	12,599
Current liabilities	(2,917)	(4,114)
Non-current liabilities	(2,501)	(176)
Net attributable assets disposed	41	19,244
Less: Minority interest	120	3,669
Add: Foreign currency translation reserve	(312)	(2,890)
	(151)	20,023
Net profit on disposal of subsidiaries	2,292	–
Net proceeds from disposal of subsidiaries	2,141	20,023
Less: Cash of subsidiaries disposed	(803)	(6,911)
Net cash inflow (net of transaction costs) from disposal of subsidiaries, net of cash disposed	1,338	13,112

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

For the Financial Year Ended 26 December 2008

1. General

The Company is incorporated and domiciled in Singapore and is publicly traded on the Singapore Exchange. The address of its registered office is as follows:

456 Alexandra Road, #06-00 NOL Building, Singapore 119962.

The financial year of 2008 started on 29 December 2007 and ended on 26 December 2008 (2007: 30 December 2006 to 28 December 2007) as the Group and the Company adopted the last Friday of every calendar year to be their accounting year-end date.

The Company's ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

2. Material Changes in Accounting Policies

On 29 December 2007, the Group and the Company adopted the following Interpretations of FRS ("INT FRS"):

INT FRS 29	Disclosures – Service Concession Arrangements
INT FRS 111	FRS 102 – Group and Treasury Share Transactions
INT FRS 112	Service Concession Arrangements
INT FRS 114	FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above INT FRS did not result in substantial changes to the Group's accounting policies and did not have any significant impact on the Group and the Company.

3. Non-Audit Fees Paid/Payable to Auditors

	Group	
	2008	2007
	US\$'000	US\$'000
Non-audit fees paid/payable to		
– auditors of the Company	163	325
– affiliates of auditors of the Company	326	430
	489	755

4. Related Party Transactions

(a) Sale and Purchase of Goods and Services

The following significant transactions between the Group and related parties took place during the financial year at terms agreed between the parties. Related parties include those fellow subsidiaries of the ultimate holding company and associated companies and joint ventures of the Group.

	Group	
	2008	2007
	US\$'000	US\$'000
Purchases of services from fellow subsidiaries of the ultimate holding company	164,951	145,089
Services rendered to fellow subsidiaries of the ultimate holding company	(274)	(656)
Interest income received/receivable from associated companies and joint ventures	(589)	(1,112)

(b) Share Options Granted to Directors

The aggregate number of shares options granted to the Directors of the Company during the financial year was 255,000 (2007: 432,000). The share options were given on the same terms and conditions as those offered to other employees of the Group. The annual grant of NOL share options to Non-Executive Directors had ceased with effect from financial year ended 28 December 2007. For share options granted to Non-Executive Directors during the period from 31 December 2004 to 12 March 2007, which have exercise periods of five years, a moratorium on the disposal of shares arising from the exercise of the share options is applicable during their term of service as a member of the Board of Directors of the Company until six months after their term of office has been completed, and/or six months after resignation or retirement. The outstanding number of share options granted to the Directors of the Company at the end of the financial year was 2,444,000 (2007: 1,337,000).

(c) Key Management Personnel

(i) Loans to key management personnel

Loans given under the Group's approved housing, car and renovation loans scheme to key management personnel are as follows:

	Group	
	2008	2007
	US\$'000	US\$'000
Housing, car and renovation loans receivable (non-current)	22	22

The housing, car and renovation loans receivable are included in non-current assets as loans receivable. The loans are interest free.

4. Related Party Transactions (continued)

(c) Key Management Personnel (continued)

(ii) Key management personnel remuneration

The remuneration of the key management personnel includes base salary, performance bonus, share options, performance shares, benefits (including housing and allowances) and Directors' fees.

The total remuneration of key management personnel disclosed under this note is computed based on the cost incurred by the Group whereas the remuneration information disclosed under the "Remuneration for the Directors of the Company" and "Remuneration Bands for the Top Five Key Management Staff who are not also Directors of the Company" is derived based on the assumptions specified in the Corporate Governance report.

Key management personnel remuneration is as follows:

	Group	
	2008	2007
	US\$'000	US\$'000
Salaries, other short-term employee benefits and Directors' fees	11,758	11,373
Post-employment benefit plans	702	611
Termination benefits	4,126	–
Share-based compensation costs	3,394	3,228
	19,980	15,212

Included in the above is total compensation to Directors of the Company amounting to US\$8.5 million (2007: US\$3.3 million).

Notes:

(a) Key management personnel for 2008 and 2007 include:

- Executive Director: Ronald Dean Widdows (Group President and Chief Executive Officer – appointed in July 2008).
- Executive Director: Thomas Held (Group President and Chief Executive Officer – resigned in July 2008).
- Non-Executive Directors: Cheng Wai Keung, Friedbert Malt, James Connal Scotland Rankin, Robert Holland, Jr, Christopher Lau Loke Sam, Timothy Charles Harris, Peter Wagner, Bobby Chin Yoke Choong, Simon Claude Israel, Tan Pheng Hock, Ang Kong Hua (retired in April 2008) and Yasumasa Mizushima (retired in April 2008).
- Corporate: Cedric Foo (Group Deputy President and Chief Financial Officer) and Wu Choy Peng (Group Chief Information Officer).
- Business Units: Ronald Dean Widdows (Chief Executive Officer, Liner, from January to June 2008), Brian Lutt (President, Logistics) and Steve Schollaert (President, Terminals).
- Regional Presidents: David Appleton (President, Europe), John Bowe (President, Americas), Kenneth Glenn (President, South Asia), Jim McAdam (President, Asia/Middle East) and Daniel Ryan (President, Greater China).

(b) Included in 2008, but not in 2007, is the remuneration for:

- Non-Executive Director: Boon Swan Foo (appointed in July 2008).
- Business Unit: Eng Aik Meng (President, Liner – appointed in September 2008).
- Corporate: Goh Teik Poh (Group Chief Human Resource Officer – appointed in January 2008).

(c) Tax equalisation costs are derived based on cost incurred by the Group during the financial year.

5. Event Occurring After Balance Sheet Date

Subsequent to the financial year ended 26 December 2008, the Group, without admission of fault or liability, entered into an agreement with the US Government to pay US\$26.3 million to resolve allegations that it submitted false claims to the US Government. The Group had received assurances from the US Government that no action would be taken to suspend or debar the Group from participating in US Government contracts as a result of the settlement.

The amount had been fully accounted and provided for in the Group's financial statements for the financial year ended 26 December 2008.

6. Listing of Significant Subsidiaries

Details of significant subsidiaries of the Group are as follows:

Subsidiaries	Effective group equity interest		Country of incorporation/ Place of operation	Principal activities
	2008 %	2007 %		
Direct Interest:				
APL (Bermuda), Ltd ^(a)	100	100	Bermuda	Shipping services
APL Logistics Ltd ^(a)	100	100	Singapore	Logistics services
Indirect Interest:				
American President Lines, Ltd ^(a)	100	100	United States of America	Shipping services
APL Co. Pte Ltd ^(a)	100	100	Singapore	Shipping services
APL Logistics Hong Kong Ltd ^(b)	100	100	Hong Kong SAR	Logistics services
APL Logistics Transportation Management Services, Ltd. ^(b)	100	100	United States of America	Logistics services
APL Logistics Warehouse Management Services, Inc. ^(b)	100	100	United States of America	Logistics services
APL Logistics Warehouse Management Services de Mexico, S.A. de C.V. ^(b)	100	100	Mexico	Logistics services
APL Logistics (China) Ltd. ^(b)	100	100	China	Logistics services
Vascor, Ltd ^{(b), (c)}	50	50	United States of America	Logistics services

Notes:

^(a) Audited by Ernst & Young LLP, Singapore

^(b) Audited by Ernst & Young firms outside Singapore

^(c) Deemed to be a subsidiary as the Group controls the entity via veto rights.

In accordance with Rule 716 of the SGX-ST Listing Manual, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for certain subsidiaries would not compromise the standard and effectiveness of the audit of the Group.