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 2012

	1H 2012	1H 2011	**Change**
	RMB	*RMB*	
	(Unaudited)	(Unaudited)	
Revenue	**15,309,835,000**	13,966,904,000	9.6%
Operating loss	**(1,029,892,000)**	(528,543,000)	94.9%
Loss attributable to owners of the parent	**(1,280,985,000)**	(630,340,000)	103.2%
Basic loss per share	**(0.11)**	(0.05)	120.0%
Gross profit margin	**(5.8%)**	(2.3%)	152.2%
Gearing ratio	**56.5%**	22.1%	155.8%

Business Highlights

- Shipping volume of the Group reached 3,959,327TEU in the first half of 2012, representing an increase of 15.2% over that of the same period of 2011.
- Revenue of the Group amounted to RMB15,309,835,000 in the first half of 2012, representing an increase of RMB1,342,931,000 or 9.6% as compared with the same period last year.
- Shipping capacity of the Group reached 616,318TEU as at 30 June 2012, representing a net increase of 12,862TEU compared with that as at the end of 2011.

The board (the "Board") of directors (the "Directors") of China Shipping Container Lines Company Limited ("CSCL" or the "Company") hereby announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 (the "Period") prepared under Hong Kong Accounting Standard 34, "Interim Financial Reporting", which has been reviewed by the audit committee of the Company. Our auditor, Ernst & Young, Certified Public Accountants, Hong Kong, 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 the Hong Kong Institute of Certified Public Accountants ("HKICPA").

During the Period, the Group recorded a revenue of RMB15,309,835,000, representing an increase of RMB1,342,931,000 or 9.6% as compared with the same period of 2011. Net loss attributable to owners of the parent for the Period amounted to RMB1,280,985,000, representing an increase of RMB650,645,000 compared with a net loss for the same period of 2011. Basic loss per share was RMB0.11.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**38,349,149**	37,049,240
Leasehold land and land use rights		**94,186**	95,388
Intangible assets		**30,292**	22,991
Deferred income tax assets		**12,610**	12,593
Available-for-sale financial assets		**362,140**	362,140
Investments in associated companies		**274,468**	257,309
Investments in jointly-controlled entities		**1,311,468**	1,294,881
Total non-current assets		**40,434,313**	39,094,542
CURRENT ASSETS			
Inventories		**1,368,554**	1,206,379
Trade and notes receivables	4	**2,348,829**	1,801,106
Prepayments and other receivables		**427,546**	237,190
Cash and cash equivalents		**13,705,204**	7,073,273
Total current assets		**17,850,133**	10,317,948
Total assets		**58,284,446**	49,412,490
EQUITY			
Equity attributable to owners of the parent			
Share capital		**11,683,125**	11,683,125
Other reserves		**17,089,188**	17,061,062
Accumulated losses		**(4,002,315)**	(2,720,854)
		24,769,998	26,023,333
Non-controlling interests		**921,713**	877,356
Total equity		**25,691,711**	26,900,689

	Notes	**30 June 2012** *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Long-term borrowings		**16,154,882**	10,808,547
Domestic corporate bonds		**1,787,853**	1,786,627
Finance lease obligations		**265,858**	124,648
Deferred income tax liabilities		**31**	31
Total non-current liabilities		**18,208,624**	12,719,853
CURRENT LIABILITIES			
Trade payables	*5*	**3,595,665**	3,820,428
Accruals and other payables		**712,833**	663,417
Short-term bank borrowings		**3,763,316**	819,117
Long-term bank borrowings – current portion		**6,066,786**	4,230,182
Finance lease obligations – current portion		**191,885**	194,729
Current income tax liabilities		**28,626**	39,075
Provisions		**25,000**	25,000
Total current liabilities		**14,384,111**	9,791,948
Total liabilities		**32,592,735**	22,511,801
Total equity and liabilities		**58,284,446**	49,412,490
Net current assets		**3,466,022**	526,000
Total assets less current liabilities		**43,900,335**	39,620,542

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**15,309,835**	13,966,904
Cost of services		**(16,191,352)**	(14,284,990)
Gross loss		**(881,517)**	(318,086)
Other gains, net	*7*	**42,475**	92,088
Other income	*8*	**256,101**	93,792
Selling, administrative and general expenses		**(446,951)**	(396,337)
Operating loss	*6*	**(1,029,892)**	(528,543)
Finance costs	*9*	**(226,985)**	(86,538)
Share of results of associated companies		**19,779**	11,627
Share of results of jointly controlled entities		**23,054**	18,731
Loss before income tax		**(1,214,044)**	(584,723)
Income tax expense	*10*	**(38,795)**	(25,951)
Loss for the period		**(1,252,839)**	(610,674)
Attributable to:			
Owners of the parent		**(1,280,985)**	(630,340)
Non-controlling interests		**28,146**	19,666
		(1,252,839)	(610,674)
Loss per share for loss attributable to owners of the parent (Expressed in RMB per share)			
– Basic and diluted	*12*	**RMB(0.11)**	RMB(0.05)
Dividends	*11*	**–**	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(1,252,839)**	(610,674)
Other comprehensive income/(loss)		
Share of other comprehensive income of jointly-controlled entities	**–**	471
Currency translation differences	**28,043**	(209,592)
Total comprehensive loss for the period	**(1,224,796)**	(819,795)
Attributable to:		
Owners of the parent	**(1,252,942)**	(839,461)
Non-controlling interests	**28,146**	19,666
	(1,224,796)	(819,795)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2012

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Standards on Accounting 34 "Interim Financial Reporting". 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 2011, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the significant accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

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

(a) New and amended standards adopted by the Group

The following new standard and amendment to standards are mandatory for the first time for the financial year beginning 1 January 2012.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of these new and revised HKFRSs had no significant financial effect on these financial statements.

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on or after 1 January 2012 and have not been early adopted:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time adoption of International Financial Reporting Standards*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 Amendments	Amendments to HKFRS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
Improvements to HKFRSs 2009-2011 Cycle	Amendments to a number of HKFRSs issued in May 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. 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 chief operating decision-maker considers the business from industry segment prospective and assesses the performance of container shipping and related business and container terminal and related business.

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

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

Unallocated assets mainly represent investments in associated companies not related to the segment and deferred income tax assets. Unallocated liabilities mainly represent deferred income tax liabilities and current income tax liabilities.

As at 30 June 2012, the investments in associated companies in the unallocated assets represent the investment in a finance company and a company engaged in providing motor transportation services.

Revenue from the major shipping lanes and other businesses is set out below:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Pacific	**4,719,399**	4,299,315
Europe/Mediterranean	**4,045,087**	3,469,337
Asia Pacific	**2,755,314**	2,295,926
China Domestic	**2,891,669**	2,864,534
Others	**898,366**	1,037,792
Turnover	**15,309,835**	13,966,904

	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 2012 (Unaudited)				
Total segment revenue	**15,112,706**	**282,705**	**(85,576)**	**15,309,835**
Less: inter-segment revenue	**–**	**(85,576)**	**85,576**	**–**
Revenue of the Group, from external customers	**15,112,706**	**197,129**	**–**	**15,309,835**
Segment operating (loss)/profit	**(1,130,591)**	**100,699**	**–**	**(1,029,892)**
Finance costs	**(205,291)**	**(21,694)**	**–**	**(226,985)**
Share of results of associated companies	**–**	**212**	**–**	**212**
Share of results of jointly controlled entities	**1,891**	**21,163**	**–**	**23,054**
Segment (loss)/profit before income tax	**(1,333,991)**	**100,380**	**–**	**(1,233,611)**
Share of results of associated companies				**19,567**
Loss before income tax				**(1,214,044)**
Income tax expense				**(38,795)**
Loss for the period				**(1,252,839)**
Other items				
Depreciation and amortisation	**717,732**	**40,535**	**–**	**758,267**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**1,968,989**	**56,364**	**–**	**2,025,353**

	Container shipping and related business *RMB'000*	Container terminal and related business *RMB'000*	Inter-segment elimination *RMB'000*	Group *RMB'000*
Segment assets and liabilities as at 30 June 2012 (Unaudited)				
Other segment assets	**52,382,176**	**4,212,584**	**(271,000)**	**56,323,760**
Jointly controlled entities	**47,395**	**1,264,073**	**–**	**1,311,468**
Associated companies	**65,471**	**20,412**	**–**	**85,883**
Available-for-sale financial assets	**–**	**362,140**	**–**	**362,140**
Total segment assets	**52,495,042**	**5,859,209**	**(271,000)**	**58,083,251**
Unallocated assets				
– Associated companies				**188,585**
– Deferred income tax assets				**12,610**
Total assets				**58,284,446**
Segment liabilities	**30,362,414**	**2,472,664**	**(271,000)**	**32,564,078**
Unallocated liabilities				
– Deferred income tax liabilities				**31**
– Current income tax liabilities				**28,626**
Total liabilities				**32,592,735**

	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 2011 (Unaudited)				
Total segment revenue	13,797,049	254,251	(84,396)	13,966,904
Less: inter-segment revenue	–	(84,396)	84,396	–
Revenue of the Group, from external customers	13,797,049	169,855	–	13,966,904
Segment operating profit/(loss)	(611,233)	82,690	–	(528,543)
Finance costs	(64,404)	(22,134)	–	(86,538)
Share of results of associated companies	–	26	–	26
Share of results of jointly controlled entities	466	18,265	–	18,731
Segment profit/(loss) before income tax	(675,171)	78,847	–	(596,324)
Share of results of associated companies				11,601
Loss before income tax				(584,723)
Income tax expense				(25,951)
Loss for the period				(610,674)
Other items				
Depreciation and amortisation	630,653	42,186	–	672,839
Additions to non-current assets (other than financial instruments and deferred income tax assets)	2,724,104	58,882	–	2,782,986

	Container shipping and related business *RMB'000*	Container terminal and related business *RMB'000*	Inter-segment elimination *RMB'000*	Group *RMB'000*
Segment assets and liabilities as at 31 December 2011 (Audited)				
Other segment assets	43,613,488	4,115,331	(243,252)	47,485,567
Jointly controlled entities	41,000	1,253,881	–	1,294,881
Associated companies	66,433	10,200	–	76,633
Available-for-sale financial assets	–	362,140	–	362,140
Total segment assets	43,720,921	5,741,552	(243,252)	49,219,221
Unallocated assets				
– Associated companies				180,676
– Deferred income tax assets				12,593
Total assets				49,412,490
Segment liabilities	20,261,181	2,454,766	(243,252)	22,472,695
Unallocated liabilities				
– Deferred income tax liabilities				31
– Current income tax liabilities				39,075
Total liabilities				22,511,801

The directors of the Company 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 PRC.

No revenue from a single customer or a group of customers under common control derived 10% or more of the Group's revenue for the six months ended 30 June 2012 and 2011.

4. TRADE AND NOTES RECEIVABLES

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Trade receivables		
– Related parties	**305,426**	172,495
– Third parties	**1,750,348**	1,285,898
	2,055,774	1,458,393
Notes receivable	**293,055**	342,713
	2,348,829	1,801,106

The aging analysis of the trade and notes receivables based on the invoice dates is as follows:

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Within 3 months	**2,028,596**	1,509,191
4 to 6 months	**248,759**	123,301
7 to 9 months	**30,448**	74,682
10 to 12 months	**74,628**	101,864
Over one year	**40,241**	41,036
	2,422,672	1,850,074
Less: provision for impairment of receivables	**73,843**	48,968
	2,348,829	1,801,106

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

5. TRADE PAYABLES

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Trade payables		
– Related parties	**220,460**	1,083,587
– Third parties	**3,375,205**	2,736,841
	3,595,665	3,820,428

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**3,308,984**	3,522,619
4 to 6 months	**152,075**	106,086
7 to 9 months	**98,378**	68,627
10 to 12 months	**36,206**	123,069
1 to 2 years	**22**	27
	3,595,665	3,820,428

6. OPERATING LOSS

The following items have been charged to the operating loss during the period:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of bunker consumed	**5,296,115**	4,234,620
Depreciation and amortisation	**758,267**	672,839
Operating lease rental	**1,403,223**	1,753,620
Provision for impairment of receivables	**26,775**	11,276

7. OTHER GAINS, NET

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange (losses)/gains	**(12,960)**	57,354
Compensation	**15,882**	–
Net gains on disposal of property, plant and equipment	**39,553**	34,734
	42,475	92,088

8. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**53,048**	61,795
Government grant related to income	**192,788**	20,335
Information services income	**3,367**	960
Dividend income from available-for-sale financial assets	**6,898**	10,702
	256,101	93,792

9. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses		
– Bank borrowings and domestic corporate bonds	**322,157**	160,321
– Finance lease obligations	**16,575**	15,679
Total interest expenses	**338,732**	176,000
Less: amount capitalised in vessels under construction and construction in progress	**111,747**	89,462
	226,985	86,538

10. INCOME TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
– PRC corporate income tax (b)	**38,795**	25,943
– Hong Kong profits tax (a)	**–**	–
Deferred income tax	**–**	8
Total tax charge for the year	**38,795**	25,951

Taxes on income for the interim period 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 period are set out below:

(a) Hong Kong profits tax

Hong Kong profits tax is provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits of the Group's companies operating in Hong Kong for the six months ended 30 June 2012.

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

The Company is a joint stock limited company under the Company Law of the PRC and is registered in the Yangshan Free Trade Port Area, Shanghai PuDong New Area. The original CIT rate applicable to the Company was 15%. Under the new CIT Law, the CIT rate applicable to the Company will increase gradually to 25% within five years from 2008 to 2012. The applicable income tax rate of the Company for the six months ended 30 June 2012 was 25%. Under the new CIT Law, except for certain subsidiaries whose CIT rates will increase gradually to 25% within five years from 2008 to 2012, the CIT rates for the subsidiaries have been changed to 25% since 1 January 2008.

Pursuant to the relevant CIT regulations, the profits derived from the Company's overseas subsidiaries are subject to CIT when dividends are declared by these overseas subsidiaries. The Company uses an applicable tax rate according to CIT regulations to calculate the tax on the profits of the overseas subsidiaries for CIT purposes.

11. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

12. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Loss attributable to owners of the parent *(RMB'000)*	**(1,280,985)**	(630,340)
Weighted average number of ordinary shares in issue *(thousands)*	**11,683,125**	11,683,125
Basic loss per share *(RMB per share)*	**RMB(0.11)**	RMB(0.05)

Diluted loss per share is the same as the basic loss per share, as the Company does not have any potentially dilutive ordinary shares during the period ended 30 June 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

At the beginning of 2012, the shipping market extended the sluggish trend of 2011. Demand from the European and U.S. economies remained weak, while the container transportation capacity expanded continuously. Fuel prices also remained persistently high, creating immense pressure on shipping companies. Market trends then showed signs of improvement, demand in container transportation increased and freight rates recovered gradually. The Group was able to grasp the opportunities in these volatile markets and correctly predict market trends, thus implementing effective measures to maximize efficiency of trade lanes. As a result, operation performance achieved vast improvement in the second quarter.

PERFORMANCE ANALYSIS

During the Period, the Group's loaded container volume was 3,959,327TEU, up by 15.2% as compared with the same period of 2011, and revenue was RMB15,309,835,000, representing an increase of RMB1,342,931,000 or 9.6% as compared with that of the same period of 2011.

LOADED CONTAINER VOLUME BY TRADE LANES

Principal Markets	**1H 2012** *(TEU)*	1H 2011 *(TEU)*	Change *(%)*
Pacific trade lanes	**637,226**	597,393	6.7%
Europe/Mediterranean trade lanes	**678,979**	533,089	27.4%
Asia Pacific trade lanes	**766,754**	623,180	23.0%
China domestic trade lanes	**1,841,693**	1,639,545	12.3%
Others	**34,675**	43,016	(19.4%)
Total	**3,959,327**	3,436,223	15.2%

REVENUE FROM OPERATIONS BY TRADE LANES

Principal Markets	**1H 2012** *(RMB'000)*	1H 2011 *(RMB'000)*	Change *(%)*
Pacific trade lanes	**4,719,399**	4,299,315	9.8%
Europe/Mediterranean trade lanes	**4,045,087**	3,469,337	16.6%
Asia Pacific trade lanes	**2,755,314**	2,295,926	20.0%
China domestic trade lanes	**2,891,669**	2,864,534	0.9%
Others	**898,366**	1,037,792	(13.4%)
Total	**15,309,835**	13,966,904	9.6%

During the Period, the Group seized the opportunity to increase the shipping capacity for international trade lanes while consolidating its market share for domestic trade lanes. The loaded container volume of the Group was 3,959,327TEU, up by 15.2% compared with the same period of last year.

International freight rate started to rise in the second quarter following a dip, an opposite trend as compared with the same period of last year. However the Group's average freight rate per TEU for international trade lanes was RMB5,585, still representing a 3.0% decrease compared with the same period of last year. The revenue per TEU for domestic trade lanes amounted to RMB1,570, down by 10.1% compared with the same period of last year.

Cost analysis

During the Period, the Group's operation costs totaled to RMB16,191,352,000, representing an increase of RMB1,906,362,000 or 13.3% as compared with the same period of 2011.

The increase in total operation costs was due to the following factors:

- During the Period, container and cargo costs amounted to RMB5,372,831,000, representing an increase of 13.8% as compared with the same period of last year, which was mainly due to a significant increase in loaded cargo volume. Port charges amounted to RMB934,423,000, remained flat as compared with the same period of last year. The Group's stevedore charges for loaded and empty containers amounted to RMB3,323,604,000 during the Period, representing an increase of 26.3% as compared with the same period of last year.

- Vessel and voyage costs for the Period amounted to RMB7,798,307,000, representing an increase of 16.7% as compared with the same period of 2011, mainly due to the increase in fuel costs. During the Period, fuel costs amounted to RMB5,296,115,000, representing an increase of 25.2% as compared with the same period last year. The increase in fuel costs was a direct result of the continual increase in international crude oil price during the first quarter of 2012. Meanwhile, the increase in shipping volume and loaded cargo volume also led to the increase in fuel consumption.

- During the Period, sub-route and other costs amounted to RMB3,020,214,000, representing an increase of 4.7% as compared with the same period of 2011. The increase was mainly a result of the effective arrangements of extended services.

OPERATION REVIEW

In the first half of 2012, in face of a complex operating environment and volatile shipping markets, the Group adopted a flexible and active business strategy with an emphasis on efficiency. The pressure from slow markets was converted into motivation for refined management, costs and expenses were strictly controlled while strong and comprehensive strategies were implemented on all aspects of production and operations.

1. The Group closely followed market changes and adjusted capacity accordingly, thus maximizing trade lanes efficiency. The Group also correctly predicted market trends and reallocated resources effectively in a volatile market, enabling it to plan capacity, grasp opportunities and enhance efficiency.

2. Practical measures were taken to reinforce cost control and to maintain a competitive advantage in the market.

   Fuel costs have always been the focal point of the Company's cost control. The Group took advantage of savings in technology, management and operations to promote extra slow steaming. The Group was also able to take advantage of volatile international fuel markets and enter into timely deals to lock in the prices of oil, thus effectively lowering fuel costs.

   For container management, the Group took advantage of the slow-moving container management market and rented containers at low cost, which guaranteed that the Company's container demands were met and also saved container rental costs.

   In addition, the Group took advantage of large vessels, upgraded trade lanes and more containers to increase bargaining power, conduct more thorough research and better control port charges.

3. More resources were put into marketing which targeted big clients. Marketing was conducted under the principles of thoughtfulness, intelligence, innovation, service and value in order to meet customer demands and build a stable, long-lasting, win-win relationship.

4. The Group strived to optimize its trade lanes through increased collaboration with external parties. Through external cooperative strategies such as joint bidding of vessels, swapping and buying of shipping space, the Group was able to lower costs, expand lane coverage and optimize lane distribution.

5. The Group also actively expanded extended services to optimize the logistics supply chain. This was done by actively developing the container business in the Yangtze River region, strengthening sea-rail joint transportation, developing logistics distribution and appropriation services to provide differentiated services and one-stop services for its customers.

6. The information systems network was reinforced, enhancing operational capability. Information construction was fully implemented while information systems was optimized, which upgraded management capabilities.

FUTURE PROSPECT

In the second half of 2012, the European economy is expected to be affected by the ongoing debt crisis while the prospect for recovery remains unclear. The U.S. economy on the other hand shows initial signs of recovery which is likely to stimulate trading demand. In Asia, the trend for steady growth will continue. With the continued increase in capacity, the supply of transportation capacity will remain greater than demand for an extended period. The container shipping market will have to endure factors such as volatile oil prices and competition as challenges and opportunities coexist.

Operating in such a complex and ever-changing market, CSCL shall endure these challenges by establishing clear corporate development strategies and cope with the ever-changing and developing shipping market through innovative business methods, management policies and thinking. The Company will continue to adhere to the principles of "cautious, flexible, controlled and exploration" for business development, to further implement refined management, enhance comprehensive competitiveness, take full advantage of its strength and explore new opportunities. In the second half of 2012, the following procedures will be firmly implemented:

1. The Group will consistently improve its service standards, starting from the details to provide customers with convenient and outstanding service. Customer needs will be addressed. The Group will also strive for excellence and provide value-added services for customers, enhancing market clustering through solid and excellent service.

2. The Group will continue to put more resources in marketing and increase the shipping volume of backhaul cargo. The Group will actively look for opportunities and develop markets, promoting innovation in the system, mechanism and method of marketing. Also, more effort will be put in establishing an overseas sales team to enhance the shipping volume of backhaul cargo.

3. The Group will thoroughly implement refined management and strictly control cost expenses. Through refining cost control, the Group will enhance analysis of global fossil fuel price trends and foreign exchange volatility. Refined management will be implemented in all aspects of production and operations, effectively controlling cost expenses.

4. The Group will swiftly adjust shipping capacity, actively increase freight rates and focus on the efficiency of trade lanes. Through keen observation of market changes and active exploration of market, the Group will make efforts to recover freight rates and strive to maximize the efficiency of trade lanes.

5. The Group will increase collaboration with other trade lanes to enhance service capability. The Group will continue promoting the "Large Cooperation" strategy to expand external cooperation, upgrade trade lanes, continuously improve trade lane coverage and enhance service capability.

6. The Group will expedite overseas network construction, refine the global service network and actively explore extended services. Greater effort will be made to open up overseas market, set up overseas network points and improve the global service network. Meanwhile, the Group will also actively explore the integrated logistics business to provide one-stop tailor made logistics solution for its customers.

7. The Group will continue to enhance team execution, caring for staff and carry out corporate social responsibility. The Group will promote innovations in management and provide sound development platform for its staff. The Group will also implement a low carbon environment protection policy to fulfill its social responsibility.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's principal sources of working capital are the operating cash inflow and short-term bank borrowings. Cash is mainly used in operation cost expenses, repayment of loans, construction of new vessels and the purchase of containers. During the Period, the Group's net operating cash outflow was RMB1,452,091,000. As at 30 June 2012, the Group's cash balance in banks was RMB13,705,204,000.

As at 30 June 2012, the Group's total bank borrowings were RMB25,984,984,000. The maturity profile is spread over a period between 2012 and 2021 with RMB9,830,102,000 repayable within one year, RMB1,526,188,000 repayable within the second year, RMB11,873,344,000 repayable within the third to the fifth year, and RMB2,755,350,000 repayable after the fifth year. The Group's long-term bank borrowings are mainly used to finance the construction of vessels and ports.

As at 30 June 2012, the Group's long-term bank borrowings were secured by mortgages over certain containers, container vessels, and vessels under construction with a book value of RMB6,170,648,000 (as at 31 December 2011: RMB4,930,645,000).

As at 30 June 2012, the Group's bonds payable in ten-year period amounted to RMB1,787,853,000, all proceeds from the bonds were used in the construction of vessels. The issue of bonds is guaranteed by the Bank of China, Shanghai branch.

As at 30 June 2012, the Group's obligations under finance leases amounted to RMB457,743,000, with the maturity profile ranging from 2012 to 2019. The amount repayable within one year is RMB191,885,000; the amount repayable within the second year is RMB54,540,000; the amount repayable within the third to the fifth year is RMB117,819,000 and the amount repayable after the fifth year is RMB93,499,000. The Group's obligations under the finance leases are substantially used in the lease of new containers, while the remaining small portion is used in the construction of ports and depot infrastructure.

As at 30 June 2012, the Group's RMB borrowings at fixed interest rates amounted to RMB4,083,840,000, with annual interest rate at 5.02%-6.56%. USD borrowings at fixed interest rates amounted to USD628,307,000 (equivalent to RMB3,973,977,000) and USD borrowings at floating interest rates amounted to USD2,834,380,000 (equivalent to RMB17,927,167,000), with annual interest rates ranging between London Interbank Offered Rate plus 0.4% to 2.5%. The Group's borrowings are settled in RMB or USD 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 of the Company 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.

GEARING RATIO

As at 30 June 2012, the gearing ratio of the Group (i.e. the ratio of net interest-bearing financial liabilities less cash and cash equivalents over total equity) was 56.5%, which is higher than that of 40.5% as at 31 December 2011. The increase on one hand was due to the increase in borrowings for the finance of vessel construction and operation needs, and on the other hand, reduction in equity as a result of the loss for the Period.

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 impact on the net operating revenue due to RMB exchange rate fluctuation 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 in order to control the exchange loss for the Period. The Group recorded an exchange loss of approximately RMB12,960,000 which was recorded in the income statement, and the exchange difference which directly charged to equity amounted to approximately RMB28,043,000 during the Period. The Group continues to monitor the RMB exchange rate fluctuation, and convert net cash inflow from operating activities into RMB in a timely manner so as 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 consider appropriate measures, including hedging instruments (e.g. forward exchange contracts) when necessary and appropriate, based on the Group's operating needs to minimise its currency exposure.

CAPITAL COMMITMENT

As at 30 June 2012, the Group's capital commitments which had been contracted but not provided for or authorised but not contracted for, in relation to vessels under construction amounted to RMB4,828,430,000 and in relation to investments was RMB387,000,000. Furthermore, the operating lease commitments of the Group relating to land and buildings, and vessels and containers, are RMB122,374,000 and RMB9,263,268,000, respectively.

CONTINGENT LIABILITY

As at 30 June 2012, the Group had a provision of RMB25,000,000 for legal claims. The provision is related to legal claim brought against the Company by customers of the Company. In the opinion of the Company's directors after taking into account of the legal advice, the outcome of this legal claim will not give rise to any significant loss beyond the amounts provided as at 30 June 2012.

SHARE CAPITAL

As at 30 June 2012, 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	11,683,125,000	100.00

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (2011: nil).

EMPLOYEES, TRAINING AND BENEFITS

As at 30 June 2012, the Group had 4,596 employees. Total staff expenses during the Period were approximately RMB908,774,000. 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 2,635 crew members in total who mainly work on the Group's self-owned or bareboat chartered vessels.

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 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.

The Group has adopted a compensation scheme on 12 October 2005 and amended the same on 20 June 2006, 26 June 2007 and 20 June 2008, which is to be satisfied by cash payments and is share based, known as the "H Share Share Appreciation Rights Scheme". The fair value change of the rights is recognised as an expense or income of the Group. The Directors (other than independent non-executive Directors), the supervisors of the Company (other than independent Supervisors), the senior management of the Company, the head person in charge of department of each of the operational and management departments of the Company and the general managers and deputy general managers of the Company's subsidiaries might in the future be entitled to the compensation in the form of cash payment, which is calculated based on the appreciation in the price of the Group's H share from the date of grant to the date of exercising the rights.

The Group has put in place various training for its staff, including Safety Management Systems (SMS) training for the crewing department as well as management training for mid-to-high level management staff.

AUDIT COMMITTEE

The audit committee of the Board consists of two independent non-executive Directors, namely Mr. Wu Daqi and Mr. Shen Kangchen, 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 agreed with the accounting treatment adopted by the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was in compliance with all code provisions of the "Code on Corporate Governance Practices" set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Stock Exchange") (the "Listing Rules") during the Period.

MODEL CODE FOR 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, 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.

INFORMATION DISCLOSURE

This announcement will be published on the Stock Exchange website at http://www.hkexnews.hk. The interim report for the six months ended 30 June 2012 will be dispatched by the Company to its shareholders and published on the website of the Stock Exchange and the Company's website at http://www.cscl.com.cn in due course. The interim report contains all the information as required by Disclosure of Financial Information as set out in Appendix 16 to the Listing Rules.

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

Shanghai, the PRC
29 August 2012

The Board as at the date of this announcement comprises of Mr. Li Shaode, Mr. Xu Lirong, Mr. Huang Xiaowen, Mr. Zhang Guofa and Mr. Zhao Hongzhou, being executive Directors, Mr. Zhang Jianhua, Mr. Wang Daxiong, Mr. Zhang Rongbiao and Mr. Xu Hui, being non-executive Directors, and Mr. Shen Kangchen, Mr. Jim Poon (also known as Pan Zhanyuan), Mr. Shen Zhongying, Mr. Wu Daqi and Ms. Zhang Nan, 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"*