



中海集裝箱運輸股份有限公司

China Shipping Container Lines Company Limited*

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

(Stock code: 02866)

**ANNOUNCEMENT OF THE UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	1H2009 <i>(RMB)</i> (Unaudited)	1H2008 <i>(RMB)</i> (Unaudited and restated)	Change
Revenue	8,929,434,000	18,429,016,000	-51.5%
Operating (loss)/profit	(3,189,295,000)	973,520,000	-427.6%
(Loss)/profit attributable to equity holders of the Company	(3,417,974,000)	692,335,000	-593.7%
Basic (loss)/earnings per share	(0.29)	0.06	-583.3%
Gross profit margin	-35.2%	6.7%	-41.9%
Gearing ratio	12.8%	-21.3%	34.1%

Business Highlights

- Shipping volume of the Group reached 3,183,635 TEU in the first half of year 2009, representing a decrease of 11.4% over that of the same period in 2008.
- Revenue of the Group amounted to RMB8,929,434,000 in the first half of year 2009, representing a decrease of RMB9,499,582,000 or 51.5% as compared with the same period last year.
- Shipping capacity of the Group reached 489,315 TEU as at 30 June 2009, representing a net decrease of 3,701 TEU as compared with that as at the end of 2008.
- Loaded cargo volume of China domestic trade lanes during the first half of year 2009 decreased by 0.4% as compared with the same period last year, while the revenue generated from such trade lanes decreased by 37.4%. Average revenue per TEU from China domestic trade lanes amounted to RMB1,370, representing a decrease of 37.1% as compared with the same period last year.

The board of directors (the “Board”) of China Shipping Container Lines Company Limited (“CSCL” or the “Company”) is pleased to announce the unaudited condensed consolidated interim financial information prepared under Hong Kong Financial Reporting Standards (“HKFRSs”) of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009 (the “Period”), which have been reviewed by the audit committee of the Company. Our auditor, PricewaterhouseCoopers, has reviewed the unaudited condensed consolidated interim financial information for the Period in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).

During the Period, the Group recorded a revenue of RMB8,929,434,000, representing a decrease of RMB9,499,582,000 or 51.5% over that of the same period last year. Net loss attributable to equity holders of the Company for the Period amounted to RMB3,417,974,000, representing a decrease of RMB4,110,309,000 or 593.7% as compared with the net profit of the same period last year. Basic loss per share amounted to RMB0.29, representing a decrease of 583.3% as compared with the basic earnings per share of the same period last year.

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2009

	<i>Note</i>	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		33,347,504	33,449,688
Leasehold land and land use rights		95,342	96,397
Intangible assets		12,163	12,968
Deferred income tax assets		17,096	86,912
Available-for-sale financial assets		163,300	163,300
Investment in an associated company		38,810	38,915
Investment in jointly controlled entities		1,091,962	1,073,811
Total non-current assets		34,766,177	34,921,991
Current assets			
Inventories		650,241	471,635
Trade and notes receivables	4	2,010,554	2,264,752
Prepayments and other receivables		220,960	384,191
Cash and cash equivalents		8,032,899	11,731,978
Total current assets		10,914,654	14,852,556
Total assets		45,680,831	49,774,547
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		11,683,125	11,683,125
Other reserves		17,669,403	17,709,662
(Accumulated losses)/retained earnings		(1,049,900)	2,368,074
		28,302,628	31,760,861
Minority interests		723,220	735,050
Total equity		29,025,848	32,495,911
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings		4,783,355	4,231,712
Domestic corporate bonds		1,781,166	1,779,274
Finance lease obligations		1,804,454	2,064,032
Deferred income tax liabilities		78,173	53,535
Total non-current liabilities		8,447,148	8,128,553

	<i>Note</i>	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Restated)
Current liabilities			
Trade payables	5	4,188,176	3,283,833
Accrual and other payables		530,965	811,098
Short-term bank borrowings		50,000	1,553,612
Long-term bank borrowings – current portion		2,818,981	2,621,874
Finance lease obligations – current portion		521,981	531,659
Current income tax liabilities		72,732	323,007
Provision		25,000	25,000
		<hr/>	<hr/>
Total current liabilities		8,207,835	9,150,083
		<hr/>	<hr/>
Total liabilities		16,654,983	17,278,636
		<hr/>	<hr/>
Total equity and liabilities		45,680,831	49,774,547
		<hr/> <hr/>	<hr/> <hr/>
Net current assets		2,706,819	5,702,473
		<hr/> <hr/>	<hr/> <hr/>
Total assets less current liabilities		37,472,996	40,624,464
		<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

		Six months ended 30 June	
	<i>Note</i>	2009	2008
		RMB'000	RMB'000
		(Unaudited)	(Unaudited and restated)
Revenue	3	8,929,434	18,429,016
Costs of services		<u>(12,074,234)</u>	<u>(17,196,042)</u>
Gross (loss)/profit		(3,144,800)	1,232,974
Other gains/(losses), net	7	70,667	(261,580)
Other income	8	92,460	264,116
Selling, administrative and general expenses		<u>(207,622)</u>	<u>(261,990)</u>
Operating (loss)/profit	6	(3,189,295)	973,520
Finance costs	9	(146,119)	(162,820)
Share of loss of an associated company		(102)	(3,974)
Share of profits of jointly controlled entities		<u>7,225</u>	<u>22,350</u>
(Loss)/profit before income tax		(3,328,291)	829,076
Income tax expense	10	<u>(87,748)</u>	<u>(120,447)</u>
(Loss)/profit for the period		<u>(3,416,039)</u>	<u>708,629</u>
Attributable to:			
Equity holders of the Company		(3,417,974)	692,335
Minority interests		<u>1,935</u>	<u>16,294</u>
		<u>(3,416,039)</u>	<u>708,629</u>
Dividends	11	<u>–</u>	<u>–</u>
(Loss)/earnings per share attributable to equity holders of the Company (Expressed in RMB per share)			
– Basic and diluted	12	<u>RMB(0.29)</u>	<u>RMB0.06</u>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(3,416,039)	708,629
Other comprehensive (expenses)/income		
Currency translation differences, net of tax	<u>(17,584)</u>	<u>(124,052)</u>
Total comprehensive (expenses)/income for the period	<u>(3,433,623)</u>	<u>584,577</u>
Total comprehensive (expenses)/income attributable to:		
Equity holders of the Company	(3,435,558)	568,283
Minority interests	<u>1,935</u>	<u>16,294</u>
	<u>(3,433,623)</u>	<u>584,577</u>

NOTES:

1 BASIS OF PREPARATION

1.1 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’.

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2008, which have been prepared in accordance with HKFRSs.

1.2 Adoption of merger accounting

In October 2008, the Group acquired from China Shipping (Group) Company (“China Shipping Group”, the ultimate holding company) the 100% equity interests in China Shipping Terminal Development Co., Ltd. (“CS Terminal”) at a cash consideration of RMB2,661,837,000.

In March 2009, the Group acquired from China Shipping Group and Hang Lim Co., Ltd. (a third party) the 51% and 24.5% equity interests in Shanghai Incheon International Ferry Co., Ltd. (“Shanghai Incheon”) at cash considerations of RMB21,678,000 and RMB10,414,000 respectively.

CS Terminal and Shanghai Incheon are collectively referred to as the “Acquired Subsidiaries”. The Group and the Acquired Subsidiaries are under common control of China Shipping Group. The Group has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by HKICPA to account for the purchases of the equity interests in the Acquired Subsidiaries during the periods, as if the acquisitions had been occurred from 1 January 2008, the beginning of the earliest financial period presented.

Accordingly, this unaudited condensed consolidated interim financial information included the financial information of the Group and the Acquired Subsidiaries as if they had been combined from the beginning of the earliest financial period presented. The net assets of the Group and the Acquired Subsidiaries are combined using the existing book values from the controlling party’s perspective. No amount is recognised in consideration for goodwill or excess of the Group’s interest in the net fair value of the Acquired Subsidiaries’ identifiable assets, liabilities and contingent liabilities over cost of acquisition at the time of the common control combination. The unaudited condensed consolidated interim income statement includes the results of the Group and the Acquired Subsidiaries from 1 January 2008, the beginning of the earliest financial period presented, regardless of the date of the common control combination.

The comparative amounts in the unaudited condensed consolidated interim financial information is restated and presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter. The impact on the consolidated reserves of the Group arising from the common control combination is disclosed in Note 13 to this interim financial information.

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

2 SIGNIFICANT ACCOUNTING POLICIES

Except as set out below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009

Relevant to the Group's operations:

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial information have been prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that makes strategic decisions. It is not expected to have a material impact on the Group's financial statements as the present segments information has been identified on the basis of internal reports reviewed by the decision-maker.

- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 31 December 2009.
- HKAS 23 (amendment), 'Borrowing costs'. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 'Financial Instruments: Recognition and Measurement'. This eliminates the inconsistency of terms between HKAS 39 and HKAS 23.
- HKFRS 2 (amendment), 'Share-based payment'. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions.

Not relevant to the Group's operations:

- HKAS 32 (amendment), 'Financial instruments: presentation'.
- HK(IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- HK(IFRIC) 13, 'Customer loyalty programmes'.
- HK(IFRIC) 15, 'Agreements for the construction of real estate'.
- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'.
- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted by the Group.

- HKFRS 3 (revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009.
- HK(IFRIC) 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009.
- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009.

HKICPA's improvements to HKFRS published in May 2009:

- Amendment to HKFRS 2 'Share-based payments', effective for periods beginning on or after 1 July 2009.
- Amendment to HKFRS 8 'Operating segments', effective for periods beginning on or after 1 January 2010.
- Amendment to HKAS 7 'Statement of cash flows', effective for periods beginning on or after 1 January 2010.
- Amendment to HKAS 17 'Leases', effective for periods beginning on or after 1 January 2010.
- Amendment to HKFRS 5 'Non-current Assets held for sale and discontinued operations', effective for periods beginning on or after 1 January 2010.
- Amendment to HKAS 1 'Presentation of financial statements', effective for periods beginning on or after 1 January 2010.
- Amendment to HKAS 36 'Impairment of assets', effective for periods beginning on or after 1 January 2010.
- Amendment to HKAS 38 'Intangible assets', effective for periods beginning on or after 1 July 2009.
- Amendment to HKAS 39 'Financial instruments: recognition and measurement', effective for periods beginning on or after 1 January 2010.
- Amendment to HK(IFRIC) 9 'Reassessment of embedded derivatives', effective for periods beginning on or after 1 July 2009.
- Amendment to HK(IFRIC) 16 'Hedges of a net investment in a foreign operation', effective for periods beginning on or after 1 July 2009.

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

3 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors. The decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The decision-maker considers the business from both a geographic and business perspective. From a geographic perspective, the decision-maker assesses the revenue from the world's major trade lanes including Pacific, Europe/Mediterranean, Asia Pacific, China Domestic and Others. From a business perspective, the decision-maker assesses the performance of container shipping and related business and container terminal and related business.

Sales between segments are carried out on terms mutually agreed amongst those business segments.

The decision-maker assesses the performance of the operating segments based on a measure of operating profit, which is reconciled to profit before tax. This measurement is consistent with that in the annual financial statements.

Revenue by trade lanes is set as below:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Pacific	3,127,756	5,658,779
Europe/Mediterranean	1,728,987	5,975,410
Asia Pacific	1,438,777	2,888,347
China Domestic	1,716,894	2,740,778
Others	917,020	1,165,702
	8,929,434	18,429,016

The segment information for the six months ended 30 June 2009 is as follows:

	Container shipping and related business RMB'000	Container terminal and related business RMB'000	Inter-segment elimination RMB'000	Group RMB'000
Segment results for the six months ended 30 June 2009 (Unaudited)				
Revenue from external customers	8,830,678	98,756	–	8,929,434
Inter-segment revenue	–	67,310	(67,310)	–
Total segment revenue	<u>8,830,678</u>	<u>166,066</u>	<u>(67,310)</u>	<u>8,929,434</u>
Segment operating (loss)/profit	(3,253,652)	64,357	–	(3,189,295)
Finance costs	(114,816)	(31,303)	–	(146,119)
Share of (losses)/profits of				
– an associated company	(102)	–	–	(102)
– jointly controlled entities	698	6,527	–	7,225
Segment (loss)/profit before income tax	(3,367,872)	39,581	–	(3,328,291)
Income tax expense				(87,748)
Loss for the period				<u>(3,416,039)</u>
Other items				
Depreciation and amortisation	712,520	40,939	–	753,459
Capital expenditure	512,871	196,241	–	709,112
Segment assets and liabilities as at 30 June 2009 (Unaudited)				
Segment assets	40,577,990	3,813,145	(21,472)	44,369,663
Jointly controlled entities	38,291	1,053,671	–	1,091,962
An associated company	38,810	–	–	38,810
Available-for-sale financial assets	–	163,300	–	163,300
Unallocated assets				17,096
Total assets				<u>45,680,831</u>
Segment liabilities	14,369,857	2,155,693	(21,472)	16,504,078
Unallocated liabilities				150,905
Total liabilities				<u>16,654,983</u>

The segment information for the six months ended 30 June 2008 is as follows:

	Container shipping and related business <i>RMB'000</i>	Container terminal and related business <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Group <i>RMB'000</i>
Segment results for the six months ended 30 June 2008 (Unaudited and restated)				
Revenue from external customers	18,297,209	131,807	–	18,429,016
Inter-segment revenue	–	79,349	(79,349)	–
Total segment revenue	<u>18,297,209</u>	<u>211,156</u>	<u>(79,349)</u>	<u>18,429,016</u>
Segment operating profit	885,103	88,417	–	973,520
Finance costs	(126,926)	(35,894)	–	(162,820)
Share of (losses)/profits of				
– an associated company	(3,974)	–	–	(3,974)
– jointly controlled entities	471	21,879	–	22,350
Segment profit before income tax	754,674	74,402	–	829,076
Income tax expense				(120,447)
Profit for the period				<u>708,629</u>
Other items				
Depreciation and amortisation	590,747	39,754	–	630,501
Capital expenditure	4,751,196	259,247	–	5,010,443
Segment assets and liabilities as at 31 December 2008 (Restated)				
Segment assets	44,722,800	3,703,529	(14,720)	48,411,609
Jointly controlled entities	60,253	1,013,558	–	1,073,811
An associated company	38,915	–	–	38,915
Available-for-sale financial assets	–	163,300	–	163,300
Unallocated assets				86,912
Total assets				<u>49,774,547</u>
Segment liabilities	14,882,851	2,033,963	(14,720)	16,902,094
Unallocated liabilities				376,542
Total liabilities				<u>17,278,636</u>

Segment assets are those operating assets that are employed by a segment in its operating activities. They exclude deferred income tax assets. Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include income tax liabilities.

Unallocated assets mainly represent deferred tax assets. Unallocated liabilities mainly represent deferred tax liabilities and current tax liabilities.

The directors of the Company (the “Directors”) consider that the nature of the Group’s business precludes a meaningful allocation of the Group’s non-current assets of container shipping business to specific geographical segments as they mainly include container vessels and containers which are utilised across geographical markets for shipment of cargoes throughout the world. All of the Group’s container terminals are located in the People’s Republic of China (“PRC”).

4 TRADE AND NOTES RECEIVABLES

	30 June 2009 RMB’000 (Unaudited)	31 December 2008 RMB’000 (Restated)
Trade receivables		
– Fellow subsidiaries	373,687	489,494
– Others	<u>1,478,868</u>	<u>1,541,861</u>
	1,852,555	2,031,355
Note receivables	<u>157,999</u>	<u>233,397</u>
	<u>2,010,554</u>	<u>2,264,752</u>

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

	30 June 2009 RMB’000 (Unaudited)	31 December 2008 RMB’000 (Restated)
Within 3 months	1,808,847	2,057,166
4 to 6 months	82,488	124,381
7 to 9 months	122,749	63,278
10 to 12 months	53,777	52,254
Over one year	<u>–</u>	<u>49,961</u>
	2,067,861	2,347,040
Less: provision for impairment of receivables	<u>(57,307)</u>	<u>(82,288)</u>
	<u>2,010,554</u>	<u>2,264,752</u>

Credit terms in the range within 3 months are granted to those customers with good payment history.

5 TRADE PAYABLES

	30 June 2009 RMB’000 (Unaudited)	31 December 2008 RMB’000 (Restated)
Trade payables		
– Fellow subsidiaries	1,209,326	763,421
– Others	<u>2,978,850</u>	<u>2,520,412</u>
	4,188,176	3,283,833
	<u>4,188,176</u>	<u>3,283,833</u>

The ageing analysis of trade payables is as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Restated)
Within 3 months	4,005,479	3,241,536
4 to 6 months	88,575	24,034
7 to 9 months	93,672	18,263
9 to 12 months	450	–
	<u>4,188,176</u>	<u>3,283,833</u>

6 OPERATING (LOSS)/PROFIT

The following items have been charged/(credited) to the operating (loss)/profit during the period:

	Six months ended 30 June 2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited and restated)
Costs of bunker consumed	2,485,740	4,691,536
Depreciation and amortisation	753,459	630,501
Operating lease rental	1,991,549	1,846,266
Reversal of provision for impairment of receivables	(24,981)	(4,593)
	<u>2,485,740</u>	<u>4,691,536</u>

7 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June 2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited and restated)
Net foreign exchange gains/(losses)	67,861	(276,220)
Net losses on the forward foreign exchange contracts	–	(4,214)
Net gains on disposal of property, plant and equipment	2,806	18,854
	<u>70,667</u>	<u>(261,580)</u>

8 OTHER INCOME

	Six months ended 30 June 2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited and restated)
Interest income	72,065	243,203
Dividend income from available-for-sale financial assets	20,395	20,913
	<u>92,460</u>	<u>264,116</u>

9 FINANCE COSTS

	Six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited and restated)
Interest expenses:		
– Bank borrowings	129,170	162,203
– Domestic corporate bonds	41,625	41,579
– Finance lease obligations	48,148	79,246
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Total interest expenses	218,943	283,028
Less: amount capitalised in vessels under construction	(72,824)	(120,208)
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	146,119	162,820
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10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited and restated)
Current income tax		
– Hong Kong profits tax	–	2,417
– PRC corporate income tax	8,064	31,443
Deferred taxation	79,684	86,587
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	87,748	120,447
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Note

Taxes on income for the interim periods are accrued using the tax rate that would be applicable to the expected total annual earnings. The tax rates of the Group's companies applied during the interim periods are set out below:

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the six months ended 30 June 2009. No Hong Kong profits tax has been provided for the six months ended 30 June 2009 as there were no estimated assessable profits.

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

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

The Company is a joint stock limited company under the Company Law of the PRC and is registered in the Pudong New District, Shanghai. The original CIT rate applicable to the Company was 15%. Subsequent to the application of the new CIT Law, the CIT rate applicable to the Company will increase gradually to 25% within 5 years from 2008 to 2012. This applicable income tax rate for the six months ended 30 June 2009 is 20%.

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

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

Deferred taxation mainly relates to deferred tax liabilities provided at a fixed rate approved by the PRC tax authority on the profits of overseas subsidiaries which are subject to CIT and payable upon profit remittance to the Company.

11 DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

12 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
(Loss)/profit attributable to equity holders of the Company	(3,417,974)	692,335
Weighted average number of ordinary shares in issue (thousands)	11,683,125	11,683,125
Basic (loss)/earnings per share (RMB per share)	RMB (0.29)	RMB0.06

Diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share, as the Company does not have any potential dilutive ordinary shares during the period ended 30 June 2009 (2008: Nil).

13 BUSINESS COMBINATIONS UNDER COMMON CONTROL

As mentioned in Notes 1.2 above, in March 2009, the Group acquired Shanghai Inchon from Hang Lim Co., Ltd. and China Shipping Group. Total consideration for the acquisition amounted to approximately RMB32,092,000.

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

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheet as at 30 June 2009 and 31 December 2008.

As at 30 June 2009

	The Group excluding Shanghai Inchon RMB'000	Shanghai Inchon RMB'000	Adjustments RMB'000	Consolidated RMB'000
ASSETS				
Available-for-sale financial assets	163,300	–	–	163,300
Investment in an associated company	38,810	–	–	38,810
Investment in jointly controlled entities	1,091,962	–	–	1,091,962
Investment in a subsidiary of the Company	32,092	–	(32,092)	–
Other non-current assets	33,470,761	1,344	–	33,472,105
Current assets	10,864,799	56,148	(6,293)	10,914,654
Total assets	45,661,724	57,492	(38,385)	45,680,831
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	11,683,125	16,558	(16,558)	11,683,125
Other reserves	17,683,633	1	(14,231)	17,669,403
(Accumulated losses)/retained earnings	(1,058,770)	18,847	(9,977)	(1,049,900)
	28,307,988	35,406	(40,766)	28,302,628
Minority interests	714,546	–	8,674	723,220
Total equity	29,022,534	35,406	(32,092)	29,025,848
LIABILITIES				
Non-current liabilities	8,447,148	–	–	8,447,148
Current liabilities	8,192,042	22,086	(6,293)	8,207,835
Total liabilities	16,639,190	22,086	(6,293)	16,654,983
Total equity and liabilities	45,661,724	57,492	(38,385)	45,680,831

As at 31 December 2008

	The Group excluding Shanghai Inchon <i>RMB'000</i>	Shanghai Inchon <i>RMB'000</i>	Adjustments <i>RMB'000</i>	Consolidated <i>RMB'000</i>
ASSETS				
Available-for-sale financial assets	163,300	–	–	163,300
Investment in an associated company	38,915	–	–	38,915
Investment in jointly controlled entities	1,073,811	–	–	1,073,811
Other non-current assets	33,645,538	427	–	33,645,965
Current assets	14,795,656	73,395	(16,495)	14,852,556
Total assets	49,717,220	73,822	(16,495)	49,774,547
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	11,683,125	16,558	(16,558)	11,683,125
Other reserves	17,701,217	1	8,444	17,709,662
Retained earnings	2,354,052	27,494	(13,472)	2,368,074
	31,738,394	44,053	(21,586)	31,760,861
Minority interests	713,464	–	21,586	735,050
Total equity	32,451,858	44,053	–	32,495,911
LIABILITIES				
Non-current liabilities	8,128,553	–	–	8,128,553
Current liabilities	9,136,809	29,769	(16,495)	9,150,083
Total liabilities	17,265,362	29,769	(16,495)	17,278,636
Total equity and liabilities	49,717,220	73,822	(16,495)	49,774,547

Note:

The above adjustments represent adjustments to eliminate the share capital of Shanghai Inchon against the investment cost and related minority interests. The difference was made to the other reserve in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating environment

Adversely affected by the financial crisis, the consumption of the world's major economies plummeted rapidly, the world trade shrank and in addition, the newly added shipping capacity adversely affected various trade lanes. As a result, the international container transportation market was adversely affected.

In the first half of 2009, China's total import and export value in foreign trade decreased by approximately 23.4% compared with the same period last year. For China's container market, during the period from January to June, the total container throughput handled by ports (with annual container throughput over 2 million TEU in 2008) was 55.97 million TEU, representing a decrease of approximately 11% (Source: Ministry of Transport of the PRC).

Meanwhile, the deployment of newly added shipping capacity and the idle shipping capacity in the market have also significantly threatened the stability of the freight rates of the container shipping market.

Performance analysis

The Group recorded a revenue of RMB8,929,434,000 in the first half of year 2009, representing a decrease of RMB9,499,582,000 or 51.5% over that of the same period last year. Net loss attributable to equity holders of the Company was RMB3,417,974,000, representing a decrease of RMB4,110,309,000 or 593.7% as compared with the net profit of the same period last year. Basic loss per share amounted to RMB0.29, representing a decrease of RMB0.35 or 583.3% as compared with the basic earnings per share of the same period last year.

Analysis of loaded container volume by trade lanes

Principal Market	1H2009(TEU) (Unaudited)	1H2008(TEU) (Unaudited and restated)	Change (%)
Pacific Ocean	565,307	680,524	-16.9%
Europe/Mediterranean	557,547	701,162	-20.5%
Asia Pacific	736,422	857,473	-14.1%
China domestic	1,253,522	1,258,096	-0.4%
Others	70,837	96,310	-26.4%
Total	3,183,635	3,593,565	-11.4%

Operational revenue by trade lanes

Principal Market	1H2009 (RMB'000) (Unaudited)	1H2008 (RMB'000) (Unaudited and restated)	Change (%)
Pacific Ocean	3,127,756	5,658,779	-44.7%
Europe/Mediterranean	1,728,987	5,975,410	-71.1%
Asia Pacific	1,438,777	2,888,347	-50.2%
China domestic	1,716,894	2,740,778	-37.4%
Others	917,020	1,165,702	-21.3%
Total	<u>8,929,434</u>	<u>18,429,016</u>	<u>-51.5%</u>

The substantial decline of the Group's operating results for the Period as compared with the same period last year was mainly due to the following reasons:

The shrinkage of world trade directly led to a decrease in cargo volume. Meanwhile, excessive shipping capacity in the market also directly led to fierce competition and a decrease in freight rates, which adversely affected the revenue of international trade lanes and in turn resulted in a decrease in the Group's revenue.

Although the cargo volume of coastal transportation remained stable as a result of domestic economic stimulus plan, excessive shipping capacity caused the freight rates to drop significantly as compared with the same period last year. During the Period, the Group's cargo volume for international trade lanes decreased by 17.4% as compared with the same period last year, average revenue per TEU decreased by 46.5% as compared with the same period last year, cargo volume of China domestic trade lanes slightly decreased by 0.4% as compared with the same period last year and average revenue per TEU from China domestic trade lanes decreased by 37.1% as compared with the same period last year.

Cost analysis

During the Period, the Group's costs of services have decreased by a certain extent as compared with the same period last year. The total costs of services for the first half of the year were RMB12,074,234,000, representing a decrease of approximately 29.8% as compared with the same period last year. Such decrease was mainly due to the fact that the Group adopted various stringent cost control measures to lower the costs significantly.

Container costs decreased by 35.2% as compared with the same period last year. This was mainly due to the Group's increasing efforts in container management, such as using the Group's ability to allocate its resources in a flexible manner, repositioning containers back to the Far East from Europe and the U.S where storage cost was higher, and further enforcing termination of container leases. In addition, the decline in the volume of loaded cargoes and reduction in the expenses for reposition of empty containers and costs of empty containers storage, as well as a decrease in average container volume of 3.8% as compared with the same period last year also contributed to the lower container costs.

Port charges and stevedore charges decreased by 32.3% as compared with the same period last year. This was achieved through various measures adopted by the Group, such as cutting back transshipment lanes, reducing port calling, transshipment loading and unloading, as well as negotiating actively with port operators to reduce the relevant expenses.

Future plans and prospects

The second half of the year is generally the traditional peak season of the shipping industry. For the period from July to August, the cargo volume and freight rates of each trade lane enjoyed a different degree of rebound. Nevertheless, the trend of the global economy and the shipping market are still uncertain. Given the current market situation and recent performance of surrounding economies as well as the successive launch of various policies which aim at developing Shanghai as a financial and shipping center, the Group believes that along with the economic recovery, the liner industry will gradually get out from the trough.

In view of the economic crisis, the Group will respond imperturbably and will also adopt the following measures to tackle the future changes in the market:

- (1) The Group will increase its utilisation rate of shipping capacity, enhance its cooperation strategy, improve shipping capacity of domestic trade lanes, optimise international trade lanes and allocation of shipping capacity and follow the strategy of “broad partnership”.

Currently, the Group has established cooperation relationship with most of the top 20 liner shipping companies. Such cooperation will involve joint investment in vessels for major Europe and US trade lanes and sharing of port usage resources etc.

- (2) The Group will strengthen its sales and marketing and innovate new marketing model.
- (3) The Group will grasp the market trend and adjust freight rates to follow the market in a timely manner.
- (4) The Group will explore cost control potential by implementing the following measures:
 - a. Effectively control fuel consumption cost. For the year 2009, the Group has purchased 420,000 tons of fuel at a pre-determined price, of which 270,000 tons were consumed in the first half of 2009, which saved fuel expenditure of approximately US\$12.93 million for the Group. Without failing to meet the relevant shipping schedules, the fuel consumption of approximately 458,000 tons was saved through economic speed of vessels;
 - b. Further enhance the cost control for container management, strengthen lease termination, control the utilisation of the containers in possession, further adjust container group structure, reduce rental expenditure and optimise the ratio of containers;
 - c. Taking into account different characteristics of different ports, strive for the best port charges offered, and optimise route design and rationalise port calling;

- d. Optimise transshipment routes and reduce transshipment cost by striking a further balance between containers in and out at inland points; and
 - e. Increase containers' commercial operating costs and improve vessel chartering management.
- (5) Reinforce internal control management and increase the integrated ability to prevent and control risk.
- (6) Optimise fleet structure. The Group will actively adjust its fleet structure and tackle the crisis through various methods, such as speeding up the disposal of obsolete vessels. Meanwhile, the Group will arrange for the termination of high rental vessel leases upon expiry.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's principal source of liquidity is cash flow from operations and bank borrowings. The Group's cash has mainly been used in paying for operating costs, borrowings repayments and construction of new vessels and containers. For the Period, the Group generated a net operating cash outflow of RMB1,889,151,000 and the Group had a cash balance of RMB8,032,899,000 as at 30 June 2009.

As at 30 June 2009, the Group's total bank borrowings were RMB7,652,336,000. The maturity profile is spread over a period between 2009 and 2019, with RMB2,868,981,000 being payable within one year, RMB2,623,946,000 being payable within the second year, RMB549,278,000 being payable within the third to fifth year, and RMB1,610,131,000 being payable after the fifth year. The Group's long-term bank borrowings are mainly used to fund the construction of vessels and terminals.

As at 30 June 2009, the Group's long-term bank borrowings were secured by mortgages over several container vessels, vessels under construction, containers and terminal construction with a net book value of RMB2,310,584,000 (as at 31 December 2008: RMB2,373,710,000), and charges over shares of certain vessel owning subsidiaries.

As at 30 June 2009, the Group's 10-year bond payables amounted to RMB1,781,166,000, all proceeds were used in the construction of vessels. The bond was guaranteed by the Bank of China, Shanghai branch.

As at 30 June 2009, the Group's obligations under finance leases amounted to RMB2,326,435,000, with the maturity profile ranging from 2009 to 2015. The amount repayable within one year is RMB521,981,000, the amount repayable within the second year is RMB495,235,000, the amount repayable within the third to fifth year is RMB1,174,822,000 and the amount repayable after the fifth year is RMB134,397,000. The finance lease obligations are substantially arranged for the lease of containers, while the remaining small portion is arranged for the lease of cars.

As at 30 June 2009, the gearing ratio of the Group (i.e. the ratio of net debt over equity holders' equity) was 12.8%, which is higher than the rate of 3.2% as at 31 December 2008.

As at 30 June 2009, the Group had RMB borrowings in the amount of RMB2,114,000,000 at an annual interest rate ranging from 5.346% to 7.047%, and USD borrowings in the amount of US\$810,835,000 (equivalent to RMB5,538,336,000) at an annual floating interest rate ranging from London Interbank Offered Rate plus 0.1% to 1.5% (approximately 0.7% to 3.3%), and a fixed interest rate of 4.9%. The Group's borrowings are settled in RMB and US dollars while its 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 or external financing. The Directors will review the operating cash flow of the Group from time to time. 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. During the Period, the Group devoted much effort to improve the currency structure of assets, as a result, the Group recorded an exchange gain of approximately RMB67,861,000, and the exchange difference affected the equity of shareholders amounted to approximately RMB17,584,000 during the Period. The Group has paid close attention to the fluctuation of the RMB exchange rate, and settled foreign incomes from operating activities into RMB in a timely manner to minimise the losses brought by foreign exchange fluctuations. The Group will continue to implement the policy of timely conversion of foreign monetary assets, reduce the monetary net 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 minimise foreign exchange risks.

CAPITAL COMMITMENT

As at 30 June 2009, the capital commitments for vessels under construction and plants under construction that had been contracted but not provided to the Group amounted to RMB8,633,991,000 and RMB44,734,000, respectively. Furthermore, the operating lease commitments of the Group as a lessee relating to land and buildings, and vessels and containers, are RMB162,253,000 and RMB14,308,878,000, respectively.

CONTINGENT LIABILITIES

As at 30 June 2009, the Group had a provision of RMB25,000,000 for its outstanding legal proceedings.

SHARE CAPITAL

As at 30 June 2009, the share capital of the Company was as follows:

Types of shares	Number of shares in issue	Percentage (%)
A Shares	7,932,125,000	67.89
H Shares	3,751,000,000	32.11
Total	<u>11,683,125,000</u>	<u>100.00</u>

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 during the Period.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (2008: nil).

EMPLOYEES, TRAINING AND DEVELOPMENT

As at 30 June 2009, the Group had 3,743 employees. In addition, the Group had entered into contracts with a number of subsidiaries of China Shipping Group, pursuant to which these subsidiaries provided the Group with approximately 3,135 crew members in total who mainly work on the Group's self-owned or bareboat chartered vessels. During the Period, total staff expenses were approximately RMB557,972,000.

Remuneration of the Group's employees includes basic salaries, other allowances and performance-based bonuses. The Group has also adopted a performance discretionary incentive scheme for its staff. The scheme links 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 vary 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 has 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 TO THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LTD (THE “STOCK EXCHANGE”) (THE “LISTING RULES”)

The Board hereby confirms 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 the 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.

INTERIM REPORT

An interim report for the Period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company (<http://www.cscl.com.cn>) in due course.

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

Shanghai, the People’s Republic of China
27 August 2009

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

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