Interim Report **2006**

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

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

Stock Code : 2866

CONTENTS

CORPORATE INFORMATION

Directors

Executive Directors

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

Non-executive Directors

Mr. Zhang Guofa *(Vice Chairman)*
Mr. Zhang Jianhua
Mr. Wang Daxiong
Mr. Xu Hui
Mr. Yao Zuozhi

Independent Non-executive Directors

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

Supervisors

Mr. Chen Decheng
Mr. Huang Xinming
Mr. Tu Shiming
Mr. Wang Xiuping
Mr. Hua Min
Ms. Pan Yingli

Company secretary

Mr. Ye Yu Mang

Audit committee

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

Authorised representatives

Mr. Li Shaode
Mr. Huang Xiaowen

Legal address and principal place of business in the PRC

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

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

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

RESULTS AND BUSINESS HIGHLIGHTS

Results for the six months ended 30 June, 2006

	1H2006 ***(RMB)***	1H2005 *(RMB)*	**Change**
Turnover	**13,973,202,000**	13,495,759,000	3.5%
Operating profit	**413,748,000**	2,737,734,000	-84.9%
Profit after taxation	**82,829,000**	2,145,296,000	-96.1%
Basic earnings per share	**0.01**	0.36	-97.2%
Gross profit margin	**4.3%**	20.7%	-79.2%
Profit before income tax margin	**1.2%**	18.9%	-93.7%
Gearing ratio	**49.0%**	17.5%	180.0%

Business highlights

- Shipping volume reached 2,645,368TEU in the first half of year 2006, representing an increase of 20.6% over that of the same period in 2005.

- Operating capacity reached 371,204TEU as at 30 June, 2006, representing a net increase of 23.9% when compared with that as at 30 June, 2005.

- The Group's policies of locking in oil prices, controlling fuel inventory and selecting refueling ports with relatively lower fuel prices, etc. have enabled the Group to effectively control its costs in the environment of rising fuel costs. This makes the extent of the increase in the Group's average fuel cost lower than the extent of the increase in fuel price in the market.

- In the first half of year 2006, 5 new vessels (each with a capacity of over 4,000TEU, totaling 26,580TEU) were delivered and put into operation. Another 3 large container vessels each with a capacity of 9,600TEU will also be delivered and put into operation in the second half of year 2006. Operating capacity is expected to reach 399,424TEU at the end of 2006 after taking into account net increase.

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 30 June, 2006 (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 Period, the Group recorded a turnover of RMB13,973,202,000, representing an increase of 3.5% over that of the same period in 2005. Profit after taxation for the Period amounted to RMB82,829,000, which represents a decrease of 96.1% as compared with the same period last year. Basic earnings per share amounted to RMB0.01, representing a decline of 97.2% as compared with the same period in 2005.

Operating environment

During 2006, the world economy and world trade were still in a new cycle of expansion. It is forecasted by the International Monetary Fund (IMF) that the growth rate of the global economy for 2006 will reach 4.9%, which will be slightly higher than the growth rate of 4.8% for the global economy in 2005. The stable growth of the world economy and world trade will provide a favorable environment for the development of foreign trade in the PRC.

The total amount of imports and exports in the PRC for the first half of 2006 amounted to US$795.7 billion, achieving an increase of 23.4% compared with the same period last year. The growth rate was increased by 0.2% as compared with that of the same period last year. There is stable growth in foreign trade development in the PRC and its trade surplus continues to enlarge. The trade surplus of the PRC is mostly a reflection of the movement of global manufacturing into the PRC.

Under such favorable trading environment, although affected by the strong growth in additional global shipping capacity (It is forecasted by Drewry that during 2006, the growth in additional global shipping capacity will be around 15.9% while the growth in demand for transportation will be around 11.5%), the global container shipping market is still relatively dynamic. For the first half of 2006 in the PRC container shipping market, the container throughput in large scale ports (i.e. container throughput per year over 1,000,000TEU) reached 42.12 million TEU, achieving an increase of about 22.4% as compared with the same period last year, amongst which, the container throughputs in the coastal ports and river ports increased by 21.4% and 39.3% respectively (information source: PRC Ministry of Communications).

Performance analysis

For the Period, the Group recorded a turnover of RMB13,973,202,000, representing an increase of RMB477,443,000 or 3.5% over that of the same period in 2005. Profit after taxation in the first half of 2006 amounted to RMB82,829,000, representing a decrease of RMB2,062,467,000 or 96.1% as compared with the same period last year. Basic earnings per share amounted to RMB0.01, representing a decrease of RMB0.35 or 97.2% as compared with the same period last year.

Analysis of loaded container volume by trade lanes

Principal Market	1H2006 (TEU)	1H2005 (TEU)	Change
North America	**637,871**	507,541	25.7%
South America	**32,687**	12,210	167.7%
Europe/Mediterranean	**680,530**	583,471	16.6%
Australia	**83,606**	90,663	-7.8%
Near ocean	**271,970**	300,254	-9.4%
Middle East	**77,047**	4,869	1482.4%
China domestic	**811,649**	653,977	24.1%
Others	**50,008**	40,984	22.0%
Total	**2,645,368**	2,193,969	20.6%

Operational revenue by trade lanes

Principal Market	1H2006 (RMB'000)	1H2005 (RMB'000)	Change
North America	**6,152,384**	4,977,620	23.6%
South America	**243,061**	123,605	96.6%
Europe/Mediterranean	**4,134,834**	4,905,718	-15.7%
Australia	**527,206**	679,523	-22.4%
Near ocean	**744,057**	901,125	-17.4%
Middle East	**353,718**	43,509	713.0%
China domestic	**982,129**	1,043,014	-5.8%
Others	**835,813**	821,645	1.7%
Total	**13,973,202**	13,495,759	3.5%

The decline of the Group's results for the first half of 2006 was mainly because of the pressure resulting from the excess supply of container shipping capacity over demand in the container shipping market. As a result, the freight rates in several main trade lanes, such as the Europe/Mediterranean route and Australian routes, etc. had been falling from the end of last year to the end of the first quarter this year. Although the freight rates in each trade lane began to recover since the second quarter, it was still lower than the same period last year. During the Period, in relation to the Europe/Mediterranean route, revenue fell by RMB1.587 billion due to falling freight rates.

Secondly, rising fuel costs, terminal handling charges and inland transshipment cost, etc. brought pressure on the operation of shipping companies.

During 2006, with regard to the above mentioned unfavorable factors, the Group strengthened external cooperation and inaugurated trade lanes with other shipping liner companies, such as the west coast of South America route, Far East/west coast of America route, Europe/east coast of America route, Europe/America gulf route, Middle East/ Europe route, Middle East feeder route and Mediterranean feeder route, etc. The Group also independently inaugurated the Far East/Middle East/west coast of America route. With the inauguration of the above series of new trade lanes, the Group enlarged its coverage of trade lanes and enhanced its service capacity as a global carrier. At the same time, it should also be noted that the exploitation of markets requires a period of development and growth. The Group's management believes that the benefits of the trade lanes will emerge gradually with the consolidation between the newly-inaugurated trade lanes and the regional markets.

In addition, in respect of the management of freight rates, the Group has, since 1 April, 2006, taken the lead in increasing freight rates in each main trade lane including the Europe/Mediterranean route, west coast of America route, east coast of America route and Australian routes, etc. This action had a positive effect in the stabilization of freight rates in the market.

Regarding the fuel costs, the Group paid close attention to changes in the fuel market and secured 735,000 tons of fuel in a timely fashion. As at 30 June, 2006, 240,000 tons of secured fuel was consumed. In light of the fuel price in the market during the same period, the Group saved about US$4,350,000 in fuel costs.

In respect of port charges, the Group strengthened business negotiation with ports and controlled port rates in 2006 at the level last year.

Cost analysis

In the first half of 2006, the Group's operating costs have increased as compared with the same period last year. The total operating costs for the first half of 2006 were RMB13,370,061,000, representing an increase of about 25.0% as compared with the same period last year. This is mainly due to the deployment of new shipping capacity by the Group (i.e. the new vessels and time chartered vessels successively delivered and put into operation brought an increase of shipping capacity by 23.9% as compared with the same period last year) and due to an increase in fuel costs.

In 2006, fuel prices have been continually rising. During the Period, the average closing price of crude oil in the fuel market rose by about 30.2% as compared to the same period last year, resulting in an increase in the Group's fuel costs by about RMB771,786,000. In addition, due to the deployment of new vessels into operation and the increase in shipping volume, the Group's fuel costs increased by about RMB372,871,000. However, the Group continued to take measures, including locking in a portion of fuel prices, controlling fuel inventory, selecting refueling ports and suppliers with relatively lower fuel prices and requiring our ships to navigate at economical speed while meeting schedules, etc., to control fuel costs and fuel consumption.

Container management costs increased by 23.4% as compared with the same period last year, as a result of an increase of 12.5% in the number of containers and an increase of 18.8% in acquisition price of new additional containers as compared with the same period last year.

Port charges and stevedore charges increased by 22.2% as compared with the same period last year as a result of the increase in the Company's shipping volume by 20.6% as compared with the same period last year (among which, shipping volume of foreign trade lanes increased by 19.1% as compared with the same period last year). However, calculated on an average cost per TEU basis, such charges increased by only 1.4% as compared with the same period last year.

The Group's fixed costs increased by 14.1% as compared with the same period last year, which is far below the increase in shipping capacity. The main reason was that most of the new additional capacity of the Group was ordered or chartered during the down cycle of the shipbuilding industry.

Future plans and prospects

In 2006, it is estimated that the growth rate of the global economy will be about 4.9%, which will be slightly higher than the growth level in 2005 (information source: International Monetary Fund). At the same time, the stable growth of the world economy and world trade will provide a favorable environment for PRC foreign trade.

However, there are still disadvantages such as increasing fuel price, soaring shipping capacity, rising port charges, RMB appreciation, trade imbalance, etc.

Consequently, in the face of such opportunity and challenge, the Group, whilst persisting in our development into a first-rate liner shipping company, plans to transform its traditional operation pattern, traditional manner in soliciting cargo and traditional supply configuration of cargo and implement its operational concepts of careful organization, fine management and developing quality trade lanes in its production and operation.

The specific operating arrangements for the second half of 2006 are as follows:

I. The Group will continue to enhance its capacity in soliciting domestic cargo in the PRC, pay attention to soliciting FOB cargo and backhaul cargo by relying on the rapid development of PRC imports and exports trade with PRC as its base.

II. With its operational concept of "careful organization, fine management and developing quality trade lanes", the Group will continue to improve and optimize overall arrangement of trade lanes and develop quality trade lanes. During the second half of 2006, the Group plans to continue inaugurating new routes to expand the coverage of its trade routes. At the same time, the Group will gradually apply the concept of "quality" route to the trade lanes in operation.

III. The Group will transform its sales concept and develop a high-quality customer base. The Group will make full use of the advantage of global networks to strengthen market exploitation and develop a high-quality customer base by high-quality service. The Group will enlarge the proportion of basic cargo and cargo from beneficial and large cargo owners to obtain stable revenue.

IV. The Group will continue to carry out the measure of stable freight rates. With the coming of the traditional peak season during the second half of this year, the Group will pay close attention to market developments and adjust the freight rates of some trade lanes in a timely manner to seize market opportunities.

V. The Group will strengthen business guidance to domestic coastal companies and overseas agencies, further make use of the consolidation effect of container transportation networks and agency networks, pay more attention to tasks including cargo flow control, cargo weight management and freight rates management, etc.

VI. In the first half of 2006, the Group had 5 new vessels (each with a capacity of over 4,000TEU, totalling 26,580TEU) delivered and put into operation. Another 4 new vessels and time charter vessels with a total capacity of 30,472TEU will be delivered and put into operation in the second half of 2006. All the said additional vessels will be put into operation in newly-inaugurated and current trade lanes. Operating capacity is expected to reach 399,424TEU at the end of 2006 after taking into account net increase.

VII. The Group will continue to control operating costs stringently including fuel costs, stevedore charges, port charges, container management costs and transshipment costs, etc.

VIII. The Group will continue to speed up the construction of information systems. In accordance with demands of development, the Group will further optimize the freight rate system, manifest checking system, container repairing system and operating system, etc. Meanwhile, the Group will optimize management, enhance work efficiency and improve customer service.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's principal source of liquidity is cash flow from operations. The Group's cash has mainly been used as operating costs, loan repayments and used in construction of new vessels and containers. For the Period, the Group generated a net operating cash inflow of RMB419,098,000 and the Group had a cash balance of RMB2,250,115,000 as at 30 June, 2006.

As at 30 June, 2006, the Group's total bank loans were RMB6,669,246,000. The maturity profile is spread over a period between 2006 and 2014, with RMB1,641,912,000 being payable within one year, RMB917,736,000 within the second year, RMB3,037,749,000 within the third to fifth year, and RMB1,071,849,000 after the fifth year. The Group's long-term bank loans are mainly used to fund the purchase of new vessels.

As at 30 June, 2006, several container vessels and vessels under construction valued in an aggregate amount of RMB6,625,486,000 (as at 31 December, 2005: RMB6,727,496,000) have been pledged against long term bank loans of the Group.

As at 30 June, 2006, the Group's obligations under finance lease amount to RMB3,377,852,000, with the maturity profile ranging from 2006 to 2014. The amount repayable within one year is RMB580,022,000, the amount repayable within the second year is RMB578,329,000, the amount repayable within the third to fifth year is RMB1,490,361,000 and the amount repayable after the fifth year is RMB729,140,000. All finance lease obligations are arranged for the lease of new containers.

As at 30 June, 2006, the gearing ratio of the Group (i.e. the ratio of net debt over equity holders' equity) was 49.0%, which is higher than the rate of 30.4% as at 31 December, 2005 and 17.5% as at 30 June, 2005. The main reasons for the increase in the gearing ratio are that capital expenditure on bank loans increased by 18.9% and finance lease obligations increased by 18.0% as compared with the same period last year.

As at 30 June, 2006, the Group had loans in the amount of RMB4,970,501,000 and loans in the amount of USD212,460,000. The loans are settled primarily in RMB and US dollars while their cash and cash equivalents are also denominated in RMB and US dollars. During the Period, the Group had not entered into any hedging arrangement. As at 30 June, 2006, the Group's RMB loans amounted to RMB4,970,501,000 with interest rates ranging from 3.6% to 5.508% per annum. US dollar loans amounted to US$212,460,000 (equivalent to RMB1,698,745,000) with interest rates ranging from 6.038% to 6.283% per annum.

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

FOREIGN EXCHANGE RISK AND HEDGING

Most of the Group's revenues and operating expenses are settled or denominated in US dollars. As a result, the negative impact on the net revenue due to RMB appreciation since July, 2005 can be offset by each other to a certain extent. With the RMB appreciation, net currency assets including cash and cash equivalents denominated in US dollars and HK dollars continued to depreciate. During the Period, the Group devoted itself to improving the currency structure of such assets and the exchange losses of the Group were controlled at RMB23,450,000. The Group has paid close attention to the fluctuation of the RMB exchange rate, settled foreign incomes from operating activities into RMB in a timely manner to minimize the losses brought by foreign exchange fluctuations. The Group will continue to implement the policy of timely conversion of foreign currency assets into RMB, reduce the net currency assets denominated in foreign currency, and adopt proper measures including hedging instruments (e.g. forward exchange contracts) as and when necessary and appropriate to minimize foreign exchange risks.

CAPITAL COMMITMENT

As at 30 June, 2006, the capital commitment for vessels under construction that had been contracted but not provided for the Group amounted to RMB4,612,236,000. Furthermore, the Group's lease commitments relating to land and buildings, and vessels and containers are RMB121,658,000 and RMB12,573,528,000 respectively.

CONTINGENT LIABILITIES

As at 30 June, 2006, the Group did not have any material contingent liabilities.

SHARE CAPITAL

As at 30 June, 2006, the share capital of the Company was as follows:

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 IN SHARES

In accordance with the share appreciation rights scheme adopted by the shareholders of the Company on 12 October, 2005, 9 directors of the Company (the "Directors") and 4 supervisors have been granted the H share share appreciation rights (the "Rights"). Details of the share appreciation rights scheme were set out in the circular to shareholders issued by the Company on 26 August, 2005.

As at 30 June, 2006, the Directors', supervisors' and chief executives' interests in H shares of the Company were as follows:

Name	Number of underlying H shares	Capacity	Percentage in total share capital
Directors			
Li Kelin	1,180,000	Beneficial owner	0.05% (Long position)
Jia Hongxiang	880,000	Beneficial owner	0.04% (Long position)
Huang Xiaowen	820,000	Beneficial owner	0.03% (Long position)
Zhao Hongzhou	720,000	Beneficial owner	0.03% (Long position)
Li Shaode	680,000	Beneficial owner	0.03% (Long position)
Wang Daxiong	300,000	Beneficial owner	0.01% (Long position)
Zhang Guofa	300,000	Beneficial owner	0.01% (Long position)
Zhang Jianhua	300,000	Beneficial owner	0.01% (Long position)
Xu Hui	200,000	Beneficial owner	0.01% (Long position)
Supervisors			
Huang Xinming	720,000	Beneficial owner	0.03% (Long position)
Wang Xiuping	450,000	Beneficial owner	0.02% (Long position)
Yao Zuozhi	200,000	Beneficial owner	0.01% (Long position)
Tu Shiming	60,000	Beneficial owner	0.002% (Long position)

Save as disclosed above, as at 30 June, 2006, none of the Directors, supervisors, chief executives of the Company or their associates had any interests in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register kept by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHAREHOLDINGS OF OTHER SHAREHOLDERS WITH NOTIFIABLE INTERESTS

As at 30 June, 2006, so far as was known to the Directors, the interests or short positions of the following persons (other than Directors, supervisors or chief executives of the Company) in the shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Class of shares	Number of shares/underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
China Shipping (Group) Company	Domestic shares	3,610,000,000 (Long position)	Beneficial owner	100%	59.87%
Li Ka-Shing	H shares	365,637,000 (Long position)	Interest of controlled corporation and founder of a discretionary trust	15.11%	6.06%
Li Ka-Shing Unity 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%

Save as disclosed above, as at 30 June, 2006, so far as was known to the Directors, no person (other than Directors, supervisors or chief executives) had any interest or short position in any shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Period.

EMPLOYEES, TRAINING AND DEVELOPMENT

As at 30 June, 2006, the Group had 3,404 employees, representing a decrease of 43 employees as compared with 31 December, 2005. During the Period, the total expenses were about RMB254,302,000. In addition, the Group had entered into contracts with a number of subsidiaries of China Shipping (Group) Company, pursuant to which these subsidiaries provided the Group with approximately 3,372 crew members in total who mainly work on the Group's self-owned or bare-boat chartered vessels.

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

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

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, namely Mr. Wang Daxiong. The audit committee of the Company had reviewed the Company's interim results for the Period and agrees with the accounting treatment adopted by the Company.

COMPLIANCE WITH THE "CODE ON CORPORATE GOVERNANCE PRACTICES" (THE "CG CODE")

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

SECURITIES TRANSACTIONS

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

DISCLOSURE OF INFORMATION 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
China Shipping Container Lines Company Limited
Li Shaode
Chairman

Shanghai, the People's Republic of China
28 August, 2006

The Board as at the date of this report comprises of Mr. Li Shaode, Mr. Jia Hongxiang, Mr. Huang Xiaowen and Mr. Zhao Hongzhou (being executive directors); Mr. Zhang Guofa, Mr. Zhang Jianhua, Mr. Wang Daxiong, Mr. Xu Hui and Mr. Yao Zuozhi (being non-executive directors); and Mr. Hu Hanxiang, Mr. Gu Nianzu, Mr. Wang Zongxi and Mr. Lam Siu Wai, Steven (being independent non-executive directors).

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited For six months ended 30 June,	
		2006	2005
	Note	***RMB'000***	*RMB'000*
Turnover	*6*	**13,973,202**	13,495,759
Operating costs		**(13,370,061)**	(10,697,024)
Gross profit		**603,141**	2,798,735
Other income	*7*	**79,702**	176,665
Administrative and general expenses		**(269,095)**	(237,666)
Operating profit	*8*	**413,748**	2,737,734
Finance costs	*9*	**(246,302)**	(193,011)
Share of profit of an associated company		**3,656**	2,481
Profit before income tax		**171,102**	2,547,204
Income tax expense	*10*	**(88,273)**	(401,908)
Profit for the period		**82,829**	2,145,296
Attributable to:			
Equity holders of the Company		**81,194**	2,144,010
Minority interest		**1,635**	1,286
		82,829	2,145,296
		RMB per share	*RMB per share*
Basic earnings per share for profit attributable to the equity holders of the Company, expressed in RMB per share	*11*	**0.01**	0.36
Dividends	*12*	**–**	–

The notes on pages 19 to 36 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 30 June, 2006 *RMB'000***	Audited As at 31 December, 2005 *RMB'000*
ASSETS			
Non-current assets			
Fixed assets	*13*	**22,829,603**	20,770,813
Land use rights	*13*	**13,522**	13,686
Goodwill		**13,281**	13,281
Interest in an associated company		**51,252**	47,596
Interest in a joint control entity		**52**	–
		22,907,710	20,845,376
Current assets			
Bunkers		**676,580**	553,080
Trade and notes receivables	*14*	**4,553,751**	4,054,345
Prepayments and other receivables		**218,066**	129,154
Cash and cash equivalents		**2,250,115**	3,423,373
		7,698,512	8,159,952
Total assets		**30,606,222**	29,005,328
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*15*	**6,030,000**	6,030,000
Other reserves		**6,048,849**	6,128,838
Retained earnings			
– Proposed final dividend		**–**	723,600
– Others		**3,790,620**	3,709,426
Minority interests		**39,095**	37,460
Total equity		**15,908,564**	16,629,324

	Note	Unaudited As at 30 June, 2006 RMB'000	Audited As at 31 December, 2005 RMB'000
LIABILITIES			
Non-current liabilities			
Long-term bank loans	17	**5,027,334**	5,107,112
Finance lease obligations	18	**2,797,830**	2,404,974
Deferred tax liabilities		**717,900**	637,120
		8,543,064	8,149,206
Current liabilities			
Trade and notes payables	16	**2,987,121**	2,759,412
Accrual and other payables		**500,071**	305,702
Short-term bank loans	17	**775,000**	–
Long-term bank loans – current portion	17	**866,912**	501,053
Finance lease obligations – current portion	18	**580,022**	458,681
Income tax payable		**12,268**	201,950
Dividend payable to ultimate holding company	12	**433,200**	–
		6,154,594	4,226,798
Total liabilities		**14,697,658**	12,376,004
Total equity and liabilities		**30,606,222**	29,005,328
Net current assets		**1,543,918**	3,933,154
Total assets less current liabilities		**24,451,628**	24,778,530

The notes on pages 19 to 36 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited				
		Attributable to equity holders of the Company				
		Share capital	**Other reserves**	**Retained earnings**	**Minority interest**	**Total**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January, 2005		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
Dividends relating to 2004		–	–	(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
Balance at 1 January, 2006		6,030,000	6,128,838	4,433,026	37,460	16,629,324
Currency translation differences		–	(79,989)	–	–	(79,989)
Profit for the period		–	–	81,194	1,635	82,829
Dividends relating to 2005	*12*	–	–	(723,600)	–	(723,600)
Balance at 30 June, 2006		6,030,000	6,048,849	3,790,620	39,095	15,908,564

The notes on pages 19 to 36 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30 June **2006** ***RMB'000***	 2005 *RMB'000*
Net cash generated from operating activities	**419,098**	2,206,772
Net cash used in investing activities	**(2,306,384)**	(2,012,161)
Net cash generated from/(used in) financing activities	**714,028**	(1,553,367)
Net decrease in cash and cash equivalents	**(1,173,258)**	(1,358,756)
Cash and cash equivalents at beginning of the period	**3,423,373**	5,863,491
Cash and cash equivalents at end of the period	**2,250,115**	4,504,735

The notes on pages 19 to 36 are an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

This condensed consolidated interim financial information was approved for issue on 28 August, 2006.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the half year ended 30 June, 2006 has been prepared in accordance with HKAS 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual accounts for the year ended 31 December, 2005.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual accounts for the year ended 31 December, 2005 except that the Group has adopted the following new standards, interpretations and amendments to standards (collectively the "new/revised HKFRSs") which are relevant to the Group's operations and are mandatory for financial year ending 31 December, 2006.

HKAS 19 (Amendment)	Employee Benefits
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 4 and HKAS 39 (Amendment)	Financial Guarantee Contracts
HKFRS – Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above new/revised HKFRSs in the current period did not have any significant effect on the condensed consolidated interim financial information or result in any significant change in the Group's accounting policies.

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

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The HKICPA has issued several new standards, interpretations and amendments which are not yet effective for the year ending 31 December, 2006. The Group has not early adopted of the above standards, interpretations and amendments in the condensed consolidated interim financial information but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

For six months ended 30 June, 2005, the Group disclosed interest income, bank charges and foreign exchange gains/losses within "net financing charge". Management believes that their inclusion in "other income" and "administrative and general expenses" respectively is a fairer presentation of the Group's activities.

4 FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual accounts for the year ended 31 December, 2005.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The estimates and assumptions applied in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual accounts for the year ended 31 December, 2005.

6 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,	
	2006	2005
	RMB'000	*RMB'000*
Turnover		
Liner	**13,925,613**	13,301,768
Chartering	**47,589**	193,991
	13,973,202	13,495,759

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

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

6 TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

Primary reporting format – business segments

The Group's business is organised into two business segments: liner and chartering. The Group's business is dominated by 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 North America, South America, Europe/Mediterranean, Australia, East and Southeast Asia, Middle East, 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,	
	2006	2005
	RMB'000	*RMB'000*
North America	**6,152,384**	4,977,620
South America	**243,061**	123,605
Europe/Mediterranean	**4,134,834**	4,905,718
Australia	**527,206**	679,523
East and Southeast Asia	**744,057**	901,125
Middle East	**353,718**	43,509
China Domestic	**982,129**	1,043,014
Others	**835,813**	821,645
	13,973,202	13,495,759

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

7 OTHER INCOME

	Unaudited	
	For six months ended 30 June,	
	2006	2005
	RMB'000	*RMB'000*
Information technology services fees	**42,213**	11,000
Interest income	**37,489**	38,029
Recovery of payment for claims	**–**	28,305
Compensation income	**–**	99,331
	79,702	176,665

8 EXPENSES BY NATURE

	Unaudited	
	For six months ended 30 June,	
	2006	2005
	RMB'000	*RMB'000*
Cost of bunkers consumed	**2,956,950**	1,812,293
Depreciation:		
– Owned container vessels chartered-out under operating leases	**7,231**	3,961
– Other owned assets	**319,136**	211,639
– Containers under finance leases	**228,732**	183,137
	555,099	398,737
Loss on disposal of fixed assets	**–**	34
Operating lease rental:		
– Container vessels	**1,245,606**	1,219,268
– Containers	**282,366**	384,390
– Buildings	**20,348**	15,499
	1,548,320	1,619,157
Provision for impairment of receivables	**17,509**	6,757
Foreign exchange losses	**23,450**	23,207

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

9 FINANCE COSTS

	Unaudited For six months ended 30 June,	
	2006	2005
	RMB'000	*RMB'000*
Interest expenses:		
– bank loans	**168,476**	138,450
– finance lease obligations	**138,913**	110,147
Total interest expense	**307,389**	248,597
Less: amount capitalised in vessels under construction	**(61,087)**	(55,586)
	246,302	193,011

10 TAXATION

	Unaudited For six months ended 30 June,	
	2006	2005
	RMB'000	*RMB'000*
Current income tax		
– Hong Kong profits tax *(note (i))*	**159**	2,287
– PRC enterprise income tax *(note (ii))*	**7,334**	43,006
Deferred taxation *(note (iii))*	**80,780**	356,615
	88,273	401,908

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for six months ended 30 June, 2006.

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

According to the relevant laws and regulations, the EIT rate applicable to the Company is 15%. The Company's other subsidiaries incorporated in the PRC are subject to EIT at a rate ranging from 0% to 33% for six months ended 30 June, 2006 (2005: 0%-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.

(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.

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

11 EARNINGS PER SHARE

Basic earnings per share is based on the profit attributable to equity holders of the Company of RMB81,194,000 and 6,030,000,000 shares in issue during the period (for six months ended 30 June, 2005: profit attributable to equity holders of the Company of RMB2,144,010,000 and number of shares of 6,030,000,000).

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

12 DIVIDENDS

(i) At a meeting held on 18 April, 2006, the directors proposed a final dividend of RMB0.12 (2004: RMB0.2) per ordinary share totaling RMB723,600,000 (2004: RMB1,206,000,000) for the year ended 31 December, 2005. As at 30 June, 2006, a total amount of RMB290,400,000 was paid to H share holders.

(ii) The directors do not recommend the payment of the interim dividend for six months ended 30 June, 2006 (2005: nil).

13 FIXED ASSETS AND LAND USE RIGHTS

		Unaudited	
	Fixed assets	**Land use rights**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Opening net book amount as at 1 January, 2005	15,190,586	–	15,190,586
Additions	2,454,951	–	2,454,951
Disposals	(6,283)	–	(6,283)
Depreciation charge *(note 8)*	(398,737)	–	(398,737)
Reclassification	(13,918)	13,918	–
Closing net book amount as at 30 June, 2005	17,226,599	13,918	17,240,517
Opening net book amount as at 1 January, 2006	20,770,813	13,686	20,784,499
Additions	2,229,570	–	2,229,570
Purchase from a fellow subsidiary *(note (i))*	439,019	–	439,019
Disposals	(220)	–	(220)
Depreciation charge *(note 8)*	(555,099)	–	(555,099)
Amortisation charge	–	(164)	(164)
Exchange difference	(54,480)	–	(54,480)
Closing net book amount as at 30 June, 2006	22,829,603	13,522	22,843,125

Note:

(i) During the period, China Shipping Container Lines (Asia) Co., Ltd., a wholly-owned subsidiary of the Company, purchased certain containers from Dong Fang International Container (Lianyungang) Co., Ltd., a fellow subsidiary.

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

14 TRADE AND NOTES RECEIVABLES

	Unaudited As at 30 June, 2006	Audited As at 31 December, 2005
	RMB'000	*RMB'000*
Trade receivables		
– Fellow subsidiaries	**2,523,615**	1,997,785
– Others	**1,894,224**	1,933,858
	4,417,839	3,931,643
Notes receivables	**135,912**	122,702
	4,553,751	4,054,345

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

	Unaudited As at 30 June, 2006	Audited As at 31 December, 2005
	RMB'000	*RMB'000*
1 to 3 months	**3,561,821**	2,547,888
4 to 6 months	**940,051**	699,593
7 to 9 months	**138,998**	428,547
10 to 12 months	**49,515**	499,913
Over one year	**10,934**	8,463
	4,701,319	4,184,404
Less: provision for impairment of receivables	**(147,568)**	(130,059)
	4,553,751	4,054,345

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.

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

15 SHARE CAPITAL

	Unaudited As at 30 June, 2006	Audited As at 31 December, 2005
	RMB'000	*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

16 TRADE AND NOTES PAYABLES

	Unaudited As at 30 June, 2006	Audited As at 31 December, 2005
	RMB'000	*RMB'000*
Trade payables		
– Fellow subsidiaries	**931,637**	467,858
– Others	**2,055,484**	2,281,554
	2,987,121	2,749,412
Notes payables	**–**	10,000
	2,987,121	2,759,412

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

	Unaudited As at 30 June, 2006	Audited As at 31 December, 2005
	RMB'000	*RMB'000*
1 to 3 months	**2,362,600**	1,954,087
4 to 6 months	**285,028**	697,283
7 to 9 months	**328,539**	108,042
10 to 12 months	**10,954**	–
	2,987,121	2,759,412

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

17 BANK BORROWINGS

	Unaudited As at 30 June, 2006	Audited As at 31 December, 2005
	RMB'000	*RMB'000*
Non-current		
Long-term bank loans	**5,027,334**	5,107,112
Current		
Short-term bank loans	**775,000**	–
Long-term bank loans – current portion	**866,912**	501,053
	6,669,246	5,608,165
Representing:		
Unsecured	**2,162,282**	817,439
Secured	**4,506,964**	4,790,726
Total borrowings	**6,669,246**	5,608,165

At 30 June, 2006, the Group's bank loans were repayable as follows:

	Unaudited As at 30 June, 2006	Audited As at 31 December, 2005
	RMB'000	*RMB'000*
Within 1 year	**1,641,912**	501,053
Between 1 and 2 years	**917,736**	753,461
Between 2 and 5 years	**3,037,749**	2,543,910
Over 5 years	**1,071,849**	1,809,741
	6,669,246	5,608,165

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

17 BANK BORROWINGS *(Continued)*

Movements in borrowings is analysed as follows:

	RMB'000
Six months ended 30 June, 2005	
Opening amount as at 1 January, 2005	5,396,478
Addition of short-term bank loans	414,000
Repayments of short-term bank loans	(795,520)
Repayments of long-term bank loans	(199,589)
Closing amount as at 30 June, 2005	4,815,369
Six months ended 30 June, 2006	
Opening amount 1 January, 2006	5,608,165
Addition of short-term bank loans	775,000
Addition of long-term bank loans	755,059
Repayments of long-term bank loans	(468,978)
Closing amount as at 30 June, 2006	6,669,246

As at 30 June, 2006, 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 RMB6,625,486,000 for the Group (As at 31 December, 2005: RMB6,727,496,000).

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

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

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

18 FINANCE LEASE OBLIGATIONS

	Unaudited As at 30 June, 2006		
	Minimum lease payments	**Finance charges**	**Net present value of minimum lease payments**
	RMB'000	***RMB'000***	***RMB'000***
Finance lease obligations			
Within one year	**825,486**	**245,464**	**580,022**
In the second year	**769,358**	**191,029**	**578,329**
In the third to fifth year	**1,801,566**	**311,205**	**1,490,361**
After fifth year	**776,657**	**47,517**	**729,140**
	4,173,067	**795,215**	**3,377,852**
Less: Payable no later than one year (current portion)	**(825,486)**	**(245,464)**	**(580,022)**
	3,347,581	**549,751**	**2,797,830**

	Audited As at 31 December, 2005		
	Minimum lease payments	Finance charges	Net present value of minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*
Finance lease obligations			
Within one year	716,348	257,667	458,681
In the second year	683,496	205,430	478,066
In the third to fifth year	1,584,020	355,130	1,228,890
After fifth year	768,413	70,395	698,018
	3,752,277	888,622	2,863,655
Less: Payable no later than one year (current portion)	(716,348)	(257,667)	(458,681)
	3,035,929	630,955	2,404,974

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

19 COMMITMENTS

(a) Capital commitments

As at 30 June, 2006 and 31 December, 2005, the Group had the following significant capital commitments which were not provided for in the balance sheet:

	Unaudited As at 30 June, 2006	Audited As at 31 December, 2005
	RMB'000	*RMB'000*
Contracted but not provided for:		
– Vessels under construction	**4,612,236**	4,315,787
– Purchase of containers	**–**	160,036
	4,612,236	4,475,823

(b) Purchase commitments

As at 30 June, 2006 and 31 December, 2005, the Group had the following significant purchase commitments which were not provided for in the balance sheet:

	Unaudited As at 30 June, 2006	Audited As at 31 December, 2005
	RMB'000	*RMB'000*
Contracted but not provided for:		
– Purchase of bunkers	**1,379,737**	415,914

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

19 COMMITMENTS *(Continued)*

(c) Other commitments

As at 30 June, 2006 and 31 December, 2005, the Group had the following significant commitments which were not provided for in the balance sheet:

	Unaudited As at 30 June, 2006 ***RMB'000***	Audited As at 31 December, 2005 *RMB'000*
Contracted but not provided for:		
– Investment	**111,100**	111,100

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

(d) Lease commitments

As at 30 June, 2006 and 31 December, 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited As at 30 June, 2006 ***RMB'000***	Audited As at 31 December, 2005 *RMB'000*
Land and buildings:		
– Within one year	**38,023**	41,385
– In the second to fifth year	**73,707**	88,436
– After fifth year	**9,928**	12,867
	121,658	142,688
Vessels chartered-in and containers under operating leases:		
– Within one year	**3,107,736**	2,641,580
– In the second to fifth year	**7,226,821**	5,667,242
– After fifth year	**2,238,971**	2,838,513
	12,573,528	11,147,335
	12,695,186	11,290,023

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

20 CONTINGENT LIABILITIES

As at 30 June, 2006, the Group has no significant contingent liabilities.

21 SIGNIFICANT RELATED-PARTY TRANSACTIONS

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

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

In addition to the related party information shown elsewhere in the condensed consolidated interim financial information, 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, 2006.

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

21 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(Continued)*

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

		Unaudited	
		For six months ended 30 June,	
		2006	2005
	Notes	***RMB'000***	*RMB'000*
Transactions with fellow subsidiaries			
Revenue:			
Information technology services	*(i)*	**42,213**	11,000
Lease of containers	*(ii)*	**3,745**	1,354
Liner services	*(i)*	**938,477**	607,596
Compensation income		**–**	99,331
Expense:			
Interest element of finance lease obligations in connection with lease of containers	*(ii)*	**77,507**	106,677
Lease of chassis	*(i)*	**12,586**	8,440
Lease of properties	*(ii)*	**7,759**	5,913
Cargo and liner agency services	*(i)*	**184,312**	205,230
Container management services	*(i)*	**337,313**	259,157
Time charter services	*(i)*	**140,216**	146,267
Bareboat charter services	*(i)*	**22,109**	28,469
Ship repair services	*(i)*	**25,752**	23,931
Supply of fresh water, vessel fuel, lubricants, spare parts and other materials	*(i)*	**186,817**	157,666
Depot services	*(i)*	**8,340**	7,087
Information technology services	*(i)*	**8,957**	11,024
Provision of motor vehicles	*(i)*	**1,282**	1,263
Provision of crew members	*(i)*	**87,865**	54,789
Loading and unloading services	*(i)*	**402,265**	342,624
Sub-route services	*(i)*	**84,480**	57,357
Ground container transport costs	*(i)*	**13,068**	13,490

Notes:

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

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

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

21 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(Continued)*

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

	Unaudited For six months ended 30 June, 2006 RMB'000	2005 RMB'000
Transactions with other state-owned enterprises		
Revenue:		
Interest income from bank deposits	**7,695**	7,326
Expenses:		
Port charges	**1,711,818**	1,648,700
Purchase of bunkers and spare parts	**242,179**	63,039
Interest expenses	**102,452**	84,816
Vessel maintenance costs	**41,888**	12,633
Others:		
Progress payment made on construction of vessels	**1,392,778**	1,439,154

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

21 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

	Unaudited As at 30 June, 2006 ***RMB'000***	Audited As at 31 December, 2005 *RMB'000*
Balances with fellow subsidiaries		
Trade receivables *(note (i))*	**2,601,665**	2,059,573
Less: provisions	**(78,050)**	(61,788)
	2,523,615	1,997,785
Trade payables *(note (i))*	**(931,637)**	(467,858)
Finance lease obligations *(note(ii))*	**(1,132,367)**	(1,283,526)
	459,611	246,401
Balances with China Shipping (Group) Company		
Dividend payable	**433,200**	–

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 12.8% per annum agreed between both parties (As at 31 December, 2005: 14.8% per annum).

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

21 SIGNIFICANT RELATED-PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties (Continued)

	Unaudited As at 30 June, 2006 *RMB'000*	Audited As at 31 December, 2005 *RMB'000*
Balances with other state-owned enterprises		
Bank deposits *(note (i))*	**1,000,169**	1,031,286
Bank loans *(note (ii))*	**4,970,500**	3,821,800
Other payables *(note (iii))*	**789,824**	752,825

Notes:

(i) Interest of bank deposits is at market rates ranging from 0.72% to 4.93% per annum (As at 31 December, 2005: from 0.72% to 3.6% per annum).

(ii) As at 30 June, 2006, the bank loans were secured by legal mortgage over certain container vessels and vessels in construction with net book value of approximately RMB5,350,351,000 for the Group (As at 31 December, 2005: RMB3,842,800,000).

(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, 2006 *RMB'000*	2005 *RMB'000*
Salaries and other short-term employee benefits	**1,181**	812
Post employment benefits	**472**	309

22 SUBSEQUENT EVENT

On 27 August, 2006, China Shipping Container Lines (Hong Kong) Co., Ltd. ("CSHK"), a wholly-owned subsidiary of the Company, entered into a Share Purchase Agreement (the "Agreement") with China Shipping Logistics (Overseas) Co., Limited, Rich Shipping Agency Co., Ltd. and China Shipping (Hong Kong) Agency Co., Ltd. (collectively the "the sellers"), which are all fellow subsidiaries of the Group. According to the Agreement, CSHK will buy the entire shareholding interests of Universal Shipping (Asia) Co., Ltd. from the sellers at a consideration of HKD 79,766,300.