



China Shipping Container Lines Company Limited 中海集裝箱運輸股份有限公司

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

Stock Code : 2866



2007

Interim Report

China Shipping Container Lines Company Limited#

2007 Interim Report



CONTENTS

Corporate Information	2
Results and Business Highlights	3
Management Discussion and Analysis	4
Condensed Consolidated Interim Balance Sheet	14
Condensed Consolidated Interim Income Statement	16
Condensed Consolidated Interim Statement of Changes in Equity	17
Condensed Consolidated Interim Cash Flow Statement	18
Notes to the Condensed Consolidated Financial Information	19

WARNING: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

CORPORATE INFORMATION

Directors

Executive Directors

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

Non-executive Directors

Mr. Ma Zehua
Mr. Zhang Jianhua
Mr. Wang Daxiong
Mr. Yao Zuozhi
Mr. Xu Hui

Independent Non-executive Directors

Mr. Hu Hanxiang
Mr. Jim Poon (*also known as Pan Zhanyuan*)
Mr. Wang Zongxi
Mr. Shen Kangchen

Supervisors

Mr. Chen Decheng
Mr. Yao Guojian
Mr. Tu Shiming
Mr. Wang Xiuping
Mr. Hua Min
Ms. Pan Yingli

Company secretary

Mr. Ye Yumang

Audit committee

Mr. Wang Zongxi (*Chairman*)
Mr. Shen Kangchen
Mr. Wang Daxiong

Authorised representatives

Mr. Li Shaode
Mr. Huang Xiaowen

Legal address and principal place of business in the PRC

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

Principal place of business in Hong Kong

Level 69
The Center
99 Queen's Road Central
Hong Kong

International auditors

PricewaterhouseCoopers

Legal advisors to the Company

Baker & McKenzie
(as to Hong Kong and United States Law)
Jingtian & Gongcheng, Beijing (as to PRC Law)

Hong Kong H share registrar and transfer office

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

Principal bankers

Bank of China
Industrial and Commerce Bank of China
Citibank
China Merchants Bank

Telephone number

86 (21) 6596 6105

Fax number

86 (21) 6596 6813

Company website

www.cscl.com.cn

H share listing place

Main Board of The Stock Exchange of
Hong Kong Limited

Listing Date

16 June 2004

Number of H Shares in issue

2,420,000,000 H Shares

Board lot

1,000 shares

Hong Kong Stock Exchange stock code

2866

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



RESULTS AND BUSINESS HIGHLIGHTS

Results for the six months ended 30 June 2007

	1H2007 <i>(RMB)</i>	1H2006 <i>(RMB)</i>	Change
Turnover	17,379,318,000	13,973,202,000	24.4%
Operating profit	1,586,367,000	413,748,000	283.4%
Profit attributable to equity holders of the Company	1,155,110,000	81,194,000	1,322.7%
Basic earnings per share	0.19	0.01	1,322.7%
Gross profit margin	10.2%	4.3%	5.9%
Gearing ratio	37.2%	49.0%	-11.8%

Business highlights

- Shipping volume of the Group reached 3,328,459TEU in the first half of year 2007, representing an increase of 25.8% over that of the same period in 2006.
- Operating capacity of the Group reached 427,107TEU as at 30 June 2007, representing a net increase of 28,133TEU when compared with that as at the end of 2006.
- Due to the implementation of various cost control measures, the Group was able to contain its operating cost effectively, cost per TEU was thus reduced by 7.0% to RMB4,652.5 as compared with that of the same period in 2006.
- In view of the thriving PRC capital market, the Group intends to raise funds via the A-share market in the PRC in the second half of 2007 for the construction of container vessels, purchase of assets related to container transportation business, strengthening of the Company's working capital base as well as repayment of bank loans, which will open a new page in the Group's development.
- 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 existing shareholders on the basis of 5.5 bonus shares for every 10 existing shares owned by such shareholders, and also proposed that the shareholders at general meeting authorise the Board to specifically implement the relevant details of such distribution. The remaining distributable profits as at 30 June 2007 will be distributed in the form of cash dividend, the detailed amount and distribution method of which shall be formulated and implemented by the Board as authorized by shareholders at general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "Board") of directors (the "Directors") of China Shipping Container Lines Company Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 (the "Period"), which have been reviewed by the audit committee of the Company and, our auditor, PricewaterhouseCoopers.

During the Period, the Group recorded a turnover of RMB17,379,318,000, representing an increase of 24.4% over that of the same period in 2006. Profit attributable to equity holders of the Company for the Period amounted to RMB1,155,110,000, which represents an increase of 1,322.7% as compared with the same period last year. Basic earnings per share amounted to RMB0.19, representing an increase of 1,322.7% as compared with the same period in 2006.

Operating environment

In 2007, the world economy and world trade followed the growth trend of 2006. It is forecasted by the International Monetary Fund (IMF) that the growth rate of the global economy and world trade will reach approximately 5.2% and 7.1% respectively in 2007, while the PRC economy will maintain favourable growth.

The total amount of imports and exports in the PRC for the first half of 2007 amounted to US\$980.9 billion, achieving an increase of 23.3% compared with the same period last year. There is stable growth in foreign trade development in the PRC and its trade surplus continues to enlarge. On the other hand, there has been no substantial change in the distribution of global manufacturing, thereby providing a favorable operating environment for container transportation.

The growth rate of global shipping capacity is estimated to be at around 15.0% in 2007. However, various factors offset the actual growth, such as:

- I. the trade imbalance between East and West;
- II. the widely applied economical speed and increased number of long trade routes, thus slowing down the capacity cycle;
- III. saturation of port and inland facilities; and
- IV. emerging new markets, which absorb most of the new additional shipping capacity.

Therefore, the growth of shipping capacity and the growth in market demand are generally balanced.

In 2007, the global container transportation market remained relatively dynamic. From January to June in the PRC container shipping market, the container throughput in large scale ports (i.e. container throughput per year over 1,000,000TEU) reached 52.53 million TEU, achieving an increase of about 24.1% as compared with the same period last year, amongst which, the container throughputs in the coastal ports and river ports increased by 23.7% and 30.4% respectively (information source: PRC Ministry of Communications).



Performance analysis

For the Period, the Group recorded a turnover of RMB17,379,318,000, representing an increase of RMB3,406,116,000 or 24.4 % over that of the same period in 2006. Profit attributable to equity holders of the Company in the Period amounted to RMB1,155,110,000, representing an increase of RMB1,073,916,000 or 1,322.7% as compared with the same period last year. During the Period, basic earnings per share amounted to RMB0.19, representing an increase of RMB0.18 or 1,322.7% as compared with the same period last year.

Analysis of loaded container volume by trade lanes

Principal Market	1H2007 (TEU)	1H2006 (TEU)	Change
Pacific Ocean	771,330	670,558	15.0%
Asia/Europe	716,308	680,530	5.3%
Asia Pacific	627,868	432,623	45.1%
China domestic	1,109,773	811,649	36.7%
Others	103,180	50,008	106.3%
Total	3,328,459	2,645,368	25.8%

Operational revenue by trade lanes

Principal Market	1H2007 (TEU)	1H2006 (TEU)	Change
Pacific Ocean	6,807,831	6,395,445	6.4%
Asia/Europe	5,394,245	4,134,834	30.5%
Asia Pacific	2,387,675	1,624,981	46.9%
China domestic	1,885,425	982,129	92.0%
Others	904,142	835,813	8.2%
Total	17,379,318	13,973,202	24.4%

Starting from the second half of last year, the Group changed its operational concept, adjusted its operating strategy and implemented fine management and such measures have after thorough implementation, gradually started to reap positive results. Significant improvement was seen in our results for the Period as compared with the same period last year which was largely due to the following reasons:

- I. In the first half of 2007, in continuation of the recovery trend in the second half of 2006, the freight rates for the Group's international trade routes, represented by the Far East/Europe trade route, have successively strengthened and achieved stable and strong growth, whilst domestic coastal trade routes have gained swifter and greater growth.

- II. The Group has captured the opportunities which have emerged from regional markets in a timely manner to expand its services through container resource allocation, addition of new trade routes and optimization of existing trade routes, etc.. By doing so, it also enabled the Group to focus on those trade routes with greater profitability, thus enhancing the profit margin of the Group's trade routes.
- III. During the Period, the Group was delivered a total of three vessels each with a capacity of 9600TEU, further strengthening its fleet structure. To date, the total shipping capacity of the Group has reached 427,107TEU, among which large container vessels with capacity of 4000TEU account for more than 80% of its total shipping capacity. By adding these modernized large container vessels, the unit operating cost per TEU is effectively lowered and the Group is able to provide better services to its customers.
- IV. During the Period, to satisfy the requirement of "sales network and integrative services", the Group formed a beneficial cargo owner service team to provide standardised and integrated services for its global beneficial cargo owners. In the meantime, the Group has made progress in identifying source of goods, high net worth customers and long-term customers etc., especially on Tran-Pacific trade routes and domestic trade routes.
- V. The Group further promoted fine management and detailed cost control measures. For container management, the Group has enhanced container turnaround, revitalized reefer container resources and effectively contained average handling cost per TEU. For port charges and stevedore charges, cost was restricted to a certain range by minimizing port calls of certain trade routes and reinforcing business bargaining power etc.. Besides, by locking in fuel prices and navigating at economical speed, the Group's pressure from increasing fuel prices was greatly reduced. For transshipment, transshipment cost was reduced by cutting the number of transshipment ports and rationalizing the distribution of sub-routes etc.

Moreover, the Group was able to enhance its profit by thorough development of the shipping market along the Yangtze River, expanding sea-rail combined transportation, increasing investment in emerging markets such as Vietnam to broaden its services and capture more business opportunities.

Cost analysis

In the Period, the Group's operating costs have increased by a certain extent as compared with the same period last year. The total operating costs for the Period were RMB15,608,795,000, representing an increase of about 16.7% as compared with the same period last year. This is mainly due to the deployment of new shipping capacity by the Group (i.e. the new vessels and time chartered vessels successively delivered and put into operation brought an increase of shipping capacity by about 15.0% as compared with the same period last year) and due to an increase in fuel costs. However, due to the Group's successive implementation of various cost control measures, cost per TEU was thus reduced by 7.0% to RMB4,652.5 as compared with that of the same period in 2006.

In the Period, fuel prices have slightly dropped as compared with the same period of last year, but due to the deployment of new vessels into operation and the increase in shipping volume, the Group's fuel costs increased by about RMB426,477,000. However, the Group continued to take measures, including locking in a portion of fuel prices, precisely controlling fuel inventory, selecting refueling ports and suppliers with relatively lower fuel prices and requiring our ships to navigate at economical speed while meeting schedules, etc., to control fuel costs and fuel consumption.



Container management costs increased by 37.9% as compared with the same period last year, as a result of an increase of 15.0% in the number of containers and an increase of 21.0% in acquisition price of new additional containers as compared with the same period last year.

Port charges and stevedore charges increased by 2.0% as compared with the same period last year as a result of the increase in the Company's shipping volume by 25.8% as compared with the same period last year (among which, shipping volume of foreign trade lanes increased by 21.0% as compared with the same period last year). However, calculated on an average cost per TEU basis, such charges decreased by 18.9% as compared with the same period last year.

The Group's fixed costs increased by 8.3% as compared with the same period last year, which is below the increase in shipping capacity.

Future plans and prospects

From the second half of 2007, the world economy is expected to follow the fast growing trend of the first half of this year. The PRC, as a world manufacturing centre as well as one of the driving sources of the world economy, is expected to continue growing fast, which will provide a favorable market and operating environment for container transportation.

The second half of the year is the traditional peak season of the shipping industry with all lanes entering their busiest period in the year. However, liner shipping companies will still be expected to face pressure from rising fuel prices and inland transportation cost etc.. Therefore, cost control will continue to be our main focus in the future.

Since it was established ten years ago, the Group has been adhering to the principle of "seizing every opportunity to achieve rapid development" and growing fast in the shipping industry. Today, the Group has positioned itself on a new starting point to achieve further rapid development. Looking into the future, the Group will focus on the following aspects:

- I. The Group will continue to reinforce and expand its fleet. The Group will order 8 large container vessels, each with a capacity of 13,296TEU, to further improve its fleet structure and modernize and expand its fleet size so as to become a first-rate liner shipping company.
- II. The Group will continue to optimize overall arrangement of trade lanes, enhance cooperation with other liner shipping companies and strategically increase investment in the east coast of the Mediterranean Sea, the Red Sea, East Africa and the west coast of South America etc.. The Group will also increase its trade route coverage and frequency to provide better service to its customers and meet customers' requests.
- III. The Group will continue to maintain its domestic quality trade lanes, which have achieved outstanding performance since their launch in the second half of 2006. In the future, the Group will continue to enhance investment in the domestic market so as to foster its leading position therein.
- IV. The Group has also set higher standard for all trade lanes, including changing supply configuration of cargo, soliciting quality clients and increasing the proportion of long-term clients etc.. With the implementation of such measures, in future, the Group will endeavour to perform well in stabilizing revenue, increasing profits and saving costs of trade lanes etc.

- V. In view of the thriving PRC capital market, the Group intends to raise funds via the A-share market in the PRC in the second half of 2007 for the construction of container vessels, purchase of assets related to container transportation business, strengthening of the Company's working capital base as well as repayment of bank loans, which will open a new page in the Group's development.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's principal source of liquidity is cash flow from operations. The Group's cash has mainly been used as operating costs, loan repayments and used in construction of new vessels and containers. For the Period, the Group generated a net operating cash inflow of RMB1,622,135,000 and the Group had a cash balance of RMB3,866,026,000 as at 30 June 2007.

As at 30 June 2007, the Group's total bank loans were RMB5,248,761,000. The maturity profile is spread over a period between 2007 and 2018, with RMB913,491,000 being payable within one year, RMB1,103,211,000 within the second year, RMB2,633,232,000 within the third to fifth year, and RMB598,827,000 after the fifth year. The Group's long-term bank loans are mainly used to fund the purchase of new vessels.

As at 30 June 2007, several containers, container vessels and vessels under construction valued in an aggregate amount of RMB7,000,403,000 (as at 31 December 2006: RMB7,009,915,000) have been pledged against long term bank loans of the Group.

As at 30 June 2007, the Group's 10-year bond payables were RMB1.8 billion, all proceeds were used in the construction of new vessels. The bond was guaranteed by the Bank of China, Shanghai branch.

As at 30 June 2007, the Group's obligations under finance leases amount to RMB3,275,478,000, with the maturity profile ranging from 2007 to 2015. The amount repayable within one year is RMB492,048,000, the amount repayable within the second year is RMB520,965,000, the amount repayable within the third to fifth year is RMB1,503,420,000 and the amount repayable after the fifth year is RMB759,045,000. All finance lease obligations are arranged for the lease of new containers.

Prior to 1 January 2007, the Group entered into certain long-term container lease agreements with its fellow subsidiaries. The transactions under such agreements shall constitute financial leases. In 2007, the Group entered into supplementary agreements with its fellow subsidiaries, under which the long-term leases under the original container lease agreements were amended to one-year short-term leases. Accordingly, the net assets of the containers under the said finance leases and liabilities in relation to the said lease agreements, amounting to RMB830,301,000 and RMB957,684,000 respectively, were confirmed to be terminated on 1 January 2007, and the resultant earnings amounting to RMB127,383,000 have been generated and recorded in the accounts in the Period.

As at 30 June 2007, the gearing ratio of the Group (i.e. the ratio of net debt over equity holders' equity) was 37.2%, which is lower than the rate of 46.0% as at 31 December 2006.

As at 30 June 2007, the Group had RMB loans in the amount of RMB2,883,940,000, with annual interest rate ranging from 5.4% to 6.1%, and USD loans in the amount of USD309,240,000 (equivalent to approximately RMB2,364,821,000), with annual interest rate ranging from 4.9% to 5.9%. The borrowings are settled in RMB and US dollars while their cash and cash equivalents are also primarily denominated in RMB and US dollars.



It is expected that capital needs for regular cash flow and capital expenditure can be funded by the internal cash flow of the Group. The Directors will review the operating cash flow of the Group from time to time and will consider repaying certain bank loans by cash as and when appropriate. It is the intention of the Group to maintain an appropriate composition of equity and debt to constantly achieve an effective capital structure.

FOREIGN EXCHANGE RISK AND HEDGING

Most of the Group's revenues and operating expenses are settled or denominated in US dollars. As a result, the negative impact on the net operating revenue due to RMB appreciation since July 2005 can be offset by each other to a certain extent. With the RMB appreciation, during the Period, the Group's revenues generated by currency exchange in the Period amounted to approximately RMB6,034,000, and the shareholders' interests of the Group affected by the currency exchange amounted to approximately RMB142,613,000. The Group has paid close attention to the fluctuation of the RMB exchange rate, settled foreign incomes from operating activities into RMB in a timely manner to minimize the losses brought by foreign exchange fluctuations. The Group will continue to implement the policy of timely conversion of foreign currency assets, reduce the net currency assets denominated in foreign currency, and adopt proper measures including hedging instruments (e.g. forward exchange contracts) as and when necessary and appropriate in accordance with the Group's practical requirements to minimize foreign exchange risks.

COMMITMENT

As at 30 June 2007, the capital commitment for vessels under construction that had been contracted but not provided to the Group amounted to RMB3,896,455,000. The Group's commitment for fuel that had been contracted but not provided to the Group amounted to RMB624,243,000. Furthermore, the Group's lease commitments relating to buildings, and vessels and containers, are RMB96,506,000 and RMB13,102,261,000, respectively.

CONTINGENT LIABILITIES

As at 30 June 2007, the Group did not have any material contingent liabilities.

SHARE CAPITAL

As at 30 June 2007, the share capital of the Company was as follows:

Types of shares	Number of shares in issue	Percentage (%)
Domestic shares	3,610,000,000	59.87
H shares	2,420,000,000	40.13
Total	6,030,000,000	100.00

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

In accordance with the H share share appreciation rights scheme adopted by the shareholders of the Company on 12 October 2005 and amended by the shareholders of the Company on 20 June 2006 and 26 June 2007 (the "Scheme"), certain Directors and supervisors of the Company (the "Supervisors") were granted the H share share appreciation rights under the Scheme and the amended Scheme. Details of the Scheme were set out in the Company's circular to shareholders dated 26 August 2005 and the amended Scheme was produced to the annual general meetings of the Company held on 20 June 2006 and 26 June 2007. The interests of such Directors, Supervisors and chief executive(s) in the underlying H shares of the Company as at 30 June 2007 were as follows:

Name	Number of underlying H shares interested in	Capacity in which underlying H shares were held	% of issued H share capital
Directors			
Huang Xiaowen	871,000	Beneficial owner	0.04 (Long position)
Li Shaode	1,002,000	Beneficial owner	0.04 (Long position)
Ma Zehua	101,000	Beneficial owner	0.00 (Long position)
Wang Daxiong	300,000	Beneficial owner	0.01 (Long position)
Xu Hui	200,000	Beneficial owner	0.01 (Long position)
Yao Zuozhi	88,000	Beneficial owner	0.00 (Long position)
Zhang Guofa	445,000	Beneficial owner	0.02 (Long position)
Zhang Jianhua	300,000	Beneficial owner	0.01 (Long position)
Zhao Hongzhou	720,000	Beneficial owner	0.03 (Long position)
Supervisors			
Wang Xiuping	450,000	Beneficial owner	0.02 (Long position)
Tu Shiming	60,000	Beneficial owner	0.002 (Long position)
Chen Decheng	112,000	Beneficial owner	0.005 (Long position)
Yao Guojian	680,000	Beneficial owner	0.03 (Long position)

Save as disclosed above, as at 30 June 2007, none of the Directors, Supervisors or chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which was required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors, Supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).



SHAREHOLDINGS OF OTHER SHAREHOLDERS WITH NOTIFIABLE INTERESTS

As at 30 June 2007, so far as was known to the Directors or chief executive(s) of the Company, the interests or short positions of the following persons (other than a Director, Supervisor or chief executive(s) of the Company) in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Class of shares	Number of shares/underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
China Shipping (Group) Company	Domestic shares	3,610,000,000 (Long position)	Beneficial owner	100%	59.87%
Li Ka-Shing	H shares	365,637,000 (Long position)	Interest of controlled corporation and founder of a discretionary trust	15.11%	6.06%
Li Ka-Shing Unity Trustcorp Limited	H shares	365,637,000 (Long position)	Trustee and beneficiary of a trust	15.11%	6.06%
Li Ka-Shing Unity Trustee Corporation Limited	H shares	365,637,000 (Long position)	Trustee and beneficiary of a trust	15.11%	6.06%
Cheung Kong (Holdings) Limited	H shares	362,637,000 (Long position)	Interest of controlled corporation	14.99%	6.01%
Li Ka-Shing Unity Trustee Company Limited	H shares	362,637,000 (Long position)	Trustee	14.99%	6.01%
Hutchison International Limited	H shares	241,758,000 (Long position)	Beneficial owner	9.99%	4.01%
Hutchison Whampoa Limited	H shares	241,758,000 (Long position)	Interest of controlled corporation	9.99%	4.01%
Baring Asset Management Limited	H shares	145,723,000 (Long position)	Investment manager	6.02%	2.42%
Northern Trust Fiduciary Services (Ireland) Limited	H shares	121,366,000 (Long position)	Trustee	5.02%	2.01%

Save as disclosed above, as at 30 June 2007, so far as was known to the Directors or chief executive(s) of the Company, no person (other than Directors, Supervisors or chief executive(s)) had any interest or short position in any shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Period, the Company had not redeemed any of its issued shares. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's issued shares in the Period.

DIVIDENDS

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 existing shareholders 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 will be distributed in the form of cash dividend, the detailed amount and distribution method of which shall be formulated and implemented by the Directors as authorized by shareholders at general meeting.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Period, there were no material acquisitions or disposals of subsidiaries and associated companies.

EMPLOYEES, TRAINING AND DEVELOPMENT

As at 30 June 2007, the Group had 3,649 employees, representing an increase of 123 employees as compared with 31 December 2006. During the Period, the total staff expenses were about RMB481,031,000. In addition, the Group had entered into contracts with a number of subsidiaries of China Shipping (Group) Company, pursuant to which these subsidiaries provided the Group with approximately 3,083 crew members in total who mainly work on the Group's self-owned or bareboat chartered vessels.

Remuneration of the Group's employees included basic salaries, other allowances and performance-based bonuses. The Group had also adopted a performance discretionary incentive scheme for its staff. The scheme linked the staff's financial benefits directly with certain business performance indicators. Such indicators may include, but are not limited to, the profit target of the Group.

Details of such performance discretionary incentive scheme varied among the employees of the Group. The Group sets out certain performance indicators for each of its subsidiaries to achieve. Each subsidiary has the discretion to formulate in detail its own performance-based remuneration policies according to its own circumstances.



AUDIT COMMITTEE

The audit committee of the Company consists of two independent non-executive Directors, namely Mr. Shen Kangchen and Mr. Wang Zongxi, and one non-executive Director, namely Mr. Wang Daxiong. The audit committee of the Company had reviewed the Company's interim results for the Period and agrees with the accounting treatment adopted by the Company.

COMPLIANCE WITH THE "CODE ON CORPORATE GOVERNANCE PRACTICES" (THE "CG CODE") IN APPENDIX 14 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES")

The Board confirmed that, none of the Directors are aware of any information that would reasonably indicate that the Group was not, at any time during the Period, in compliance with the applicable code provisions of the CG Code.

SECURITIES TRANSACTIONS

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

DISCLOSURE OF INFORMATION

This report will be dispatched to shareholders and published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.cscl.com.cn>).

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

Shanghai, the People's Republic of China
8 August 2007

The Board as at the date of this report 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. Wang Daxiong, Mr. Yao Zuozhi and Mr. Xu Hui, being non-executive Directors, and Mr. Hu Hanxiang, Mr. Jim Poon (also known as Pan Zhanyuan), Mr. Wang Zongxi and Mr. Shen Kangchen, being independent non-executive Directors.

The exchange rate adopted in this report for illustration purposes only is US\$1.00 = HK\$7.65.

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		Unaudited 30 June 2007 <i>RMB'000</i>	Audited 31 December 2006 <i>RMB'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Fixed assets	7	23,007,390	23,463,851
Land use rights	7	13,192	13,356
Goodwill		46,427	46,427
Interest in associated companies		59,798	48,758
Interest in a jointly controlled entity		30,880	32,000
Total non-current assets		23,157,687	23,604,392
Current assets			
Bunkers		707,184	635,735
Trade and notes receivables	8	4,367,653	3,490,403
Prepayments and other receivables		191,121	97,984
Cash and cash equivalents		3,866,026	2,915,542
Total current assets		9,131,984	7,139,664
Total assets		32,289,671	30,744,056
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	9	6,030,000	6,030,000
Other reserves		5,855,902	5,998,515
Retained earnings			
– Proposed final dividends		–	241,200
– Proposed special dividends	18	3,316,500	–
– Others		2,102,136	4,263,526
Total equity attributable to the Company's equity holders		17,304,538	16,533,241
Minority interests		36,837	42,964
Total equity		17,341,375	16,576,205



		Unaudited 30 June 2007 <i>RMB'000</i>	Audited 31 December 2006 <i>RMB'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Long-term bank loans	10	4,335,270	5,538,152
Domestic corporate bonds	11	1,800,000	–
Finance lease obligations	12	2,783,430	3,199,249
Deferred tax liabilities		968,581	837,249
Total non-current liabilities		9,887,281	9,574,650
Current liabilities			
Trade payables	13	2,921,884	2,205,055
Accrual and other payables		507,394	515,189
Short-term bank loans	10	–	400,000
Long-term bank loans – current portion	10	913,491	707,608
Finance lease obligations – current portion	12	492,048	695,724
Income tax payable		80,724	69,625
Dividend payable		145,474	–
Total current liabilities		5,061,015	4,593,201
Total liabilities		14,948,296	14,167,851
Total equity and liabilities		32,289,671	30,744,056
Net current assets		4,070,969	2,546,463
Total assets less current liabilities		27,228,656	26,150,855

The notes on pages 19 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited	
		Six months ended 30 June	
		2007	2006
		RMB'000	RMB'000
Turnover	6	17,379,318	13,973,202
Operating costs		(15,608,795)	(13,370,061)
Gross profit		1,770,523	603,141
Other income	14	187,896	79,702
Administrative and general expenses		(372,052)	(269,095)
Operating profit	15	1,586,367	413,748
Finance costs	16	(216,249)	(246,302)
Share of profit of associated companies and a jointly controlled entity		2,715	3,656
Profit before income tax		1,372,833	171,102
Income tax expense	17	(213,007)	(88,273)
Profit for the period		1,159,826	82,829
Attributable to:			
Equity holders of the Company		1,155,110	81,194
Minority interests		4,716	1,635
		1,159,826	82,829
Dividends – special dividends	18	3,316,500	–
Basic earnings per share for profit attributable to the Company's equity holders (Expressed in RMB per share)	19	0.19	0.01

The notes on pages 19 to 38 form an integral part of this condensed consolidated interim financial information.



CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to equity holders of the Company				Minority interest	Total
	Share capital	Other reserves	Retained earnings	Total		
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Balance at 1 January 2006	6,030,000	6,128,838	4,433,026	16,591,864	37,460	16,629,324
Currency translation differences	–	(79,989)	–	(79,989)	–	(79,989)
Profit for the period	–	–	81,194	81,194	1,635	82,829
Dividends relating to 2005	–	–	(723,600)	(723,600)	–	(723,600)
Balance at 30 June 2006	6,030,000	6,048,849	3,790,620	15,869,469	39,095	15,908,564
Balance at 1 January 2007	6,030,000	5,998,515	4,504,726	16,533,241	42,964	16,576,205
Currency translation differences	–	(142,613)	–	(142,613)	–	(142,613)
Profit for the period	–	–	1,155,110	1,155,110	4,716	1,159,826
Transfer of a subsidiary to an associated company	–	–	–	–	(10,843)	(10,843)
Dividends relating to 2006	–	–	(241,200)	(241,200)	–	(241,200)
Balance at 30 June 2007	6,030,000	5,855,902	5,418,636	17,304,538	36,837	17,341,375

The notes on pages 19 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Net cash generated from operating activities	1,622,135	419,098
Net cash used in investing activities	(950,563)	(2,306,384)
Net cash generated from financing activities	278,912	714,028
Net increase/(decrease) in cash and cash equivalents	950,484	(1,173,258)
Cash and cash equivalents at beginning of the period	2,915,542	3,423,373
Cash and cash equivalents at end of the period	3,866,026	2,250,115

The notes on pages 19 to 38 are an integral part of this condensed consolidated interim financial information.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

China Shipping Container Lines Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 28 August 1997 as a company with limited liability under the Company Law of the PRC. On 3 March 2004, the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its equities as at 31 October 2003 into 3,830,000,000 shares of RMB1 each. The Company's H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 16 June 2004.

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

The principal activities of the Company and its subsidiaries (collectively the "Group") are owning, chartering and operating container vessels for the provision of international and domestic container marine transportation services.

This condensed consolidated interim financial information was approved by the board of directors of the Company for issue on 8 August 2007.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with HKAS 34, 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2006.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006 except that the Group has adopted the following new standards, interpretations and amendments to standards (collectively the "new/revised HKFRS") which are relevant to the Group's operations and are mandatory for financial year ending 31 December 2007.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

The adoption of the above new/revised HKFRSs in the current period did not have any significant effect on the condensed consolidated interim financial information or result in any significant change in the Group's accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 required additional disclosures to be made in the annual financial statements of the Group.

The HKICPA has issued several new standards, interpretations and amendments which are not yet effective for the year ending 31 December 2007. The Group has not early adopted the above standards, interpretations and amendments in the condensed consolidated interim financial information but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

4 FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2006.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2006.

6 TURNOVER AND SEGMENT INFORMATION

Turnover represents gross revenues from liner and chartering services, net of discounts allowed, where applicable.

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Turnover		
Liner	17,358,282	13,925,613
Chartering	21,036	47,589
	17,379,318	13,973,202

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

6 TURNOVER AND SEGMENT INFORMATION (Continued)

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

Primary reporting format – business segments

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

Secondary reporting format – geographical segments

The Group's liner and chartering businesses are managed on a worldwide basis. The turnover generated from the world's major trade lanes includes Pacific, Asia/Europe, Asia Pacific, China Domestic and others.

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

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Pacific	6,807,831	6,395,445
Asia/Europe	5,394,245	4,134,834
Asia Pacific	2,387,675	1,624,981
China domestic	1,885,425	982,129
Others	904,142	835,813
	17,379,318	13,973,202

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

7 CAPITAL EXPENDITURE

	Fixed assets <i>RMB'000</i>	Unaudited Land use rights <i>RMB'000</i>	Total <i>RMB'000</i>
Opening net book amount as at 1 January 2006	20,770,813	13,686	20,784,499
Additions	2,229,570	–	2,229,570
Purchase from a fellow subsidiary	439,019	–	439,019
Disposals	(220)	–	(220)
Depreciation charge (Note 15)	(555,099)	–	(555,099)
Amortisation charge	–	(164)	(164)
Exchange difference	(54,480)	–	(54,480)
Closing net book amount as at 30 June 2006	22,829,603	13,522	22,843,125
Opening net book amount as at 1 January 2007	23,463,851	13,356	23,477,207
Additions	1,050,431	–	1,050,431
De-recognition of container assets under finance leases (Note)	(830,301)	–	(830,301)
Disposals	(7,057)	–	(7,057)
Depreciation charge (Note 15)	(517,444)	–	(517,444)
Amortisation charge	–	(164)	(164)
Exchange difference	(152,090)	–	(152,090)
Closing net book amount as at 30 June 2007	23,007,390	13,192	23,020,582

Note:

The Group leased certain containers from its fellow subsidiaries under long term leases prior to 1 January 2007. The leases were recognised as finance lease contracts. During the period, the Group entered into addendum agreements with the fellow subsidiaries, pursuant to which the terms of the lease contracts have been revised from long term to one year short term. Accordingly, the container assets under finance leases and finance lease obligations amounted to RMB 830,301,000 and RMB 957,684,000 as at 1 January 2007, respectively, had been de-recognised on 1 January 2007 and a gain of RMB127,383,000 (Note 14) had been recognised in the income statement for the six months ended 30 June 2007.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

8 TRADE AND NOTES RECEIVABLES

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 <i>RMB'000</i>
Trade receivables		
– Fellow subsidiaries	2,456,293	1,932,592
– Others	1,679,958	1,431,516
	4,136,251	3,364,108
Notes receivables	231,402	126,295
	4,367,653	3,490,403

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

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 <i>RMB'000</i>
1 to 3 months	4,191,327	2,914,493
4 to 6 months	197,931	561,926
7 to 9 months	94,378	114,784
10 to 12 months	4,768	–
Over one year	7,732	13,150
	4,496,136	3,604,353
Less: provision for impairment of receivables	(128,483)	(113,950)
	4,367,653	3,490,403

Credit policy

The Group grants credit terms in the range between 30 to 50 days to those customers with good payment history. Invoices to other customers are due for payment upon presentation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

9 SHARE CAPITAL

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
Domestic shares of RMB1 each	3,610,000	3,610,000
H shares of RMB1 each	2,420,000	2,420,000
Total	6,030,000	6,030,000

10 BANK BORROWINGS

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
Non-current		
Long-term bank loans	4,335,270	5,538,152
Current		
Short-term bank loans	–	400,000
Long-term bank loans – current portion	913,491	707,608
	913,491	1,107,608
	5,248,761	6,645,760
Representing:		
Unsecured	1,226,720	1,642,870
Secured	4,022,041	5,002,890
Total borrowings	5,248,761	6,645,760



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

10 BANK BORROWINGS (Continued)

At 30 June 2007, the Group's bank loans were repayable as follows:

	Unaudited	Audited
	30 June	31 December
	2007	2006
	RMB'000	RMB'000
Within one year	913,491	1,107,608
In the second year	1,103,211	707,608
In the third to fifth year	2,633,232	4,079,808
After fifth year	598,827	750,736
	5,248,761	6,645,760

Movements in borrowings is analysed as follows:

	<i>RMB'000</i>
Six months ended 30 June 2006	
Opening amount 1 January 2006	5,608,165
Addition of short-term bank loans	775,000
Addition of long-term bank loans	755,059
Repayments of long-term bank loans	(468,978)
Closing amount as at 30 June 2006	6,669,246
Six months ended 30 June 2007	
Opening amount 1 January 2007	6,645,760
Addition of long-term bank loans	128,320
Repayments of short-term bank loans	(400,000)
Repayments of long-term bank loans	(1,125,319)
Closing amount as at 30 June 2007	5,248,761

As at 30 June 2007, the long-term bank loans of the Group were secured by the following:

- (i) Legal mortgage over certain containers, container vessels and vessels in construction with net book value of approximately RMB 7,000,403,000 for the Group (as at 31 December 2006: RMB 7,009,915,000); and
- (ii) Charges over shares of certain vessels owning subsidiaries of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

10 BANK BORROWINGS (Continued)

As at 30 June 2007, the carrying amounts and the fair values of long-term bank borrowings were as follows:

	Unaudited	Audited
	30 June	31 December
	2007	2006
	RMB'000	RMB'000
Carrying amounts	5,248,761	6,245,760
Fair values	5,113,695	6,150,725

The fair value is calculated using cash flow discounted at a rate based on the borrowings rate of 6.75% (2006: 6.12%) per annum.

11 DOMESTIC CORPORATE BONDS

	Unaudited	Audited
	30 June	31 December
	2007	2006
	RMB'000	RMB'000
Non-current domestic corporate bonds	1,800,000	–

On 12 June 2007, the Group issued domestic corporate bonds amounting to RMB 1.8 billion in the PRC pursuant to the approval obtained from the National Development and Reform Commission of the PRC. The bonds are for a ten-year period fully repayable by 12 June 2017, and bear interest at a fixed rate of 4.51% per annum. The bonds are guaranteed by the Bank of China, Shanghai branch, and have been listed on the inter-bank bond market in the PRC.

The bonds were stated at fair value at date of issue. As at 30 June 2007, the carrying amounts of the domestic corporate bonds approximated their fair values.

Interest expense on the bonds is calculated using the effective interest method by applying the effective interest rate of 4.51% per annum to the bond liability.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

12 FINANCE LEASE OBLIGATIONS

	Unaudited 30 June 2007		Net present value of minimum lease payments
	Minimum lease payments <i>RMB'000</i>	Finance charges <i>RMB'000</i>	<i>RMB'000</i>
Payable:			
Within one year	689,157	197,109	492,048
In the second year	686,650	165,685	520,965
In the third to fifth year	1,802,429	299,009	1,503,420
After the fifth year	813,253	54,208	759,045
	3,991,489	716,011	3,275,478
Less: Payable no later than one year (current portion)	(689,157)	(197,109)	(492,048)
	3,302,332	518,902	2,783,430
		Audited 31 December 2006	
	Minimum lease payments <i>RMB'000</i>	Finance charges <i>RMB'000</i>	Net present value of minimum lease payments <i>RMB'000</i>
Payable:			
Within one year	995,756	300,032	695,724
In the second year	889,384	224,690	664,694
In the third to fifth year	2,106,029	374,336	1,731,693
After the fifth year	865,105	62,243	802,862
	4,856,274	961,301	3,894,973
Less: Payable no later than one year (current portion)	(995,756)	(300,032)	(695,724)
	3,860,518	661,269	3,199,249

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

13 TRADE PAYABLES

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
Trade payables		
– Fellow subsidiaries	255,549	259,834
– Others	2,666,335	1,945,221
	2,921,884	2,205,055

The ageing analysis of trade payables is as follows:

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
1 to 3 months	2,893,724	2,132,189
4 to 6 months	24,776	45,774
7 to 9 months	3,384	27,092
	2,921,884	2,205,055

14 OTHER INCOME

	Unaudited Six months ended 30 June 2007 RMB'000	2006 RMB'000
Information technology services fees	12,789	42,213
Interest income	41,690	37,489
Gain on de-recognition of container assets under finance leases and finance lease liabilities (Note 7)	127,383	–
Foreign exchange gains	6,034	–
	187,896	79,702



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

15 OPERATING PROFIT

Operating profit is stated after charging the followings:

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Cost of bunkers consumed	3,383,427	2,956,950
Depreciation:		
– Owned container vessels chartered-out under operating leases	6,621	7,231
– Other owned assets	356,582	319,136
– Containers under finance leases	154,241	228,732
	517,444	555,099
Operating lease rental:		
– Container vessels	1,413,066	1,245,606
– Containers	425,010	282,366
– Buildings	22,714	20,348
	1,860,790	1,548,320
Employee benefit expenses	481,031	330,811
Provision for impairment of receivables	14,533	17,509
Foreign exchange losses	–	23,450

16 FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Interest expenses:		
– bank loans	173,263	168,476
– finance lease obligations	99,133	138,913
Total interest expenses	272,396	307,389
Less: amount capitalised in vessels under construction	(56,147)	(61,087)
	216,249	246,302

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

17 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Current income tax		
– Hong Kong profits tax (note (i))	–	159
– PRC enterprise income tax (note (ii))	15,096	7,334
Deferred taxation (note (iii))	197,911	80,780
	213,007	88,273

Notes:

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the six months ended 30 June 2007.

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

According to the relevant laws and regulations in the PRC, the EIT rate applicable to the Company is 15%. The Company's other subsidiaries incorporated in the PRC are subject to EIT at rates ranging from 0% to 33% (2006: 0% – 33%) for the six months ended 30 June 2007.

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

(iii) Deferred taxation

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

18 DIVIDENDS

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 existing shareholders 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 will be distributed in the form of cash dividend, the detailed amount and distribution method of which shall be formulated and implemented by the directors as authorized by shareholders at the general meeting. Such proposed special bonus shares are not reflected as dividend payables or share capital in the Company's financial statements for the period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

19 EARNINGS PER SHARE

Basic earnings per share is based on the profit attributable to equity holders of the Company of RMB 1,155,110,000 (2006: RMB 81,194,000) and 6,030,000,000 (2006: 6,030,000,000) shares in issue during the period.

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

20 COMMITMENTS

(a) Capital commitments

As at 30 June 2007 and 31 December 2006, the Group had the following significant capital commitments which were not provided for in the balance sheets:

	Unaudited	Audited
	30 June	31 December
	2007	2006
	RMB'000	RMB'000
Contracted but not provided for:		
– Vessels under construction	3,896,455	4,100,999

(b) Purchase commitments

As at 30 June 2007 and 31 December 2006, the Group had the following significant purchase commitments which were not provided for in the balance sheets:

	Unaudited	Audited
	30 June	31 December
	2007	2006
	RMB'000	RMB'000
Contracted but not provided for:		
– Purchase of bunkers	624,243	1,754,165

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

20 COMMITMENTS *(Continued)*

(c) Lease commitments

As at 30 June 2007 and 31 December 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited	Audited
	30 June	31 December
	2007	2006
	RMB'000	RMB'000
Buildings:		
– Within one year	40,064	44,339
– In the second to fifth year	52,803	62,835
– After the fifth year	3,639	4,248
	96,506	111,422
Vessels chartered-in and containers under operating leases:		
– Within one year	2,902,185	2,935,592
– In the second to fifth year	6,303,581	6,940,418
– After the fifth year	3,896,495	3,825,150
	13,102,261	13,701,160
	13,198,767	13,812,582

21 CONTINGENT LIABILITIES

As at 30 June 2007, the Group did not have any material contingent liabilities.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

22 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the periods and balances arising from related party transactions for the six months ended 30 June 2007.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Significant transactions with related parties:

	Note	Unaudited	
		Six months ended 30 June	
		2007	2006
		RMB'000	RMB'000
Transactions with fellow subsidiaries			
Revenue:			
Information technology services	(i)	12,789	42,213
Lease of containers	(ii)	10,481	3,745
Liner services	(i)	838,563	938,477
Lease of vessels	(i)	14,961	–
Expense:			
Interest element of finance lease obligations in connection			
with lease of containers	(ii)	–	77,507
Operating lease of containers	(ii)	226,873	–
Lease of chassis	(i)	14,696	12,586
Lease of properties	(ii)	2,106	7,759
Cargo and liner agency services	(i)	281,697	184,312
Container management services	(i)	368,441	337,313
Time charter services	(i)	204,157	140,216
Bareboat charter services	(i)	40,261	22,109
Ship repair services	(i)	23,284	25,752
Supply of fresh water, vessel fuel, lubricants, spare parts			
and other materials	(i)	387,278	186,817
Depot services	(i)	10,363	8,340
Information technology services	(i)	5,300	8,957
Provision of motor vehicles	(i)	117	1,282
Provision of crew members	(i)	15,028	87,865
Loading and unloading services	(i)	463,545	402,265
Sub-route services	(i)	–	84,480
Ground container transport costs	(i)	210,750	13,068

Notes:

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Significant transactions with related parties: (Continued)

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Transactions with other state-owned enterprises		
Revenue:		
Interest income from bank deposits	5,562	7,695
Expenses:		
Port charges	1,712,641	1,711,818
Purchase of bunkers and spare parts	387,278	242,179
Interest expenses	109,887	102,452
Vessel maintenance costs	50,002	41,888
Others:		
Progress payment made on construction of vessels	222,520	1,392,778

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

22 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) *Balances with related parties:*

	Unaudited	Audited
	30 June	31 December
	2007	2006
	RMB'000	RMB'000
Balances with fellow subsidiaries		
Trade receivables <i>(note (i))</i>	2,532,260	1,992,363
Less: provisions	(75,967)	(59,771)
	2,456,293	1,932,592
<hr/>		
Trade payables <i>(note (i))</i>	255,549	259,834
Finance lease obligations <i>(note 7)</i>	–	957,684
	255,549	1,217,518
<hr/>		
Balances with China Shipping (Group) Company		
Dividend payable	144,400	–
<hr/>		

Notes:

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

	Unaudited	Audited
	30 June	31 December
	2007	2006
	RMB'000	RMB'000
Balances with other state-owned enterprises		
Bank deposits <i>(note (i))</i>	2,612,681	1,350,583
Bank loans <i>(note (ii))</i>	3,648,660	5,064,810
Other payables <i>(note (iii))</i>	583,393	985,105
<hr/>		



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) *Balances with related parties*

Notes:

- (i) Interest of bank deposits is at market rates ranging from 0.72% to 3.6% per annum (As at 31 December 2006: from 0.72% to 3.6% per annum).
- (ii) As at 30 June 2007, the bank loans were secured by legal mortgage over certain container vessels and vessels in construction with net book value of approximately RMB 4,861,267,000 for the Group (As at 31 December 2006: RMB 4,941,694,000).
- (iii) These balances arose from the ordinary course of the Group's business and are unsecured and interest free.

(c) *Key management compensation:*

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Salaries and other short-term employee benefits	1,216	1,181
Post employment benefits	712	472
	1,928	1,653

23 EVENTS AFTER THE BALANCE SHEET DATE

The following significant events took place subsequent to 30 June 2007:

(a) *Proposed special dividend*

At a Board meeting of the Company held on 8 August 2007, the directors proposed a special dividend of RMB3,316,500,000 be distributed as bonus shares each at par value to existing shareholders ("Bonus Issue"). Details of the proposed special dividend are set out in Note 18 above.

(b) *Proposed A share issue ("A Share Issue")*

The Board of the Company announced on 8 August 2007 that, subject to shareholders' approval at the extraordinary general meeting of the Company ("EGM") and the separate Class Meetings, the Company will apply (i) to the relevant authorities for regulatory approvals for the allotment and issue of not more than the higher of (a) 1,507,500,000 A Shares; or (b) 20% of the enlarged issued share capital of the Company immediately after completion of the proposed A Share Issue and the Bonus Issue, and (ii) to the Shanghai Stock Exchange for the listing of and dealings in its A Shares. The A Share Issue is subject to approvals from shareholders of the Company at the EGM and the separate Class Meetings, the China Securities Regulatory Commission, and other relevant authorities.

The net proceeds from the A Share Issue, after deducting related expenses, will be used to (i) construct container vessels; (ii) purchase assets related to container transportation business; (iii) strengthen the Company's working capital base; and (iv) repay bank loans.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

23 EVENTS AFTER THE BALANCE SHEET DATE *(Continued)*

(c) Acquisition of vessels

The Board of the Company announced on 8 August 2007 that the Company entered into agreements with Samsung Heavy Industries Co., Ltd., a third party, in respect of the purchase of eight container vessels (the "Acquisition"). The aggregate consideration payable for the Acquisition amounts to US\$1,359,840,000 (equivalent to approximately HK\$10,402,776,000).

The Acquisition constitutes a major transaction of the Company under The Rules Governing the Listing of Securities in Hong Kong. A circular containing, among other things, further details of the Acquisition will be dispatched to the shareholders of the Company in due course.