中海集裝箱運輸股份有限公司

China Shipping Container Lines Company Limited*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 2866)

Announcement of the Unaudited Interim Results For the Six Months Ended 30th June, 2004

Results for the six months ended 30th June, 2004

	1H2004	1H2003	Change
	(RMB)	*(RMB)*	
Turnover	9,894,306,000	6,390,514,000	+54.8%
Operating profit	2,203,236,000	604,515,000	+264.5%
Profit before taxation	1,939,631,000	392,074,000	+394.7%
Basic earnings per share	0.38	0.14	+RMB0.24
Gross profit margin	23.8%	10.9%	+12.9%
Pre-tax profit margin	19.6%	6.1%	+13.5%
Net debt/equity ratio	12.3% (As at 30/6/2004)	178.0% (As at 31/12/2003)	-165.7%

Business highlights

- Shipping volume reached 1,697,018 TEU in the first half of 2004, representing an increase of 33.6% over that of the same period in 2003.
- Operating capacity reached 217,300 TEU as at 30th June, 2004, representing a net increase of 15.5% when compared with that as at 30th June, 2003.
- Average revenue per TEU for international and domestic routes increased by 16.7% and 13.2% respectively over the same period last year.
- The Group's policies in locking in oil prices, controlling fuel inventory and selecting refueling ports and suppliers with relatively lower oil prices have enabled the Group to effectively control its costs in the environment of rising fuel costs. The cumulative savings from such measures amounted to RMB167,000,000 in the first half of the year.
- In the first half of 2004, 5 newly built vessels totalling 25,126 TEU were delivered and put into operation. It is expected that another 7 newly built and time chartered vessels with a total capacity of 53,716 TEU will be delivered and put into operation in the latter half of 2004. Operating capacity will record a net increase to 270,214 TEU at the end of 2004. It is believed that the additional capacity would enable the Group to take advantage of the business opportunities in the shipping industry, where demand is expected to continue to outstrip supply.

The Board of Directors of China Shipping Container Lines Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together referred to hereinafter as the "Group") for the six months ended 30th June, 2004 (the "Period"), which have been reviewed by PricewaterhouseCoopers in accordance with the Hong Kong Statement of Standard Accounting Practice ("SSAP") 700, "Engagement to review interim financial reports" issued by the Hong Kong Society of Accountants ("HKSA").

For the six months ended 30th June, 2004, the Group recorded a turnover of approximately RMB 9,894,306,000, representing an increase of about 54.8% over that of the same period in 2003. Profit before taxation in the first half of 2004 amounted to RMB1,939,631,000, which represents an increase of about 394.7% over that of the same period last year. Profit attributable to shareholders amounted to RMB 1,524,555,000, representing a rise of about 290.3% over that of the same period in 2003.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

	Note	Unaudited For the six months ended 30th June, 2004 *RMB'000*	2003 *RMB'000*
Turnover	2	9,894,306	6,390,514
Operating costs	3	(7,542,099)	(5,695,731)
Gross profit		2,352,207	694,783
Administrative and general expenses		(148,971)	(90,268)
Operating profit	4	2,203,236	604,515
Net financing charges	5	(267,735)	(216,429)
Share of profits less losses of associated companies		4,130	3,988
Profit before taxation		1,939,631	392,074
Taxation	6	(407,936)	3,129
Profit after taxation		1,531,695	395,203
Minority interests		(7,140)	(4,602)
Profit attributable to shareholders		1,524,555	390,601
Special dividend to ultimate holding company	8	(326,201)	—
Basic earnings per share	7	RMB 0.38	RMB 0.14

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 2004

	Note	Unaudited 30th June, 2004 *RMB'000*	Audited 31st December, 2003 *RMB'000*
Non-current assets			
Fixed assets		12,789,328	9,087,847
Deferred tax assets		88,212	87,559
Investments in associated companies		49,358	46,343
Total non-current assets		12,926,898	9,221,749
Current assets			
Bunkers, at cost		239,095	195,041
Trade and notes receivables	9	2,943,003	2,360,967
Prepayments and other receivables		476,298	221,889
Bank balances and cash		8,620,074	1,484,464
Total current assets		12,278,470	4,262,361

	Note	Unaudited 30th June, 2004 *RMB'000*	Audited 31st December, 2003 *RMB'000*
Current liabilities			
Trade and notes payables	10	1,413,445	1,484,173
Accruals and other payables		1,022,364	373,593
Income tax payable		292,441	16,486
Special dividend to ultimate holding company	8	326,201	—
Amount due to ultimate holding company		—	77,459
Short-term bank loans		3,062,582	1,389,720
Long-term bank loans — current portion		775,030	387,515
Finance lease obligations — current portion		367,008	334,232
Total current liabilities		7,259,071	4,063,178
Net current assets		5,019,399	199,183
Total assets less current liabilities		17,946,297	9,420,932
Representing:			
Shareholder's equity			
Capital		6,030,000	3,801,050
Reserves		5,971,477	(174,361)
Total shareholders' equity		12,001,477	3,626,689
Minority interests		48,683	41,543
Non- current liabilities			
Long-term bank loans		4,403,610	4,232,772
Finance lease obligations		1,492,527	1,519,928
Total non-current liabilities		5,896,137	5,752,700
		17,946,297	9,420,932

Notes to condensed accounts

1. **Basis of preparation**

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

Pursuant to a group reorganisation (the "Reorganisation") as detailed in Section 2 of Appendix VIII to the Company's prospectus dated 4th June, 2004 (the "Prospectus"), the Company acquired the entire issued share capital of China Shipping Container Lines (Hong Kong) Co., Ltd ("CS Hong Kong") and China Shipping Container Lines (Asia) Co., Ltd ("CS Asia") from a fellow subsidiary on 15th October, 2003. The Reorganisation is accounted for using merger accounting as permitted by SSAP 27 "Accounting for group reconstructions" issued by the HKSA.

These unaudited condensed consolidated accounts ("Condensed Accounts") have been prepared in accordance with SSAP 25, "Interim financial reporting" issued by the HKSA.

The accounting policies and methods of computation used in the preparation of these Condensed Accounts are consistent with those used in and should be read in conjunction with the accountants' report as contained in Appendix I to the Prospectus.

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

	Unaudited Six months ended 30th June, 2004 *RMB'000*	2003 *RMB'000*
Turnover		
Liner	9,820,689	6,271,167
Chartering	73,617	119,347
	9,894,306	6,390,514

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.

Primary reporting format - business segments

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

Secondary reporting format - geographical segments

The Group's liner and chartering businesses are managed on a worldwide basis. The turnover generated from the world's major trade lanes includes America, Europe/Mediterranean, Australia, East and Southeast Asia, China domestic and others.

The directors of the Company consider that the nature of the Group's business precludes a meaningful allocation of the Group's assets to specific geographical segments as defined under SSAP 26 "Segment reporting". Accordingly, geographical segment information is only presented for turnover:

	Unaudited Six months ended 30th June, 2004 *RMB'000*	2003 *RMB'000*
Turnover		
America	3,781,283	2,803,718
Europe/Mediterranean	3,455,067	1,823,254
Australia	507,633	237,747
East and Southeast Asia	607,516	608,844
China domestic	787,976	509,804
Others	754,831	407,147
	9,894,306	6,390,514

3. **Operating costs**

	Unaudited Six months ended 30th June, 2004 *RMB'000*	2003 *RMB'000*
Operating costs		
Container and cargo	3,375,684	2,505,663
Vessel and voyage	2,809,855	2,264,446
Sub-route and others	1,356,560	925,622
	7,542,099	5,695,731

4. **Operating profit**

Operating profit is stated after charging the following:

	Unaudited Six months ended 30th June, 2004 *RMB'000*	2003 *RMB'000*
Charging:		
Cost of bunkers consumed	1,148,969	936,450
Depreciation:		
- Owned container vessels chartered-out under operating leases	4,330	5,860
- Other owned assets	167,080	81,069
- Containers under finance leases	170,479	143,971
	341,889	230,900
Loss on disposal of fixed assets	21	14
Operating lease rental:		
- Container vessels	962,818	987,938
- Containers	182,867	189,733
- Buildings	6,663	5,246
	1,152,348	1,182,917

5. **Net financing charges**

	Unaudited Six months ended 30th June, 2004 *RMB'000*	2003 *RMB'000*
Interest expenses:		
- bank loans	169,762	127,382
- amount due to ultimate holding company wholly repayable within five years	—	37,535
- finance lease obligations	129,308	137,607
Total interest expenses	299,070	302,524
Less: amount capitalised in vessels under construction	(46,542)	(79,792)
	252,528	222,732
Interest income	(2,839)	(2,333)
Bank charge	1,603	420
Foreign exchange loss/(gain)	16,443	(4,390)
	267,735	216,429

6. **Taxation**

	Unaudited Six months ended 30th June, 2004 *RMB'000*	2003 *RMB'000*
Current income tax		
- PRC enterprise income tax *(note(ii))*	400,585	2,778
- Hong Kong profits tax *(note(i))*	6,889	1,118
Deferred tax	(653)	(7,990)
Share of taxation attributable to associated companies	1,115	965
	407,936	(3,129)

(i) **Hong Kong profits tax**

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the six months ended 30th June, 2004 (2003: 17.5%).

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

Pursuant to notifications issued by the State Tax Bureau 國家稅務總局 on 17th July, 2003, China Shipping (Group) Company, the ultimate holding company of the Company, and its approved subsidiaries established in the PRC were assessed for EIT on a consolidation basis and each of them is not assessed individually for the year ended 31st December, 2003 (the Company and its approved subsidiaries included herein are collectively referred to as the "Tax Entities").

For the six months ended 30th June, 2003 and the year ended 31st December, 2003, China Shipping (Group) Company recorded consolidated taxable losses and was not subject to EIT. China Shipping (Group) Company did not allocate any EIT to the Tax Entities. Accordingly, there was neither EIT payable nor unutilised taxable losses retained by any of the Tax Entities as at 30th June, 2003 and 31st December, 2003. The EIT charged to the consolidated profit and loss account for the six months ended 30th June, 2003 represented EIT at a rate of 33% on the estimated taxable income of the remaining subsidiaries established in the PRC which were subject to individual EIT filing.

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

Pursuant to relevant EIT regulations, the foreign incomes of a Chinese enterprise derived through its wholly owned overseas subsidiaries should be consolidated into the Chinese enterprise's own taxable income for assessing relevant EIT. The relevant EIT payable for such foreign incomes should be computed at the rate determined by the relevant laws and regulations. At the same time, the foreign income taxes paid relating to the foreign incomes could be utilized as foreign tax credit when computing the EIT payable, subject to relevant restrictions calculated according to relevant tax regulations. Since CS Hong Kong and CS Asia are 100% held by the Company, therefore their profits derived should be consolidated into that of the Company for EIT purpose.

7. **Earnings per share**

Basic earnings per share is calculated based on the Group's profit attributable to shareholders of RMB390,601,000 and RMB1,524,555,000 for the six months ended 30th June, 2003 and 2004 respectively, and the weighted average number of 2,801,050,000 and 4,001,456,593 shares in issue for each of the periods respectively.

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

8. **Special dividend to ultimate holding company**

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

The Company has engaged BDO Zhong Hua Certified Public Accountants 上海眾華滬銀會計師事務所 to perform a special audit on the Special Period to determine the profit for the Special Period for distribution to China Shipping (Group) Company. According to the audited financial statements, the profit before taxation for the Special Period amounted to RMB 480,099,000. As the approval for consolidation tax filing for 2004 has not yet been obtained, income tax of RMB 153,898,000 based on 33% on the profit of the period from 1st January 2004 to 2nd March 2004 has been provided for.

9. **Trade and notes receivables**

	As at 30th June, 2004	As at 31st December, 2003
	(unaudited)	(audited)
	RMB'000	*RMB'000*
Trade receivables		
- Fellow subsidiaries	1,701,395	1,164,643
- Others	1,160,500	1,136,919
	2,861,895	2,301,562
Notes receivables	81,108	59,405
	2,943,003	2,360,967

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

	As at 30th June, 2004	As at 31st December, 2003
	(unaudited)	(audited)
	RMB'000	*RMB'000*
1 to 3 months	2,776,181	2,133,924
4 to 6 months	165,335	298,628
7 to 9 months	117,425	43,045
10 to 12 months	12,533	12,613
1 to 2 years	—	1,228
	3,071,474	2,489,438
Less: provision for doubtful receivables	(128,471)	(128,471)
	2,943,003	2,360,967

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.

10. **Trade and notes payables**

	As at 30th June, 2004	As at 31st December, 2003
	(unaudited)	(audited)
	RMB'000	*RMB'000*
Trade payables		
- Fellow subsidiaries	219,864	200,591
- Others	1,159,581	766,964
	1,379,445	967,555
Notes payables	34,000	516,618
	1,413,445	1,484,173

The aging analysis of trade and notes payables is as follows:

	As at 30th June, 2004	As at 31st December, 2003
	(unaudited)	(audited)
	RMB'000	*RMB'000*
1 to 3 months	1,361,900	1,225,794
4 to 6 months	44,620	221,933
7 to 9 months	6,925	20,727
10 to 12 months	—	15,554
1 to 2 years	—	165
	1,413,445	1,484,173

MANAGEMENT DISCUSSION AND ANALYSIS

Operating environment

The global economy has been keeping an upward trend since 2003 and economic growth has been accelerating. Both the European Union and the United States are in a state of growth, with Asia continuing to take the lead in the global economic growth. The global economic growth rate of 2004 is expected to be higher than as predicted at the beginning of the year.

In the first half of the year, the national economy of China continued its healthy and stable development. As the macroeconomic controls begin to take effect, the economic trends are becoming clearer, with those unhealthy and unstable factors in the economy under effective control.

The global container transportation market performs vigorously. Since the first quarter of 2004, the container market has been very busy despite traditionally being a low season. In particular, containers exported from the Far East have filled up the capacity on both European and US trade lanes, and both the south and north bounds of Australia, West & South Africa trade lanes have also seen vigorous demands. With strong demand for capacity, freight rates have been rising continuously. The market demand should be optimistic.

Performance analysis

For the six months ended 30th June, 2004, the Group's turnover amounted to RMB 9,894,306,000, representing an increase of RMB 3,503,792,000 or about 54.8 % over the same period last year. Profit before taxation in the first half of 2004 was RMB 1,939,631,000, representing an increase of RMB 1,547,557,000 or about 394.7% over the same period last year. Profit attributable to shareholders was RMB 1,524,555,000, representing an increase of RMB 1,133,954,000 or about 290.3 % over that of the same period last year. The significant improvement of the Group's performance in the first half of 2004 was mainly due to the following reasons. Since the end of 2003, newly built and time chartered vessels have been continuously deployed into service and hence significantly increased the Company's capacity. At the same time, the Company's management has been able to take advantage of the business opportunities in the shipping market and hence the Company's loaded cargo volume has been significantly increased. With strong demand in the shipping market, the Group managed to increase its freight rates steadily, and hence securing profit growth. The expansion of its fleet has also enabled the Group to enjoy economies of scale and optimized its overall route arrangements. On the other hand, the Group has taken a series of measures to cut costs. As a result, its pre-tax profit margin in the first half of the year has been improved to 19.6%, from 6.1% of last year.

Analysis of container volume by trade lanes

Principal market	First half of 2004(TEU)	First half of 2003(TEU)	Increase
America	414,696	304,455	+36.2%
Europe/Mediterranean	414,959	317,145	+30.8%
Australia	74,219	44,324	+67.5%
East and Southeast Asia	221,680	200,533	+10.6%
China domestic	511,078	374,346	+36.5%
Others	60,386	29,810	+102.6%
Total	1,697,018	1,270,613	+33.6%

In the first half of the year, the Group inaugurated a number of additional international trade lanes, such as the Europe route AEX2, the round-the-world route RTW, the US west coast route AAC, the US-Canada route ANW and the Australia route AANA. As a result, the number and frequency of trade lanes increased and the Group is able to provide liner service much closer to the needs of the market.

Cost analysis

In the first half of the year, due to an increase in capacity as a result of the deployment of newly built and time chartered vessels, the Group's operation costs have increased. The total operation cost was RMB 7,542,099,000, which has increased by about 32.4% over that of the preceding year. Nevertheless, the percentage increase of cost was much less than that of turnover about 54.8% as a result of the increase in shipping volume, the introduction of international trade lanes and the increase in freight rate.

In the first half of 2004, 5 newly built vessels (two of which were 4051 TEU, two of which were 5668 TEU and one of which was 5688 TEU) were delivered and put into operation. The delivery of these newly built vessels have been earlier than originally scheduled, therefore allowing the Group to capture the ever-growing demand of the container shipping market. As a result of the deployment of the above-mentioned vessels, the Group's capacity has recorded a net increase of 9.5 % over the capacity at the end of 2003 to about 217,300 TEU, and that represented a net increase of about 15.5 % over the capacity as at 30 June 2003.

Since the beginning of 2004, fuel price has been growing rapidly and continues to hit new record highs for the past 20 odd years. The Group continues to implement a series of measures in cutting fuel costs, including the locking in of fuel price, the selection of refueling ports and suppliers with relatively lower fuel price, and the reduction in fuel consumption by balancing speed and schedule. In the first half of the year, cumulative savings from such measures amounted to about RMB 167,000,000.

The Group has earlier captured the opportunity of relatively low prices in the steel and the container leasing markets. It has built or leased containers of about 125,000 TEU at the end of 2003 and in the beginning of 2004. Amongst these, 65,000 TEU have already been put into operation which effectively reduce container and management costs. The investment or future cost will be reduced by about USD 45,000,000 when compared with their current market price.

The Group has also strengthened its control of other business management costs, including port fees, and has optimized transshipment costs with significant improvement.

Future plans and prospects

The better than expected recovery of economy in Europe, USA and Japan has promoted global economic growth. As a result, world trade will also enter into a new round of growth cycle with annual containerised trade volume expected to grow by about 9.8 %. The Chinese economy continues to grow rapidly and its future development looks positive.

With the upcoming removal of textile quota system in the global market, export of Chinese textile products will increase significantly due to its competitive advantage in the world market. As the principal means of transport of textile products is containers, the removal of quota system will definitely enhance the volume of container trade originating from China.

In 2004, global fleet capacity is expected to be increased by about 670,000 TEU representing an increase of approximately 9.5 %. Imbalance between supply and demand still exists. Although there are still concerns regarding global security, imbalanced development, new problems resulting from the adjustment of international industry structure, and continuously high fuel price, the prospect of the world economy is still encouraging. Year 2004 is expected to be a good year for the shipping industry.

The Directors believe that the shipping market in China will maintain persistent growth in 2004. According to the forecast by the Ministry of Communications of the PRC, container throughput in China will reach 57 million TEU, representing an increase of 20.4% over that of last year. Moreover, the latter half of a year is always the peak season for the shipping industry. The persistent increase of China Export Container Freight Index ("CCFI") this year further indicates persistent demand growth.

The Group has strategically expanded its fleet when the container shipping industry was in a cyclical downturn between 2000 and 2002 by ordering a total of 33 vessels for purchase and time charter. These vessels have been or will be delivered at a time when the container shipping market is starting to recover or when recovery is expected to continue. In the second half of 2004, 7 newly built or time chartered vessels will be delivered and put into operation, out of which 2 vessels are 5688 TEU and 5 vessels are 8468 TEU. It is expected that the Group's fleet will reach 270,214 TEU or over as a result of the net increase in capacity by the end of this year, rising by about 36.1 % over that as at the end of 2003. As these vessels were ordered or leased in the cyclical downturn, the Group is able to increase its capacity at a relatively low cost, allowing it to take advantage of the business opportunities in the shipping industry, where demand is expected to outstrip supply.

Moreover, the Group built or leased certain containers earlier at the favorable time when steel and leased container prices were relatively low. They are believed to be able to satisfy the Group's demands in the traditional peak season of the container shipping industry in the second half of the year. Furthermore, about 66.7% of the Group's fixed-price fuel contract remain unused, which is expected to efficiently control the fuel costs of the Group.

In the second half of the year, the Group continues to focus on the following tasks to pursue its yearly operating target:

1. To make use of the increased capacity of its trade lanes to further review the overall arrangement of trade lanes by utilizing the newly built and time chartered vessels; also, to give emphasis to adjust the capacity in the European, Mediterranean and Pacific trade lanes to match market conditions.
2. To enhance the Group's sales network in order to attract greater demand and prepare for the coming peak season.
3. To continue the cost controlling exercise, specifically by setting up special cost control teams to explore the potential of further controlling costs in fuel, container management, transshipment and port fees.
4. To shift the operations of major international shipping lanes to our wholly owned subsidiary, China Shipping Container Lines (Hong Kong) Company Limited, in order to further decrease operating expenses and enhance profitability.

Liquidity, financial resources and capital structure

The Group's principal sources of cash inflow are operations, listing proceeds and bank loans. The Group's major cash outflow have been operational costs, loan repayment and funding of new vessels. During the six months ended 30th June, 2004, the Group generated a net operating cash inflow of approximately RMB 2,022,983,000, and the Group had a cash balance of RMB 8,620,074,000 as at 30th June, 2004.

As at 30th June, 2004, the Group's total bank loans were RMB 8,241,222,000. The maturity profile spreads over a period between 2004 and 2015, with RMB 3,837,612,000 repayable within one year, RMB 445,030,000 between one to two years, RMB 1,795,130,000 between two to five years, and RMB2,163,450,000 over five years. The Group's long-term bank loans are mainly used to fund the purchase of new vessels.

As at 30th June, 2004, several container vessels in the amount of RMB 4,294,532,000 (31 December 2003: RMB 3,109,502,000) have been pledged against long term bank loans of the Group.

As at 30 June 2004, the Group's obligations under finance lease amounted to RMB1,859,535,000, with lease expiry periods ranging from years 2004 to 2013. The amount repayable within one year amounted to RMB 367,008,000 and those repayable between one to two years amounted to RMB369,941,000. The amount repayable between two to five years amounted to RMB782,662,000 and those over five years amounted to RMB 339,924,000. All the finance leases are arranged for container leasing.

As at 30th June, 2004, the net debt/equity ratio of the Group (i.e. the ratio of net debt over shareholders' equity) was 12.3%, which is lower than the 178.0% figure on 31st December, 2003. The main reasons for such decrease are the increase in current assets arising from proceeds from listing and profits in the first half of the year.

As at 30th June, 2004, the Group had loans in the amount of RMB 6,028,640,000 at fixed interest rates and loans in the amount of USD267,220,000 at floating rates. The loans are primarily denominated in Renminbi and US dollars while its cash and cash equivalents are held in the same currencies.

It is expected that funding requirements of daily operations and capital expenditure can be met by the listing proceeds and the internal cash flow of the Group. The Directors will review the operating cash flow of the Group from time to time and will consider repaying certain bank loans by cash from time to time. It is the intention of the Group to optimize the mix of equity and debt for an efficient capital structure.

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are denominated in US dollars. During the Period under review, the Group has not experienced any material difficulties or effects on its operation or liquidity as a result of fluctuations in currency exchange rate. The Directors believe that the Group will have sufficient foreign exchange to meet its foreign exchange requirements. During the Period, the Group did not use any financial instrument for hedging purposes.

Capital commitment

As at 30th June, 2004, the Group had contracted but not provided for a capital commitment of approximately RMB 5,968,097,000 for vessels under construction. The Group was also committed to an additional capital injection into a subsidiary of approximately RMB 500,000,000. The commitment for the purchase of bunkers which the Group had contracted but not provided for amounted to approximately RMB 536,917,000. Furthermore, the Group had lease commitments of about RMB 43,562,000 for land and buildings and RMB 11,583,207,000 for vessels chartered-in and containers under operating leases within five years.

Contingent liabilities

As at 30th June, 2004, the Group did not have any material contingent liabilities.

Share capital

As at 30th June, 2004, 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

Purchase, sale and redemption of shares

During the period from 16th June, 2004 (being the date of listing of the Company) to the date of this announcement, the Company has not redeemed any of its listed shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares in the aforesaid period.

Interim dividends

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 30th June, 2004.

Audit committee

The Company has established an audit committee pursuant to a resolution of the Directors passed on 4th March, 2004 in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The audit committee consists of two independent non-executive Directors, namely Mr. Gu Nianzu and Mr. Wang Zongxi, and one non-executive Director, Mr. Wang Daxiong. The primary duties of the audit committee are to review the completeness of the Group's financial reports, annual reports and interim reports and to examine the Company's financial and internal controls, including reviewing the unaudited interim financial statements for the six months ended 30th June, 2004.

Compliance with the Code of Best Practice and the Model Code

The Board of Directors is pleased to confirm that none of the Directors is aware of any information that would reasonably indicate that the Group was not, at any time during the Period, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

The Company has adopted a code of conduct regarding directors' and supervisors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers. The Company confirms, having made specific enquiries of all its directors and supervisors, that its directors and supervisors have complied with the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers.

Disclosure of information on the Stock Exchange's website

The electronic version of this announcement will be published on the website of the Stock Exchange (http://www.hkex.com.hk). An interim report for the six months ended 30th June, 2004 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange in due course.

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

Shanghai, the People's Republic of China

24th August, 2004

As at the date of this announcement, the Directors are Mr. Li Kelin, Mr. Jia Hongxiang, Mr. Li Shaode, Mr. Zhang Jianhua, Mr. Wang Daxiong, Mr. Wang Xiangyun, Mr. Hu Hanxiang, Mr. Gu Nianzu, Mr.Wang Zongxi and Mr. Lam Siu Wai, Steven.

** The Company is registered as an oversea company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under the English name "China Shipping Container Lines Company Limited".*