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

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

Stock Code : 2866


# 2007
## Interim Report

**China Shipping Container Lines Company Limited#**

2007 Interim Report


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## CORPORATE INFORMATION

**Directors**

*Executive Directors*

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

*Non-executive Directors*

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

*Independent Non-executive Directors*

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

**Supervisors**

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

**Company secretary**

Mr. Ye Yumang

**Audit committee**

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

**Authorised representatives**

Mr. Li Shaode
Mr. Huang Xiaowen

**Legal address and principal place of business in the PRC**

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

**Principal place of business in Hong Kong**

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

**International auditors**

PricewaterhouseCoopers

**Legal advisors to the Company**

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

**Hong Kong H share registrar and transfer office**

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

**Principal bankers**

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

**Telephone number**

86 (21) 6596 6105

**Fax number**

86 (21) 6596 6813

**Company website**

www.cscl.com.cn

**H share listing place**

Main Board of The Stock Exchange of Hong Kong Limited

**Listing Date**

16 June 2004

**Number of H Shares in issue**

2,420,000,000 H Shares

**Board lot**

1,000 shares

**Hong Kong Stock Exchange stock code**

2866

# The company is registered as an 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 2007**

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

**Business highlights**

- Shipping volume of the Group reached 3,328,459TEU in the first half of year 2007, representing an increase of 25.8% over that of the same period in 2006.

- Operating capacity of the Group reached 427,107TEU as at 30 June 2007, representing a net increase of 28,133TEU when compared with that as at the end of 2006.

- Due to the implementation of various cost control measures, the Group was able to contain its operating cost effectively, cost per TEU was thus reduced by 7.0% to RMB4,652.5 as compared with that of the same period in 2006.

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

- At a Board meeting held on 8 August 2007, the Directors proposed that part of the Group's distributable profits as at 30 June 2007, amounting to RMB3,316,500,000, be distributed as bonus shares each at par value to existing shareholders on the basis of 5.5 bonus shares for every 10 existing shares owned by such shareholders, and also proposed that the shareholders at general meeting authorise the Board to specifically implement the relevant details of such distribution. The remaining distributable profits as at 30 June 2007 will be distributed in the form of cash dividend, the detailed amount and distribution method of which shall be formulated and implemented by the Board as authorized by shareholders at general meeting.




## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

**Operating environment**

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

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

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

I. the trade imbalance between East and West;

II. the widely applied economical speed and increased number of long trade routes, thus slowing down the capacity cycle;

III. saturation of port and inland facilities; and

IV. emerging new markets, which absorb most of the new additional shipping capacity.

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

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


### Performance analysis

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

### Analysis of loaded container volume by trade lanes

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

### Operational revenue by trade lanes

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

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

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

II. The Group has captured the opportunities which have emerged from regional markets in a timely manner to expand its services through container resource allocation, addition of new trade routes and optimization of existing trade routes, etc.. By doing so, it also enabled the Group to focus on those trade routes with greater profitability, thus enhancing the profit margin of the Group's trade routes.

III. During the Period, the Group was delivered a total of three vessels each with a capacity of 9600TEU, further strengthening its fleet structure. To date, the total shipping capacity of the Group has reached 427,107TEU, among which large container vessels with capacity of 4000TEU account for more than 80% of its total shipping capacity. By adding these modernized large container vessels, the unit operating cost per TEU is effectively lowered and the Group is able to provide better services to its customers.

IV. During the Period, to satisfy the requirement of "sales network and integrative services", the Group formed a beneficial cargo owner service team to provide standardised and integrated services for its global beneficial cargo owners. In the meantime, the Group has made progress in identifying source of goods, high net worth customers and long-term customers etc., especially on Tran-Pacific trade routes and domestic trade routes.

V. The Group further promoted fine management and detailed cost control measures. For container management, the Group has enhanced container turnaround, revitalized reefer container resources and effectively contained average handling cost per TEU. For port charges and stevedore charges, cost was restricted to a certain range by minimizing port calls of certain trade routes and reinforcing business bargaining power etc.. Besides, by locking in fuel prices and navigating at economical speed, the Group's pressure from increasing fuel prices was greatly reduced. For transshipment, transshipment cost was reduced by cutting the number of transshipment ports and rationalizing the distribution of sub-routes etc.

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

**Cost analysis**

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

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

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

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

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

**Future plans and prospects**

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

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

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

I. The Group will continue to reinforce and expand its fleet. The Group will order 8 large container vessels, each with a capacity of 13,296TEU, to further improve its fleet structure and modernize and expand its fleet size so as to become a first-rate liner shipping company.

II. The Group will continue to optimize overall arrangement of trade lanes, enhance cooperation with other liner shipping companies and strategically increase investment in the east coast of the Mediterranean Sea, the Red Sea, East Africa and the west coast of South America etc.. The Group will also increase its trade route coverage and frequency to provide better service to its customers and meet customers' requests.

III. The Group will continue to maintain its domestic quality trade lanes, which have achieved outstanding performance since their launch in the second half of 2006. In the future, the Group will continue to enhance investment in the domestic market so as to foster its leading position therein.

IV. The Group has also set higher standard for all trade lanes, including changing supply configuration of cargo, soliciting quality clients and increasing the proportion of long-term clients etc.. With the implementation of such measures, in future, the Group will endeavour to perform well in stabilizing revenue, increasing profits and saving costs of trade lanes etc.

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

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

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

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

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

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

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

## FOREIGN EXCHANGE RISK AND HEDGING

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

## COMMITMENT

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

## CONTINGENT LIABILITIES

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

## SHARE CAPITAL

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

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

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

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

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

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

## SHAREHOLDINGS OF OTHER SHAREHOLDERS WITH NOTIFIABLE INTERESTS

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

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

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

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## DIVIDENDS

At a Board meeting held on 8 August 2007, the Directors proposed that part of the Group's distributable profits as at 30 June 2007, amounting to RMB3,316,500,000, be distributed as bonus shares each at par value to existing shareholders on the basis of 5.5 bonus shares for every 10 existing shares owned by such shareholders. The remaining distributable profits as at 30 June 2007 will be distributed in the form of cash dividend, the detailed amount and distribution method of which shall be formulated and implemented by the Directors as authorized by shareholders at general meeting.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

## EMPLOYEES, TRAINING AND DEVELOPMENT

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

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

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

## AUDIT COMMITTEE

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

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

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

## SECURITIES TRANSACTIONS

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

## DISCLOSURE OF INFORMATION

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

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

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

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

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

* *The Company is registered as an 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".*

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

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

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

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

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

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

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

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

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

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

# CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

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

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


# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

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

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

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

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

## 2 BASIS OF PREPARATION

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

## 3 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

### 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

### 4 FINANCIAL RISK MANAGEMENT

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

### 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### 6 TURNOVER AND SEGMENT INFORMATION

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

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

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

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

### 6 TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

*Primary reporting format – business segments*

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

*Secondary reporting format – geographical segments*

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

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

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




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

### 7 CAPITAL EXPENDITURE

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

*Note:*

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

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

### 8 TRADE AND NOTES RECEIVABLES

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

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

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

*Credit policy*

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

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

### 9 SHARE CAPITAL

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

### 10 BANK BORROWINGS

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

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

### 10 BANK BORROWINGS *(Continued)*

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

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

Movements in borrowings is analysed as follows:

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

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

(i) Legal mortgage over certain containers, container vessels and vessels in construction with net book value of approximately RMB7,000,403,000 for the Group (as at 31 December 2006: RMB7,009,915,000); and

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

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

### 10 BANK BORROWINGS *(Continued)*

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

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

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

### 11 DOMESTIC CORPORATE BONDS

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

On 12 June 2007, the Group issued domestic corporate bonds amounting to RMB1.8 billion in the PRC pursuant to the approval obtained from the National Development and Reform Commission of the PRC. The bonds are for a ten-year period fully repayable by 12 June 2017, and bear interest at a fixed rate of 4.51% per annum. The bonds are guaranteed by the Bank of China, Shanghai branch, and have been listed on the inter-bank bond market in the PRC.

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

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

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

### 12 FINANCE LEASE OBLIGATIONS

| | **Unaudited 30 June 2007** | | |
|---|---|---|---|
| | **Minimum lease payments** | **Finance charges** | **Net present value of minimum lease payments** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| Payable: | | | |
| Within one year | **689,157** | **197,109** | **492,048** |
| In the second year | **686,650** | **165,685** | **520,965** |
| In the third to fifth year | **1,802,429** | **299,009** | **1,503,420** |
| After the fifth year | **813,253** | **54,208** | **759,045** |
| | **3,991,489** | **716,011** | **3,275,478** |
| Less: Payable no later than one year (current portion) | **(689,157)** | **(197,109)** | **(492,048)** |
| | **3,302,332** | **518,902** | **2,783,430** |

| | Audited 31 December 2006 | | |
|---|---|---|---|
| | Minimum lease payments | Finance charges | Net present value of minimum lease payments |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Payable: | | | |
| Within one year | 995,756 | 300,032 | 695,724 |
| In the second year | 889,384 | 224,690 | 664,694 |
| In the third to fifth year | 2,106,029 | 374,336 | 1,731,693 |
| After the fifth year | 865,105 | 62,243 | 802,862 |
| | 4,856,274 | 961,301 | 3,894,973 |
| Less: Payable no later than one year (current portion) | (995,756) | (300,032) | (695,724) |
| | 3,860,518 | 661,269 | 3,199,249 |

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

### 13 TRADE PAYABLES

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

The ageing analysis of trade payables is as follows:

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

### 14 OTHER INCOME

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

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

### 15 OPERATING PROFIT

Operating profit is stated after charging the followings:

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

### 16 FINANCE COSTS

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

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

### 17 INCOME TAX EXPENSE

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

*Notes:*

*(i)* *Hong Kong profits tax*

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

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

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

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

*(iii)* *Deferred taxation*

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

### 18 DIVIDENDS

At a Board meeting held on 8 August 2007, the directors proposed that part of the Group's distributable profits as at 30 June 2007, amounting to RMB3,316,500,000, be distributed as bonus shares each at par value to existing shareholders on the basis of 5.5 bonus shares for every 10 existing shares owned by such shareholders. The remaining distributable profits as at 30 June 2007 will be distributed in the form of cash dividend, the detailed amount and distribution method of which shall be formulated and implemented by the directors as authorized by shareholders at the general meeting. Such proposed special bonus shares are not reflected as dividend payables or share capital in the Company's financial statements for the period.

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

### 19 EARNINGS PER SHARE

Basic earnings per share is based on the profit attributable to equity holders of the Company of RMB1,155,110,000 (2006: RMB81,194,000) and 6,030,000,000 (2006: 6,030,000,000) shares in issue during the period.

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

### 20 COMMITMENTS

*(a) Capital commitments*

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

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

*(b) Purchase commitments*

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

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

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

### 20 COMMITMENTS *(Continued)*

*(c) Lease commitments*

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

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

### 21 CONTINGENT LIABILITIES

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

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

### 22 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

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

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

### 22 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(a) *Significant transactions with related parties:*

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

*Notes:*

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

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

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

### 22 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

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

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

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

### 22 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) *Balances with related parties:*

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

*Notes:*

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

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

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

## 22 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

*(b) Balances with related parties: (Continued)*

*Notes:*

(i) Interest of bank deposits is at market rates ranging from 0.72% to 3.6% per annum (As at 31 December 2006: from 0.72% to 3.6% per annum).

(ii) As at 30 June 2007, the bank loans were secured by legal mortgage over certain container vessels and vessels in construction with net book value of approximately RMB4,861,267,000 for the Group (As at 31 December 2006: RMB4,941,694,000).

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

*(c) Key management compensation:*

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

## 23 EVENTS AFTER THE BALANCE SHEET DATE

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

*(a) Proposed special dividend*

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

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

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

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

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

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

*(c) Acquisition of vessels*

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

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