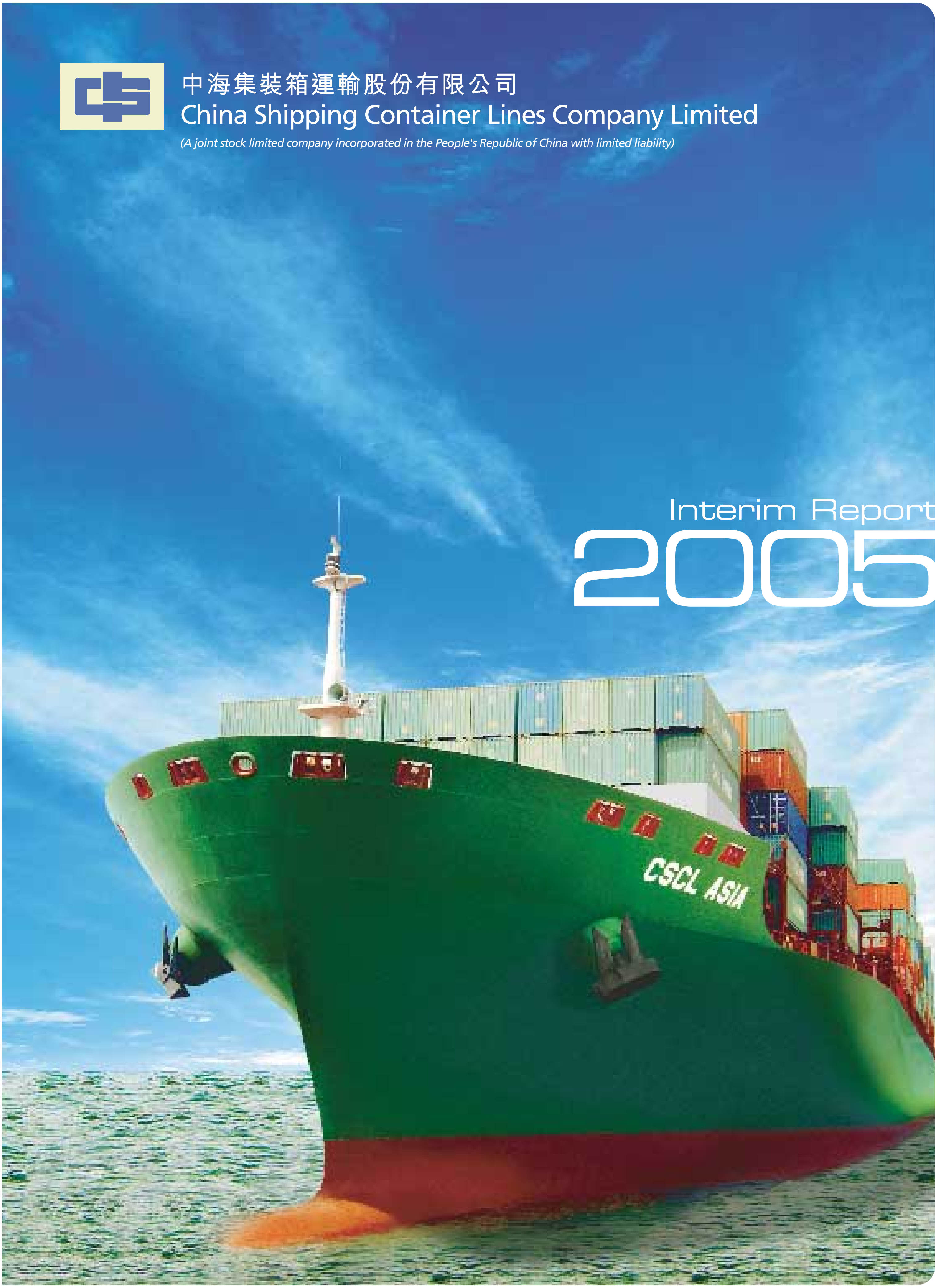
中海集裝箱運輸股份有限公司

China Shipping Container Lines Company Limited

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

Interim Report 2005



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Corporate Information

DIRECTORS

Executive Directors

Mr. Li Kelin *(Chairman)*
Mr. Jia Hongxiang
Mr. Huang Xiaowen
Mr. Zhao Hongzhou

Non-Executive Directors

Mr. Li Shaode *(Vice Chairman)*
Mr. Zhang Jianhua
Mr. Wang Daxiong
Mr. Zhang Guofa
Mr. Yan Mingyi

Independent Non-Executive Directors

Mr. Hu Hanxiang
Mr. Gu Nianzu
Mr. Wang Zongxi
Mr. Lam Siu Wai, Steven

SUPERVISORS

Mr. Yao Zuozhi
Mr. Huang Xinming
Mr. Zhang Rongbiao
Mr. Wang Xiuping
Mr. Hua Min
Ms. Pan Yingli

COMPANY SECRETARY

Mr. Ye Yu Mang

AUDIT COMMITTEE

Mr. Wang Zongxi *(Chairman)*
Mr. Gu Nianzu
Mr. Wang Daxiong

QUALIFIED ACCOUNTANT

Mr. Lau Wai Yip

AUTHORISED REPRESENTATIVES

Mr. Li Kelin
Mr. Jia Hongxiang

LEGAL ADDRESS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

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
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Information

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 30TH JUNE, 2005

	1H2005 (RMB)	1H2004 (RMB)	Change
Turnover	**13,495,759,000**	9,894,306,000	+36.4%
Operating profit	**2,760,941,000**	2,203,921,000	+25.3%
Profit after taxation	**2,145,296,000**	1,531,326,000	+40.1%
Basic earnings per share(*)	**0.36**	0.38	–

(*) Basic earnings per share is based on the profit attributable to equity holders of the Company and the 6,030,000,000 (For six months ended 30th June, 2004: weighted average number of shares 4,001,456,593) shares in issue during the period ended 30th June, 2005.

BUSINESS HIGHLIGHTS

- Shipping volume reached 2,193,969TEU in the first half of year 2005, representing an increase of 29.3% over that of the same period in 2004.
- Operating capacity reached 299,672TEU as at 30th June, 2005, representing a net increase of 17.9% when compared with that as at the end of year 2004.
- The Group's policies of using economical speed and locking in oil prices, controlling fuel inventory and selecting refueling ports and suppliers with relatively lower fuel prices have enabled the Group to effectively control its costs in the environment of rising fuel costs. This makes the increase in the Group's average fuel cost lower than the increase in fuel price in the market.
- In the first half of year 2005, 10 new vessels totaling 46,916TEU were delivered and commenced operation. It is expected that another 11 new vessels with a total capacity of 48,188TEU will be delivered and will commence operation in the second half of year 2005. Operating capacity will record a net increase to 349,072TEU at the end of year 2005. It is believed that the additional capacity would enable the Group to take advantage of the business opportunities in the shipping industry during the traditional peak season.

Management Discussion and Analysis

The Board of Directors (the "Board") of China Shipping Container Lines Company Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (together referred to hereinafter as the "Group") for the six months ended 30th June, 2005 (the "Period"), which have been reviewed by the audit committee of the Company and our auditor, PricewaterhouseCoopers in accordance with the Statement of Auditing Standard 700, "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

For the six months ended 30th June, 2005, the Group recorded a turnover of approximately RMB13,495,759,000, representing an increase of about 36.4% over that of the same period in year 2004. Profit after taxation for the Period amounted to RMB2,145,296,000, which represents an increase of about 40.1% over that of the same period last year. Profit attributable to equity holders of the Company amounted to RMB2,144,010,000, representing a rise of about 40.7% over that of the same period in 2004.

OPERATING ENVIRONMENT

Although the global economy has slowed down in the first half of year 2005, it is hopeful that it can return to a state of sustainable growth. Growth for the whole year continues to be optimistic. The economic development of the US and China remains as the main "engine" for the growth of the global economy. Economic growth of the emerging countries in Asia is envisaged to maintain at high speed in 2005.

The path taken by the national economy of China in the first half of year 2005 continued to be in line with the direction guided by the macro-economic control measures and is expected to maintain its steady growth level for the whole year. Total amount of imports and exports in the first half of the year amounted to US$645 billion, achieving an increase of approximately 23.2% compared with the same period last year, amongst which, exports increased by approximately 32.7% compared with the same period last year and imports increased by approximately 14.0%, both maintaining a level of rapid growth.

Following the strengthening of demand of various economies and trade volume amongst different regions, the global container shipping market has been flourishing since the beginning of year 2005. The container throughput in the PRC container shipping market in the first half of year 2005 reached 34.286 million TEU, achieving an increase of 24.0% compared with the same period last year, amongst which, the coastal ports and river ports increased by 24.1% and 22.0% respectively (Information source: PRC's Ministry of Communications).

Management Discussion and Analysis

PERFORMANCE ANALYSIS

For the six months ended 30th June, 2005, the Group recorded a turnover of RMB13,495,759,000, representing an increase of RMB3,601,453,000 or 36.4% over that of the same period in 2004. Profit after taxation in the first half of year 2005 amounted to RMB2,145,296,000, representing an increase of RMB613,970,000 or 40.1% over that of the same period in year 2004. Profit attributable to shareholders amounted to RMB2,144,010,000, representing an increase of RMB619,824,000 or 40.7% over that of the same period in year 2004.

Analysis of container volume by trade lanes

Principal Market	**First half of year 2005 (TEU)**		First half of year 2004 (TEU)		Half year increase or decrease
	1Q	**2Q**	1Q	2Q	
America	**229,289**	**290,462**	187,791	226,905	25.3%
Europe/Mediterranean	**273,250**	**310,221**	202,235	212,724	40.6%
Australia	**40,608**	**50,055**	38,781	35,438	22.2%
East and Southeast Asia	**140,386**	**159,868**	108,900	112,780	35.4%
China domestic	**318,203**	**335,774**	245,041	266,037	28.0%
Others	**22,351**	**23,502**	26,338	34,048	-24.1%
Total	**1,024,087**	**1,169,882**	809,086	887,932	29.3%

Operational revenue by trade lanes (RMB'000)

Principal Market	**First half of 2005**		First half of 2004		Half year increase or decrease
	1Q	**2Q**	1Q	2Q	
America	**2,111,685**	**2,989,540**	1,625,190	2,156,093	34.9%
Europe/Mediterranean	**2,425,491**	**2,480,227**	1,603,556	1,851,511	42.0%
Australia	**297,972**	**381,551**	264,412	243,221	33.9%
East and Southeast Asia	**466,166**	**434,959**	288,680	318,836	48.3%
China Domestic	**502,985**	**540,029**	408,879	379,097	32.4%
Others	**422,023**	**443,131**	299,027	455,804	14.6%
Total	**6,226,322**	**7,269,437**	4,489,744	5,404,562	36.4%

Management Discussion and Analysis

The major reasons for the Group's continuous growth in performance in the first half of year 2005 are as follows:

I. In the first half of year 2005, the delivery and deployment of new vessels has significantly increased our fleet capacity. During the Period, 10 new vessels with a total capacity of 46,916TEU were delivered and put into operation in our major trade lanes. As compared with the end of year 2004, operating capacity has increased by approximately 17.9% to 299,672TEU. The additional capacity has fulfilled the strong demand of the shipping market.

II. The Group captured the business opportunity in the regional market. In the first half of year 2005, the Group inaugurated 7 additional international trade lanes, including the Far East – the Black Sea route, Southeast Asia – Europe route, additional Southeast Asia – Australia route, West America route, China – Southeast Asia route, East Mediterranean route and the Far East – South Africa – East coast of South America route. As a result, the number and frequency of trade lanes have increased and the coverage of services expanded. As a result, not only was the Group able to increase its operating revenue and operating profit, but also to provide liner services which better meet the needs of the market.

III. The Group strengthened the management of freight rates of trade lanes and appropriately lifted or stabilised them, thereby effectively securing the profit growth of trade lanes.

IV. The Group strived to achieve the most efficient use of its resources by monitoring its operations closely, maximising stowage of slot space and utilising its fleet capacity efficiently.

COST ANALYSIS

In the first half of year 2005, the Group's operating costs have increased. The total operating costs were RMB10,697,024,000, which have increased by about 41.8% as compared with the same period last year. This is mainly due to the deployment of newly built and time chartered vessels resulting in an increase of vessel capacity by about 37.91% as compared with the same period last year as well as the increase of fuel cost.

Since the beginning of year 2005, fuel price has been rising rapidly and continues to record all time highs. By 30th June, 2005, the average price in the fuel market surged by about 55.8% as compared with 1st January, 2005, resulting in an increase in the Group's fuel cost. The average fuel price in the first half of year 2005 increased about 39.8% as compared with the same period last year. However, the Group continued to control fuel cost effectively through measures including locking in oil prices, controlling fuel inventory, selecting refueling ports and suppliers with relatively lower fuel prices and navigating at economical speed while meeting schedule. In the first half of year 2005, the Group was able to control average fuel price at about US$219.01/metric ton, an increase of only about 23.7% as compared with the same period last year, which is much lower than the increase of fuel price.

Management Discussion and Analysis

Container management cost increased as compared with the same period last year because of the significant growth in the number of containers.

Port and terminal handling charges also increased as compared with the same period last year as the Group's shipping volume increased about 29.3% as compared with the same period last year, among which, shipping volume of foreign trade lanes increased about 29.9% as compared with the same period last year.

As compared with the same period last year, the Group's fixed costs of vessels increased by about 2.2%, which is far lower than the increase in shipping capacity. The main reason was that the additional capacity of the Group was ordered or chartered during the down cycle of the shipbuilding industry.

FUTURE PLANS AND PROSPECTS

In 2005, it is estimated that the growth of the global economy will be about 4.3% and growth of global trading volume will be about 7.2% (information source: International Monetary Fund "Forecast of World Economy"). Although the overall growth rate has somewhat slowed down, it continues to grow at a relatively high level.

It is forecasted that in year 2005, the global container activity will increase by about 10.5% to 380 million TEU, which is significantly higher than the capacity increase of about 9.9%. The demand of the market is still growing. In 2006, the global container trade is expected to increase by about 10.2%, which is slightly lower than the capacity increase of about 12.8% (Information source: Clarkson July 2005). Although the Group's management expects that in the second half of year 2006, the shipping market will experience the peak period of delivery of newly built vessels with capacity growth slightly exceeding container volume growth, there are factors of mismatch constraining the effective supply and utilisation of new capacity. Development of port infrastructure and inland transportation (such as railway, road, etc) of various regions are not moving at the corresponding pace and the trade volume between eastbound and westbound do not balance each other. As a result, the Group's management remains optimistic of the 2006 shipping market.

It is forecasted by PRC's Ministry of Communications that in year 2005, the coastal container throughput in China will amount to 74,000,000TEU, an increase of about 24% as compared with year 2004, which is higher than the world average level. PRC's external demand is still strong and therefore, the Group will continue to focus on the vast market in China. At the same time, as part of the Group's future development plan, the Group will exploit new markets amongst other countries.

Management Discussion and Analysis

In the second half of this year, the Group, with investors' interests as its focus, will firmly grasp the fast changing market by performing the following tasks:

- In the second half of year 2005, 11 new vessels with a total shipping capacity of 48,188TEU (10 vessels with capacity of 4,250TEU and 1 vessel with capacity of 5,688TEU) will be delivered. Operating capacity will record a net increase to 349,072TEU by the end of 2005. All the additional shipping capacity will be put into operation in new and current trade lanes. It is believed that the additional capacity would enable the Group to take advantage of the business opportunities in the shipping industry during the traditional peak season.

- To further adjust the overall structure of trade lanes and improve service network of main trade lanes and feeder services. To inaugurate new trade lanes, add port of call, extend current trade lanes and expand coverage of service network in accordance with market conditions. The Group had inaugurated the Round the World route on 19th July, 2005 and will continue to strengthen its core competitiveness as a global carrier by inaugurating trade lanes including European route, Mediterranean route, West African route and the fourth Far East to Mediterranean route, etc.

- To improve overall structure of subroute services, enlarge regional market share in Southeast Asia and Europe, emphasize on feeder services in Mediterranean, Black Sea and Southeast Asia.

- To enhance the sales network and attract more volume customers and sign-on long-term cooperation contracts by taking advantage of stable schedule and excellent service to ensure service revenue.

- The PRC Customs Administration promulgated the No.3 announcement of the PRC Customs Administration in 2005 "Announcement of PRC Customs Administration concerning testing work of accommodating both international and domestic cargos on same vessel and China nationality international shipping vessels carrying transshipment cargos". Of the Group's 127 vessels, 75 with total capacity of about 130,330TEU carry PRC flag and can benefit from the new policy. Under the new policy, the Group can better utilize its existing resources, reduce vessel operating costs and enhance operational efficiency by means of carrying subroute cargoes by its major trade lanes and carrying domestic and international cargoes on the same vessel etc. This measure will be implemented in the second half of this year.

- As the Group's scale of operations continues to expand, the business opportunity for exploiting container related businesses is becoming more mature. The Group will enter into the terminal and logistics businesses at the appropriate time according to the development of the shipping market in order to develop its business in a diversified manner and enhance the Group's international competitiveness and risk resistance. The foray into terminal, logistic and other container-related businesses shall be achieved by methods including, but not limited to, acquisitions or joint ventures, etc.

- Moreover, the following cost controlling measures will be implemented while increasing operational revenue:

  i. With regards to fuel cost, focus on the changes of fuel market and lock in fuel price at the appropriate time; take full consideration of "economical" speed factor when designing trade lanes; control fuel inventory according to regional fuel price.

  ii. To further optimize transshipment routing and investigate relevant policies to decrease transshipment cost and enhance service profit.

  iii. To continue to take advantage of the flexible allocation of resources, arrange usage plan of containers effectively and decrease container management cost.

  iv. To accelerate the speed in software development and optimize company management in order to further enhance work efficiency.

  v. To fully prepare for the coming peak season.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's principal source of cash inflow is cash flow from operations. The Group's major cash outflow has been operational costs, loan repayment and funding of construction/purchase of new vessels and containers. During the six months ended 30th June, 2005, the Group generated a net operating cash inflow of approximately RMB2,206,772,000 (six months ended 30th June, 2004: RMB2,022,983,000), and the Group had a cash balance of RMB4,504,735,000 as at 30th June, 2005.

As at 30th June, 2005, the Group's total bank loans were RMB4,815,369,000. The maturity profile spreads over a period between 2005 and 2015, with RMB445,030,000 being repayable within one year, RMB650,030,000 between one to two years, RMB2,001,791,000 between two to five years, and RMB1,718,518,000 over five years. The Group's long-term bank loans are mainly used to fund the purchase of new vessels.

As at 30th June, 2005, several container vessels and vessels under construction valued in the aggregate amount of RMB5,072,661,000 (31st December, 2004: RMB4,061,047,000) have been pledged against long term bank loans of the Group.

As at 30th June, 2005, the Group's obligations under finance lease amounted to RMB2,368,097,000, with lease expiry periods ranging from years 2005 to 2013. The amount repayable within one year amounted to RMB386,741,000 and those repayable between one to two years amounted to RMB391,077,000. The amount repayable between two to five years amounted to RMB1,029,706,000 and those over five years amounted to RMB560,573,000. All the finance leases are arranged for container leasing.

As at 30th June, 2005, the net debt/equity ratio of the Group (i.e. the ratio of net debt over shareholders' equity) was 17.5%, which is a bit higher than the 11.1% figure as at 31st December, 2004 and the 12.3% figure as at 30th June, 2004. The main reasons for the increase in net debt/equity ratio are increase in capital expenditure and the first time dividend payment since the Group's listing in year 2004.

As at 30th June, 2005, the Group had loans in the amount of RMB3,842,800,000 and loans in the amount of USD117,460,000. The loans are primarily denominated in Renminbi and US dollars while its cash and cash equivalents are also denominated in these currencies.

It is expected that funding requirements of daily operations including capital expenditure can be met 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 from time to time. It is the intention of the Group to optimize the mix of equity and debt to achieve an efficient capital structure.

FOREIGN EXCHANGE RISK AND HEDGING

In the six months ended 30th June, 2005, the Group's operations or liquidity were not materially affected by the fluctuations in currency exchange rate. Since the initial public offering of the H shares of the Company in June 2004, the Group has been negotiating with its bankers for earlier repayments of certain Renminbi denominated bank loans and therefore able to minimise the adverse impact of the recent 2% appreciation of Renminbi in July 2005. As most of the revenue and expenditure of the Group are settled or denominated in US dollars, the Group will continue to pay close attention to the currency fluctuation of the RMB. The Group will consider appropriate measures including hedge arrangements (e.g. forward exchange contracts), based on its operating needs to mitigate the Group's currency exposure. However, as at 30th June, 2005, the Group had not entered into any significant hedging arrangement including any forward exchange contracts.

CAPITAL COMMITMENT

As at 30th June, 2005, the Group had contracted but not provided for a capital commitment of approximately RMB5,811,862,000 for vessels under construction. The Group was also committed to an additional capital injection into a subsidiary of approximately RMB111,100,000. Furthermore, the Group had lease commitments of about RMB70,210,000 for land and buildings and RMB13,233,935,000 for vessels chartered-in and containers under operating leases.

CONTINGENT LIABILITIES

As at 30th June, 2005, the Group did not have any material contingent liabilities.

SHARE CAPITAL

As at 30th June, 2005, the share capital of the Company was as follow.

Type 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

As at 30th June, 2005, none of the directors, supervisors or chief executives 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 (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) as recorded in the register required to be kept under Section 352 of the SFO; or (ii) as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (which shall be deemed to apply to the Company's supervisors to the same extent as it applies to the Company's directors.)

SHAREHOLDINGS OF OTHER SHAREHOLDERS WITH NOTIFIABLE INTERESTS

As at 30th June, 2005, the interests or short positions of the following persons (other than directors, supervisors or chief executives) in the shares or underlying shares of the Company were recorded in the register kept by the Company pursuant to section 336 of the SFO:

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 Trustee Company Limited	H shares	365,637,000 (Long position)	Trustee	15.11%	6.06%
Li Ka-Shing Unity Trustcorp Limited	H shares	362,637,000 (Long position)	Trustee and beneficiary of a trust	14.99%	6.01%
Li Ka-Shing Unity Trustee Corporation Limited	H shares	362,637,000 (Long position)	Trustee and beneficiary of a trust	14.99%	6.01%
Cheung Kong (Holdings) Limited	H shares	362,637,000 (Long position)	Interest of controlled corporation	14.99%	6.01%
Hutchison Whampoa Limited	H shares	241,758,000 (Long position)	Interest of controlled corporation	9.99%	4.01%
Hutchison International Limited	H shares	241,758,000 (Long position)	Beneficial owner	9.99%	4.01%
HSBC Asset Management (Hong Kong) Limited	H shares	150,944,000 (Long position)	Investment manager	6.24%	2.50%

Management Discussion and Analysis

PURCHASE, SALE AND REDEMPTION OF SHARES

During the six months period ended 30th June, 2005, the Company has not redeemed any of its listed shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares in the aforesaid period.

INTERIM DIVIDENDS

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 30th June, 2005.

EMPLOYEES, TRAINING AND DEVELOPMENT

As at 30th June, 2005, the Group had 3,343 employees, representing an increase of 201 employees from 30th June, 2004. During the Period, the total expenses was approximately RMB238,712,000. In addition, the Group entered into contracts with a number of subsidiaries of China Shipping (Group) Company, pursuant to which these fellow subsidiaries provided the Group with approximately 3,200 crew members in aggregate who mainly work on the Group's self-owned or bare-boat chartered vessels.

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

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

H SHARE SHARE APPRECIATION RIGHTS SCHEME

To hold the Group's management, employees and shareholders together, inspire creativity and enthusiasm of management and employees and enhance their core competitiveness, the Group plans to implement H share share appreciation rights scheme as appropriate incentive policy besides the abovementioned remuneration and performance bonuses.

The eligible grantees are: the directors of the Company (other than independent non-executive directors), the supervisors of the Company (other than independent supervisors), the senior executives of the Company and the head 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.

The H share share appreciation rights scheme does not involve the issue of the Company's shares or dealing in shares. The eligible grantees will be granted certain number of the share appreciation rights on the date of grant. Upon exercise of the rights, the Company will not issue any shares to the grantee. The grantee will receive cash payment equal to the appreciation in the market price of the Company's H share above the exercise price of the rights and deposit this into his designated bank account. The market price of the Company's H share at the time of exercise of the rights shall be the 5-day average closing price of the Company's H share for the 4 trading days before the date of exercise and on the date of exercise.

The cost of the scheme will be charged to the profit and loss account of the Company as an expense item.

The Board intends to convene a special general meeting, at which the H share share appreciation rights scheme will be submitted to the shareholders for consideration and approval.

AUDIT COMMITTEE

The audit committee of the Company consists of two independent non-executive Directors, namely Mr. Gu Nianzu and Mr. Wang Zongxi, and one non-executive Director, Mr. Wang Daxiong and the chairman of the audit committee is Mr. Wang Zongxi. The audit committee has reviewed the Company's interim results for the six months ended 30th June, 2005.

THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE UNDER THE LISTING RULES

The Board of Directors confirms that the Group was, during the Period, in full compliance with the applicable code provisions in the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules other than the instances below:

- Paragraph A.5.4 of the Corporate Governance Code recommends the Board of Directors to establish written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") for relevant employees in respect of their dealings in the securities of the Company. Although, the Company did not establish any relevant guidelines during the Period, the Company has now adopted the relevant written guidelines and has provided the relevant employees with such guidelines.

- Part B.1 of the Corporate Governance Code recommends the Company to establish a remuneration committee. Although, the Company did not establish a remuneration committee during the Period, the Company is of the view that that did not have any material effect on the fixing of remuneration by the Company. Also, the Company intends to establish a remuneration committee within this year.

The Company will recommend the shareholders in the next annual general meeting to adopt each code provision in the Corporate Governance Code in order to improve the corporate governance practices of the Company and improve its transparency.

The Company has adopted the Model Code as the code of conduct regarding directors' and supervisors' securities transactions. The Company confirms, having made specific enquiries of all its directors and supervisors, that its directors and supervisors have complied with the required standard as set out in the Model Code during the Period.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE's WEBSITE

The electronic version of this report will be published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk).

By Order of the Board of Directors
China Shipping Container Lines Company Limited
Li Kelin
Chairman

Shanghai, the People's Republic of China
22nd August, 2005

As at the date of this report, the Directors are Mr. Li Kelin, Mr. Jia Hongxiang, Mr. Huang Xiaowen, Mr. Zhao Hongzhou, Mr. Li Shaode, Mr. Zhang Jianhua, Mr. Wang Daxiong, Mr. Zhang Guofa, Mr. Yan Mingyi, Mr. Hu Hanxiang, Mr. Gu Nianzu, Mr. Wang Zongxi and Mr. Lam Siu Wai, Steven.

Condensed Consolidated Profit and Loss Account

		Unaudited	
		For six months ended 30 June,	
		2005	2004
			Restated
	Note	**RMB'000**	RMB'000
Turnover	*3*	**13,495,759**	9,894,306
Operating costs		**(10,697,024)**	(7,542,650)
Gross profit		**2,798,735**	2,351,656
Other income		**176,665**	26,351
Administrative and general expenses		**(214,459)**	(174,086)
Operating profit	*4*	**2,760,941**	2,203,921
Finance costs	*5*	**(216,218)**	(268,971)
Share of profit of an associated company		**2,481**	3,015
Profit before taxation		**2,547,204**	1,937,965
Taxation	*6*	**(401,908)**	(406,639)
Profit after taxation		**2,145,296**	1,531,326
Attributable to:			
Equity holders of the Company		**2,144,010**	1,524,186
Minority interests		**1,286**	7,140
		2,145,296	1,531,326
Dividends	*8*	**–**	(326,201)
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)	*7*	**RMB0.36**	RMB0.38

Condensed Consolidated Balance Sheet

	Note	Unaudited As at 30 June, 2005 RMB'000	Audited As at 31 December, 2004 Restated RMB'000
ASSETS			
Non-current assets			
Fixed assets	*9*	**17,226,599**	15,190,586
Goodwill		**13,281**	13,281
Investment in an associated company		**50,023**	46,892
Land use rights	*9*	**13,918**	–
		17,303,821	15,250,759
Current assets			
Bunkers, at cost		**404,779**	250,051
Trade and notes receivables	*10*	**4,430,882**	3,357,071
Prepayments and other receivables		**251,085**	313,488
Cash and cash equivalents		**4,504,735**	5,863,491
		9,591,481	9,784,101
Total assets		**26,895,302**	25,034,860
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*11*	**6,030,000**	6,030,000
Other reserves	*12*	**5,613,174**	5,613,174
Retained earnings			
– Proposed final dividend		**–**	1,206,000
– Others		**3,607,675**	1,463,665
		15,250,849	14,312,839
Minority interests		**33,635**	32,349
Total equity		**15,284,484**	14,345,188
LIABILITIES			
Non-current liabilities			
Long-term bank loans	*14*	**4,370,339**	4,569,928
Finance lease obligations	*15*	**1,981,356**	1,616,829
Deferred tax liabilities		**507,453**	149,957
		6,859,148	6,336,714
Current liabilities			
Trade and notes payables	*13*	**2,723,211**	2,140,778
Accrual and other payables		**433,273**	338,569
Short-term bank loans		**–**	381,520
Long-term bank loans – current portion	*14*	**445,030**	445,030
Finance lease obligations – current portion	*15*	**386,741**	438,948
Income tax payable		**41,415**	128,015
Dividend payable to ultimate holding company		**722,000**	480,098
		4,751,670	4,352,958
Total liabilities		**11,610,818**	10,689,672
Total equity and liabilities		**26,895,302**	25,034,860

Condensed Consolidated Statement of Changes in Equity

		Unaudited					
		Attributable to equity holders of the Company					
	Note	Registered capital RMB'000	Share capital RMB'000	Other reserves RMB'000	(Accumulated losses)/ Retained earnings RMB'000	Minority Interest RMB'000	Total RMB'000
Balance at 1 January, 2004, as previously reported as equity		3,801,050	–	1,067,481	(1,241,842)	–	3,626,689
Balance at 1 January, 2004, as previously separately reported as minority interest		–	–	–	–	41,543	41,543
Adjustment to opening accumulated losses as a result of change in accounting policies	*2(a)(v)*	–	–	–	(7,087)	–	(7,087)
Balance at 1 January, 2004, as restated		3,801,050	–	1,067,481	(1,248,929)	41,543	3,661,145
Upon Transformation by conversion of							
– reserves		–	28,950	(1,175,706)	1,146,756	–	–
– registered capital		(3,801,050)	3,801,050	–	–	–	–
Net proceeds from issuance of H shares upon listing		–	2,200,000	5,211,106	–	–	7,411,106
Share issuance costs incurred for the period		–	–	(234,672)	–	–	(234,672)
Profit for the period		–	–	–	1,524,186	7,140	1,531,326
Special dividend to ultimate holding company	*8*	–	–	–	(326,201)	–	(326,201)
Balance at 30 June, 2004		–	6,030,000	4,868,209	1,095,812	48,683	12,042,704

Condensed Consolidated Statement of Changes in Equity

		Unaudited					
		Attributable to equity holders of the Company					
	Note	Registered capital RMB'000	Share capital RMB'000	Other reserves RMB'000	(Accumulated losses)/ Retained earnings RMB'000	Minority Interest RMB'000	Total RMB'000
Balance at 1 January, 2005, as previously reported as equity		–	6,030,000	5,613,174	2,685,539	–	14,328,713
Balance at 1 January, 2005, as previously separately reported as minority interest		–	–	–	–	32,349	32,349
Adjustment to opening retained earnings as a result of change in accounting policies	*2(a)(v)*	–	–	–	(15,874)	–	(15,874)
Balance at 1 January, 2005, as restated		–	6,030,000	5,613,174	2,669,665	32,349	14,345,188
Profit for the period		–	–	–	2,144,010	1,286	2,145,296
2004 final dividend	*8*	–	–	–	(1,206,000)	–	(1,206,000)
Balance at 30 June, 2005		–	6,030,000	5,613,174	3,607,675	33,635	15,284,484

Condensed Consolidated Cash Flow Statement

	Unaudited For six months ended 30 June,	
	2005	2004
	RMB'000	RMB'000
Net cash generated from operating activities	**2,206,772**	2,022,983
Net cash used in investing activities	**(2,012,161)**	(3,796,510)
Net cash (used in)/generated from financing activities	**(1,553,367)**	8,909,137
Net (decrease)/increase in cash and cash equivalents	**(1,358,756)**	7,135,610
Cash and cash equivalents at 1 January	**5,863,491**	1,484,464
Cash and cash equivalents at 30 June	**4,504,735**	8,620,074

Notes to the Condensed Consolidated Financial Information

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December, 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January, 2005.

This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 31 December, 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

(a) EFFECT OF ADOPTING NEW HKFRS

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases

2. CHANGES IN ACCOUNTING POLICIES (continued)

(a) EFFECT OF ADOPTING NEW HKFRS (continued)

HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS Int 15	Operating Leases – Incentives
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12,14,18,19, 21, 23, 24, 27, 28, 33, 36, 37 and HKAS-Ints 15 did not result in substantial changes to the Group's accounting policies. In summary:

(i) HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

(ii) HKASs 2, 7, 8, 10, 12,14,18,19, 23, 27, 28, 33, 37 and HKAS-Ints 15 had no material effect on the Group's policies.

(iii) HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

(iv) HKAS 24 has affected the identification of related parties and some other related-party disclosures.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(a) EFFECT OF ADOPTING NEW HKFRS (continued)

(v) HKAS 16

Vessel repairs and surveys

The adoption of HKAS 16 has resulted in a change in the accounting policy relating to the vessel repairs and surveys. Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and these costs are depreciated over the period to the next estimated dry-docking date. Costs incurred on the subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs are incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

In previous years, the components of the vessels which are required to be replaced at the next dry-docking are not separately identified and are depreciated over the estimated useful life of the vessels and dry-docking costs for vessels are charged to the profit and loss account as incurred. This accounting policy has been changed to conform with HKAS 16 and the change has been applied retrospectively. The effect of the changes is summarised below:

	As at	
	30 June, 2005 RMB'000	31 December, 2004 RMB'000
Decrease in opening retained earnings	**15,874**	7,087
Decrease in fixed assets	**20,842**	23,693
Decrease in deferred tax liabilities	**6,878**	7,819

	For the year ended	**For the six months ended**	
	31 December, 2004 RMB'000	**30 June, 2005 RMB'000**	30 June, 2004 RMB'000
Increase/(decrease) in operating costs	13,115	**(2,851)**	551
Increase/(decrease) in taxation	(4,328)	**941**	(182)

2. CHANGES IN ACCOUNTING POLICIES (continued)

(a) EFFECT OF ADOPTING NEW HKFRS (continued)

(v) HKAS 16 (continued)

Residual values of the assets

The residual values of assets and their useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

During the period, the residual values of fixed assets were reassessed, and accordingly, depreciation charge of fixed assets for the six months ended 30 June, 2005 has been calculated based on the revised estimated residual values. This represented a change in accounting estimate and the depreciation charge for the period has been reduced by RMB51 million.

(vi) HKAS 17

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from fixed assets to operating leases. The up-front prepayments made for the land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the land use rights were accounted for at cost less accumulated depreciation and accumulated impairment. The adoption of HKAS 17 has resulted in restatement of land use rights of RMB13,918,000 as at 30 June, 2005 and a corresponding decrease in fixed assets of the same amount.

(vii) HKAS 32 and 39

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

In accordance with the transitional provisions of HKAS 39, it requires the Group to re-measure all financial assets and liabilities as at 1 January, 2005 and any differences are adjusted to the opening retained earnings. No adjustment has resulted from this re-measurement.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(a) EFFECT OF ADOPTING NEW HKFRS (continued)

(viii) HKFRS 3, HKAS 36 and HKAS 38

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 December, 2004, goodwill was:

– Amortised on a straight line basis over a period of 10 years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill from 1 January, 2005;

– Accumulated amortisation as at 31 December, 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

– From the year ending 31 December, 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

HKFRS 3 is applied prospectively from 1 January, 2005.

(b) NEW ACCOUNTING POLICIES

The accounting policies used for the condensed consolidated financial information for the six months ended 30 June, 2005 are the same as those set out in note 1 to the 2004 annual financial statements except for the following:

2.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(b) NEW ACCOUNTING POLICIES (continued)

2.2 Vessel repairs and surveys

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and these costs are depreciated over the period to the next estimated dry-docking date. Costs incurred on the subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs are incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

2.3 Fixed assets

The residual values of assets and their useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) *Group companies*

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(b) NEW ACCOUNTING POLICIES (continued)

2.6 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3. TURNOVER AND SEGMENT INFORMATION

The principal activities of the Group are owning, chartering and operating container vessels for the provision of international and domestic container marine transportation service. Turnover represents gross revenues from liner and chartering services, net of discounts allowed, where applicable.

	Unaudited	
	For six months ended 30 June,	
	2005	2004
	RMB'000	RMB'000
Turnover		
Liner	**13,301,768**	9,820,689
Chartering	**193,991**	73,617
	13,495,759	9,894,306

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.

3. TURNOVER AND SEGMENT INFORMATION (continued)

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 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 America, Europe/Mediterranean, Australia, East and Southeast Asia, 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 For six months ended 30 June,	
	2005	2004
	RMB'000	RMB'000
America	**5,101,225**	3,781,283
Europe/Mediterranean	**4,905,718**	3,455,067
Australia	**679,523**	507,633
East and Southeast Asia	**901,125**	607,516
China Domestic	**1,043,014**	787,976
Others	**865,154**	754,831
	13,495,759	9,894,306

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited For six months ended 30 June, 2005 RMB'000	2004 Restated RMB'000
Crediting		
Other income	**176,665**	26,351
– Information technology services fees	**11,000**	8,991
– Interest income	**38,029**	2,839
– Recovery of payment for claims	**28,305**	14,521
– Compensation income *(note (i))*	**99,331**	–
Charging:		
Cost of bunkers consumed	**1,812,293**	1,148,969
Depreciation:	**398,737**	342,440
– Owned container vessels chartered-out under operating leases	**3,961**	4,330
– Other owned assets	**211,639**	167,631
– Containers under finance leases	**183,137**	170,479
Loss on disposal of fixed assets	**34**	21
Operating lease rental:	**1,619,157**	1,152,348
– Container vessels	**1,219,268**	962,818
– Containers	**384,390**	182,867
– Buildings	**15,499**	6,663
Provision for impairment of receivables	**6,757**	–

Note:

(i) Pursuant to an agreement between a fellow subsidiary and the City of Los Angeles on 21 May, 2005, the City of Los Angeles will make compensation to the fellow subsidiary for the delay in providing premises at Berths 100-102. Out of the aforementioned compensation receivable from the City of Los Angeles, the fellow subsidiary agreed to pay USD12,000,000 to the Company to compensate the Company for the additional costs incurred by the Group due to the delay in the provision of port related services.

Notes to the Condensed Consolidated Financial Information

5. FINANCE COSTS

	Unaudited For six months ended 30 June, 2005 RMB'000	2004 Restated RMB'000
Interest expenses:		
– bank loans	**138,450**	169,762
– finance lease obligations	**110,147**	129,308
Total interest expense	**248,597**	299,070
Less: amount capitalised in vessels under construction	**(55,586)**	(46,542)
	193,011	252,528
Foreign exchange loss	**23,207**	16,443
	216,218	268,971

6. TAXATION

	Unaudited For six months ended 30 June, 2005 RMB'000	2004 Restated RMB'000
Current income tax		
– Hong Kong profits tax *(note (i))*	**2,287**	6,889
– PRC enterprise income tax *(note (ii))*	**43,006**	400,585
Deferred taxation *(note (iii))*	**356,615**	(835)
	401,908	406,639

Notes:

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for six months ended 30 June, 2005.

6. TAXATION (continued)

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

The EIT rate applicable to the Company during the period from 1 January, 2004 to 2 March, 2004 was 33%. On 3 March, 2004, the Company was transformed into a joint stock limited Company under the Company Law of the PRC and was registered in the Pudong New Area. According to the relevant laws and regulations, the EIT rate applicable to the Company from 3 March, 2004 onwards is 15%. The EIT rate applicable to the subsidiaries incorporated in the PRC ranges from 0% to 33%.

Pursuant to 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 to adopt a fixed rate of 16.5% on the profits of the overseas subsidiaries for EIT purposes.

Pursuant to notifications issued by the State Tax Bureau on 2 September, 2004, the Company and certain of its subsidiaries (the "Tax Entities") were assessed for EIT on a consolidation basis with China Shipping (Group) Company for the period from 1 January, 2004 to 2 March, 2004. China Shipping (Group) Company did not allocate any EIT to the Tax Entities. Accordingly, the Tax Entities did not have any EIT payable for the period from 1 January, 2004 to 2 March, 2004, and the provision amounting to approximately RMB153,898,000 made in respect of the aforementioned period and included in the taxation charge for the six months ended 30 June, 2004 was subsequently written back in the six months period ended 31 December, 2004.

(iii) Deferred taxation

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

7. EARNINGS PER SHARE

Basic earnings per share is based on the profit attributable to equity holders of the Company RMB2,144,010,000 and 6,030,000,000 shares in issue during the period (For six months ended 30 June, 2004: profit attributable to equity holders of the Company of RMB1,524,186,000 and weighted average number of shares of 4,001,456,593).

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

8. DIVIDENDS

	Unaudited For the six months ended 30 June,	
	2005	2004
	RMB'000	RMB'000
Special dividend to ultimate holding company *(note (i))*	**-**	326,201

(i) Special dividend to ultimate holding company

In accordance with the "Provisional Regulation relating to Corporate Reorganisation of Enterprises and Related Management of State-owned Capital and Financial Treatment", which was issued by the Ministry of Finance of the PRC and became effective from 27 August, 2002, the Company is required to distribute to China Shipping (Group) Company the Company's net profit for the period from 1 November, 2003 (being the first day after the date of the valuation of the assets of the Company) to 2 March, 2004 (being the day immediately prior to the conversion of the Company into a joint stock limited company) (the "Special Period"), determined in accordance with Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises of the PRC, payable out of the Company's internal resources and/or cash generated from the Company's operating activities (the "Profit Appropriation"). Holders of H Shares are not entitled to participate in the distribution arising from the Profit Appropriation.

The Company has engaged BDO Zhong Hua Certified Public Accountants 上海眾華滬銀會計師事務所 to perform a special audit on the Company's financial statements for the Special Period to determine the profit for the Special Period for distribution to China Shipping (Group) Company. According to the audited financial statements, the net profit for the Special Period amounted to approximately RMB480,098,000. As the approval for the consolidation tax filing for 2004 was not obtained as at 30 June, 2004, income tax of RMB153,898,000 based on 33% on the profits for the period from 1 January, 2004 to 2 March, 2004 was provided for. The tax provision was subsequently written back in preparing the 2004 annual financial statements following the receipt of approval for consolidation tax filling and the same amount was distributed to China Shipping (Group) Company. *(Note 6 (ii))*.

(ii) At a meeting held on 8 March, 2005 the directors proposed a final dividend of RMB0.2 per ordinary share for the year ended 31 December, 2004, which has been reflected as an appropriation of retained earnings for the six months ended 30 June, 2005.

(iii) The directors do not recommend the payment of the interim dividend for the six months ended 30 June, 2005.

9. CAPITAL EXPENDITURE

	Unaudited		
	Fixed assets	**Land use rights**	**Total**
	RMB'000	RMB'000	RMB'000
Opening net book amount as at 1 January, 2005, as restated	15,190,586	–	15,190,586
Additions	2,454,951	–	2,454,951
Disposals	(6,283)	–	(6,283)
Depreciation change *(Note 4)*	(398,737)	–	(398,737)
Reclassification *(Note 2(a)(vi))*	(13,918)	13,918	–
Closing net book amount as at 30 June, 2005	17,226,599	13,918	17,240,517

10. TRADE AND NOTES RECEIVABLES

	Unaudited As at 30 June, 2005 RMB'000	Audited As at 31 December, 2004 RMB'000
Trade receivables		
– Fellow subsidiaries	**2,428,827**	1,955,125
– Others	**1,855,449**	1,283,123
	4,284,276	3,238,248
Notes receivables	**146,606**	118,823
	4,430,882	3,357,071

10. TRADE AND NOTES RECEIVABLES (continued)

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

	Unaudited As at 30 June, 2005 RMB'000	Audited As at 31 December, 2004 RMB'000
1 to 3 months	**3,315,849**	3,146,994
4 to 6 months	**866,996**	313,935
7 to 9 months	**324,220**	–
10 to 12 months	**38,258**	11,527
1 to 2 years	**16,164**	8,463
	4,561,487	3,480,919
Less: provision for impairment of receivables	**(130,605)**	(123,848)
	4,430,882	3,357,071

Credit policy

Credit terms in the range between 30 to 50 days are granted to those customers with good payment history. Invoices to other customers are due for payment upon presentation.

11. SHARE CAPITAL

	Unaudited As at 30 June, 2005 RMB'000	Audited As at 31 December, 2004 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

On 16 June, 2004, the Company's H shares were issued and listed on the Main Board of The Stock Exchange of Hong Kong Limited.

12. OTHER RESERVES

	Capital surplus RMB'000	**Statutory surplus reserve (note(i)) RMB'000**	**Unaudited Statutory public welfare fund (note(i)) RMB'000**	**Discretionary common reserve RMB'000**	**Total RMB'000**
As at 1 January, 2005 and 30 June, 2005	**4,851,488**	**380,473**	**380,473**	**740**	**5,613,174**

	Capital surplus RMB'000	Statutory surplus reserve (note(i)) RMB'000	Unaudited Statutory public welfare fund (note(i)) RMB'000	Share issuance costs RMB'000	Total RMB'000
As at 1 January, 2004	1,051,886	10,095	10,019	(4,519)	1,067,481
Transfer of reserve to share capital upon transformation	(1,155,592)	(10,095)	(10,019)	–	(1,175,706)
Issuance of new H shares	5,211,106	–	–	–	5,211,106
Share issuance costs incurred for the period	–	–	–	(234,672)	(234,672)
Transfer	(239,191)	–	–	239,191	–
As at 30 June, 2004	4,868,209	–	–	–	4,868,209

Note:

(i) Transfers to statutory surplus reserve and statutory public welfare fund from profit for the period are to be made at the end of each financial year in accordance with the Articles of Association of the Company.

13. TRADE AND NOTES PAYABLES

	Unaudited As at 30 June, 2005 RMB'000	Audited As at 31 December, 2004 RMB'000
Trade payables		
– Fellow subsidiaries	**252,193**	268,862
– Others	**2,469,018**	1,852,116
	2,721,211	2,120,978
Notes payables	**2,000**	19,800
	2,723,211	2,140,778

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

	Unaudited As at 30 June, 2005 RMB'000	Audited As at 31 December, 2004 RMB'000
1 to 3 months	**2,233,529**	1,600,936
4 to 6 months	**332,471**	525,038
7 to 9 months	**133,753**	14,804
10 to 12 months	**23,458**	–
	2,723,211	2,140,778

14. LONG-TERM BANK LOANS

	Unaudited As at 30 June, 2005 RMB'000	Audited As at 31 December, 2004 RMB'000
Secured bank loans not wholly repayable within five years	**4,815,369**	5,014,958
Less: amount repayable within one year included in current liabilities	**(445,030)**	(445,030)
	4,370,339	4,569,928

At 30 June, 2005, the Group's bank loans were repayable as follows:

	Unaudited As at 30 June, 2005 RMB'000	Audited As at 31 December, 2004 RMB'000
Within 1 year	**445,030**	445,030
Between 1 and 2 years	**650,030**	650,030
Between 2 and 5 years	**2,001,791**	1,961,180
Over 5 years	**1,718,518**	1,958,718
	4,815,369	5,014,958

As at 30 June, 2005, the long-term bank loans of the Group were secured by the following:

(i) Legal mortgage over certain container vessels and vessels in construction with net book value of approximately RMB5,072,661,000 for the Group (As at 31 December, 2004: RMB4,061,047,000).

(ii) Charges over shares of certain vessels owning subsidiaries.

(iii) Assignment of shipbuilding contracts related to certain vessels under construction.

15. FINANCE LEASE OBLIGATIONS

	Unaudited As at 30 June, 2005 Minimum lease payments RMB'000	Finance charges RMB'000	Net present value of minimum lease payments RMB'000
Finance lease obligations			
Within one year	**639,884**	**253,143**	**386,741**
In the second year	**587,119**	**196,042**	**391,077**
In the third to fifth year	**1,366,283**	**336,577**	**1,029,706**
After fifth year	**623,448**	**62,875**	**560,573**
	3,216,734	**848,637**	**2,368,097**
Less: Payable no later than one year (current portion)	**(639,884)**	**(253,143)**	**(386,741)**
	2,576,850	**595,494**	**1,981,356**

	Audited As at 31 December, 2004 Minimum lease payments RMB'000	Finance charges RMB'000	Net present value of minimum lease payments RMB'000
Finance lease obligations			
Within one year	677,722	238,774	438,948
In the second year	513,530	177,490	336,040
In the third to fifth year	1,179,966	295,134	884,832
After fifth year	459,928	63,971	395,957
	2,831,146	775,369	2,055,777
Less: Payable no later than one year (current portion)	(677,722)	(238,774)	(438,948)
	2,153,424	536,595	1,616,829

16. COMMITMENTS

(a) Capital commitments

As at 30 June, 2005, the Group had the following significant capital commitments which were not provided for in the balance sheets:

	Unaudited As at 30 June, 2005 RMB'000	Audited As at 31 December, 2004 RMB'000
Contracted but not provided for:		
– Vessels under construction	**5,811,862**	7,567,140

(b) Lease commitments

As at 30 June, 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited As at 30 June, 2005 RMB'000	Audited As at 31 December, 2004 RMB'000
Land and buildings:		
– Within one year	**12,977**	17,979
– In the second to fifth year	**42,503**	44,361
– After fifth year	**14,730**	18,382
	70,210	80,722
Vessels chartered-in and containers under operating leases:		
– Within one year	**2,745,053**	2,924,159
– In the second to fifth year	**7,637,905**	7,549,574
– After fifth year	**2,850,977**	3,589,892
	13,233,935	14,063,625
	13,304,145	14,144,347

16. COMMITMENTS (continued)

(c) Other commitments

	Unaudited As at 30 June, 2005 RMB'000	Audited As at 31 December, 2004 RMB'000
Investment	**111,100**	222,200

Pursuant to an equity transfer and capital injection agreement entered in 2004, the Group agreed to contribute in cash into Shanghai Puhai.

17. CONTINGENT LIABILITIES

As at 30 June, 2005, the Group has no significant contingent liabilities

18. 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, 2005.

18. RELATED-PARTY TRANSACTIONS (continued)

(a) The following significant transactions were carried out with related parties:

		Unaudited	
		For six months ended 30 June,	
		2005	2004
	Notes	**RMB'000**	RMB'000
Transactions with fellow subsidiaries			
Revenue:			
Information technology services	*(i)*	**11,000**	2,295
Lease of containers	*(ii)*	**1,354**	1,563
Liner services	*(i)*	**607,596**	377,383
Compensation income	*(Note 4(i))*	**99,331**	–
Expense:			
Interest element of finance lease obligations in connection with lease of containers	*(ii)*	**106,677**	129,308
Lease of chassis	*(i)*	**8,440**	14,396
Lease of properties	*(ii)*	**5,913**	7,203
Cargo and liner agency services	*(i)*	**205,230**	205,355
Container management services	*(i)*	**259,157**	216,501
Time charter services	*(i)*	**146,267**	144,762
Bareboat charter services	*(i)*	**28,469**	21,652
Ship repair services	*(i)*	**23,931**	31,259
Supply of fresh water, vessel fuel, lubricants, spare parts and other materials	*(i)*	**157,666**	125,042
Depot services	*(i)*	**7,087**	3,686
Information technology services	*(i)*	**11,024**	6,076
Provision of motor vehicles	*(i)*	**1,263**	438
Provision of crew members	*(i)*	**54,789**	41,657
Loading and unloading services	*(i)*	**342,624**	243,288
Sub-route services	*(i)*	**57,357**	–
Ground container transport costs	*(i)*	**13,490**	20,703

Notes:

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

18. RELATED-PARTY TRANSACTIONS (continued)

(a) The following significant transactions were carried out with related parties: (continued)

Notes: (continued)

(ii) The transactions were conducted in accordance with relevant agreements entered into between the Company and fellow subsidiaries.

	Unaudited For six months ended 30 June,	
	2005	2004
	RMB'000	RMB'000
Transactions with other state-owned enterprises		
Revenue:		
Interest income from bank deposits	**7,326**	1,204
Expenses:		
Port charges	**1,648,700**	783,600
Purchase of bunkers and spare parts	**63,039**	19,910
Interest expenses	**84,816**	117,435
Vessel maintenance costs	**12,633**	6,865
Others:		
Progress payment made on construction of vessels	**1,439,154**	1,001,872
Purchase of property	**–**	174,746

(b) Balances with related parties

	Unaudited As at 30 June, 2005 RMB'000	Audited As at 31 December, 2004 RMB'000
Balances with fellow subsidiaries		
Trade receivables *(note (i))*	**2,500,873**	2,022,288
Less: provisions	**(72,046)**	(67,163)
	2,428,827	1,955,125
Trade payables *(note (i))*	**(252,193)**	(268,862)
Finance lease obligations *(note(ii))*	**(1,438,100)**	(1,720,393)
	738,534	(34,130)
Balances with China Shipping (Group) Company		
Dividend payable	**722,000**	480,098

18. RELATED-PARTY TRANSACTIONS (continued)

(b) Balances with related parties (continued)

Notes:

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

(ii) The Group has entered into finance lease arrangement to lease containers from its fellow subsidiaries. These balances carry interest at rates 14.8% per annum agreed between both parties (As at 31 December, 2004: 15.6% per annum).

	Unaudited As at 30 June, 2005 RMB'000	Audited As at 31 December, 2004 RMB'000
Balances with other state-owned enterprises		
Bank deposits *(note (i))*	**2,199,934**	3,596,563
Bank loans *(note (ii))*	**1,792,800**	3,597,770
Other payables *(note (iii))*	**684,075**	494,340

Notes:

(i) Interest of bank deposits is at market rates ranging from 0.72% to 3.6% per annum (As at 31 December, 2004: from 0.72% to 3.6% per annum).

(ii) As at 30 June, 2005, the bank loans were secured by legal mortgage over certain container vessels and vessels in construction with net book value of approximately RMB3,802,189,000 for the group (As at 31 December, 2004: RMB2,814,118,000)

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

(c) Key management compensation:

	Unaudited For six months ended 30 June, 2005 RMB'000	2004 RMB'000
Salaries and other short-term employee benefits	**812**	352
Post employment benefits	**309**	86