中 海 集 裝 箱 運 輸 股 份 有 限 公 司

China Shipping Container Lines Company Limited *

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

(Stock code: 02866)

ANNOUNCEMENT OF THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

	1H 2014	1H 2013	**Change**
	RMB	*RMB*	*(%)*
	(Unaudited)	(Unaudited)	
Revenue	**17,406,834,000**	16,037,068,000	8.5%
Operating income/(loss)	**619,245,000**	(1,041,935,000)	(159.4%)
Profit/(loss) attributable to owners of the parent	**431,637,000**	(1,258,077,000)	(134.3%)
Basic earnings/(loss) per share	**0.04**	(0.11)	(134.3%)
Gross profit margin	**(0.7%)**	(5.4%)	(87.0%)
Gearing ratio	**57.1%**	47.0%	21.5%

Business Highlights

- Shipping volume of the Group reached 3,953,287TEU in the first half of 2014, representing an increase of 1.4% over that of the same period of 2013.
- Revenue of the Group amounted to RMB17,406,834,000 in the first half of 2014, representing an increase of RMB1,369,766,000 or 8.5% as compared with the same period of 2013.
- Shipping capacity of the Group reached 669,452TEU as at 30 June 2014, representing a net increase of 58,810TEU as compared with that at the end of 2013.

The board (the "Board") of directors (the "Directors") of China Shipping Container Lines Company Limited (the "Company") hereby announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 (the "Period") prepared under Hong Kong Accounting Standard 34, "Interim Financial Reporting", which has been reviewed by the audit committee of the Company. The Company's auditor, Ernst & Young, Certified Public Accountants, has reviewed the unaudited condensed consolidated interim financial information for the Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

During the Period, the Group recorded a revenue of RMB17,406,834,000, representing an increase of RMB1,369,766,000 or 8.5% as compared with the same period of 2013. Net profit attributable to owners of the parent for the Period amounted to RMB431,637,000, representing an increase of 134.3% as compared with the same period of 2013. Basic earnings per share was RMB0.04.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**34,327,593**	32,290,294
Investment properties		**2,120**	2,148
Leasehold land and land use rights		**–**	75,991
Intangible assets		**20,013**	20,406
Deferred tax assets		**496,532**	496,534
Interests in associates		**3,731,304**	297,303
Interests in joint ventures		**54,799**	51,067
Total non-current assets		**38,632,361**	33,233,743
CURRENT ASSETS			
Inventories		**1,481,461**	1,545,370
Trade and notes receivables	4	**2,513,637**	2,476,402
Prepayments and other receivables		**769,931**	375,245
Restricted deposits		**2,100**	2,100
Cash and cash equivalents		**8,216,036**	9,014,462
		12,983,165	13,413,579
Assets of a disposal group classified as held for sale	6	**–**	4,169,566
Total current assets		**12,983,165**	17,583,145
Total assets		**51,615,526**	50,816,888
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**11,683,125**	11,683,125
Special reserves		**8,715**	38,278
Other reserves		**16,946,378**	16,895,316
Accumulated losses		**(4,385,407)**	(4,845,260)
		24,252,811	23,771,459
Non-controlling interests		**42,104**	446,595
Total equity		**24,294,915**	24,218,054

	Notes	**30 June 2014** **RMB'000** **(Unaudited)**	31 December 2013 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**9,119,965**	10,917,131
Domestic corporate bonds		**1,792,755**	1,791,530
Finance lease obligations		**170,626**	186,597
Deferred tax liabilities		**27**	27
Total non-current liabilities		**11,083,373**	12,895,285
CURRENT LIABILITIES			
Trade payables	*5*	**4,116,639**	3,890,379
Other payables and accruals		**1,065,178**	757,256
Interest-bearing bank and other borrowings		**10,970,773**	8,020,195
Finance lease obligations – current portion		**36,131**	34,773
Tax payable		**23,517**	14,060
Provisions		**25,000**	25,000
		16,237,238	12,741,663
Liabilities directly associated with the assets classified as held for sale	*6*	**–**	961,886
Total current liabilities		**16,237,238**	13,703,549
Total liabilities		**27,320,611**	26,598,834
Total equity and liabilities		**51,615,526**	50,816,888
Net current (liabilities)/assets		**(3,254,073)**	3,879,596
Total assets less current liabilities		**35,378,288**	37,113,339

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
CONTINUING OPERATIONS			
Revenue	*3*	**17,406,834**	16,037,068
Cost of services		**(17,523,018)**	(16,896,112)
Gross loss		**(116,184)**	(859,044)
Selling, administrative and general expenses		**(473,380)**	(423,999)
Other income	*8*	**322,791**	198,163
Other gains, net	*9*	**886,018**	42,945
Operating profit/(loss)	*7*	**619,245**	(1,041,935)
Finance costs	*10*	**(215,770)**	(225,666)
Share of profits and losses of:			
Associates		**28,824**	19,007
Joint ventures		**3,606**	2,036
Profit/(loss) before income tax from continuing operations		**435,905**	(1,246,558)
Income tax expense	*11*	**(29,839)**	(22,048)
Profit/(loss) for the period from continuing operations		**406,066**	(1,268,606)
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation		**38,756**	14,136
PROFIT/(LOSS) FOR THE PERIOD		**444,822**	(1,254,470)

	Notes	Six months ended 30 June **2014** ***RMB'000*** **(Unaudited)**	2013 *RMB'000* (Unaudited)
Attributable to:			
Owners of the parent		**431,637**	(1,258,077)
Non-controlling interests		**13,185**	3,607
		444,822	(1,254,470)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
(Expressed in RMB per share)	*13*		
– Basic and diluted			
For profit/(loss) for the period		**RMB0.04**	RMB(0.11)
For profit/(loss) from continuing operations		**RMB0.04**	RMB(0.11)

Details of the dividends payable and proposed for the period are disclosed in note 12 to the financial informations.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	**444,822**	(1,254,470)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**55,067**	(137,448)
Others, net off income tax effects	**2,054**	413
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**57,121**	(137,035)
Total comprehensive income/(loss) for the period	**501,943**	(1,391,505)
Attributable to:		
Owners of the parent	**488,626**	(1,394,911)
Non-controlling interests	**13,317**	3,406
	501,943	(1,391,505)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standards 34 Interim Financial Reporting. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2013, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

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

(a) New and revised standards adopted by the Group

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

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

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on or after 1 January 2014 and have not been early adopted:

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 11 Amendments	Amendments to HKFRS 11 – *Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]
HKAS 16 and HKAS 40 Amendments	Amendments to HKAS 16 and HKAS 40 – *Agriculture: Bearer Plants*[2]
HKAS 27	Amendments to HKAS 27 *Equity Method in Separate Financial Statements*[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

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

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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

The container terminal and related business was classified as held for sale and its carrying amount will be recovered principally through a sale transaction approved by the Board rather than through continuing operation. For the period ended 30 June 2014 and 2013, all the profits or losses from continuing operations were generated through container shipping and related business.

Revenue from the major trade districts and shipping lanes is set out below:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Pacific	**4,473,300**	4,893,404
Europe/Mediterranean	**4,402,181**	3,923,373
Asia Pacific	**2,968,948**	2,911,244
China Domestic	**2,885,645**	2,881,592
Other Lanes	**446,823**	297,239
Logistic Services and Others	**2,229,937**	1,130,216
Turnover	**17,406,834**	16,037,068

The directors of the Company consider that the nature of the Group's business precludes a meaningful allocation of the Group's non-current assets of container shipping business by geographical location as they mainly include container vessels and containers which are utilised across geographical markets for shipment of cargoes throughout the world.

No revenue derived from a single customer or a group of customers under common control amounted to 10% or more of the Group's revenue for the six months ended 30 June 2014 and 2013.

4. TRADE AND NOTES RECEIVABLES

	30 June	31 December
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
– Fellow subsidiaries	**389,703**	345,561
– Third parties	**1,961,262**	1,805,866
	2,350,965	2,151,427
Notes receivable	**162,672**	324,975
	2,513,637	2,476,402

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**2,554,724**	2,064,190
4 to 6 months	**25,136**	333,358
7 to 9 months	**3,442**	74,461
10 to 12 months	**2,148**	70,223
Over one year	**967**	2,525
	2,586,417	2,544,757
Less: provision for impairment of receivables	**(72,780)**	(68,355)
	2,513,637	2,476,402

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

5. TRADE PAYABLES

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
– Fellow subsidiaries	**345,628**	795,372
– Third parties	**3,771,011**	3,095,007
	4,116,639	3,890,379

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**4,076,979**	3,642,819
4 to 6 months	**12,822**	121,760
7 to 9 months	**18,454**	89,017
10 to 12 months	**2,274**	15,353
1 to 2 years	**6,110**	21,430
	4,116,639	3,890,379

6. DISPOSAL OF SUBSIDIARIES

	Six months ended 30 June 2014 *RMB'000* (Unaudited)
Net assets disposed of:	
Property, plant and equipment	**254,365**
Leasehold land and land use rights	**75,991**
Intangible assets	**191**
Inventories	**829**
Trade and notes receivables	**11,855**
Prepayments and other receivables	**2,035**
Cash and bank balances	**52,150**
Assets of a disposal group classified as held for sale	**4,514,164**
Trade payables	**(13,586)**
Other payables and accruals	**(938)**
Liabilities directly associated with the assets classified as held for sale	**(1,314,407)**
Special reserves	**(883)**
Other reserves	**(6,395)**
Non-controlling interests	**(422,270)**
	3,153,101
Gain on disposal of subsidiaries	**948,093**
	4,101,194
Satisfied by:	
Cash	**678,134**
Interests in associates	**3,423,060**
	4,101,194

On 22 November 2013, the Company listed 100% equity interest in its subsidiary, Shanghai China Shipping International Container Storage and Transportation Co., Ltd. ("CS Yangshan") on the Shanghai United Assets and Equity Exchange ("SUAEE") for open bidding by public bidders in compliance with the relevant laws and regulations on transfer of state-owned equity interests in the PRC. On 3 January 2014, China Shipping Logistics Co., Ltd. bid the equity interest at a consideration of RMB305,411,000 and entered into the equity transfer agreement with the Company. The equity transaction certificate by SUAEE with respect to the disposal has been issued and the agreement has become effective on 6 January 2014.

On 22 November 2013, the Company listed 100% equity interest in its subsidiary, Shanghai Zhengjin Industrials Co., Ltd. ("Zhengjin") on SUAEE for open bidding by public bidders in compliance with the relevant laws and regulations on transfer of state-owned equity interests in the PRC. On 3 January 2014, China Shipping Investment Co., Ltd. bid the equity interest at a consideration of RMB372,723,000 and entered into the equity transfer agreement with the Company. The equity transaction certificate by SUAEE with respect to the disposal has been issued and the agreement has become effective on 6 January 2014.

On 20 June 2014, the Company disposed of 100% equity interest in its subsidiary, China Shipping Terminal Development Co., Ltd ("CSTD") to China Shipping Terminal Development (H.K.) Co., Ltd. ("CSTD HK") at a consideration equivalent to the valuation result of the appraised net assets value of CSTD as of 30 June 2013 after approval by State-owned Assets Supervision and Administration Commission of the State Council of the PRC which was settled through the issuance of 2,782,975,935 new shares which is equal to 49% equity interest in CSTD HK to the Company. The consideration of the subscription which equals to the valuation result was RMB3,423,060,000.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Six months ended 30 June 2014 *RMB'000* **(Unaudited)**
Cash consideration	**491,768**
Cash and bank balances disposed of	**(492,648)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(880)**

7. OPERATING PROFIT/(LOSS)

The following items have been charged to the operating profit/(loss) during the period:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bunker consumed or sold	**4,807,980**	4,396,813
Depreciation and amortisation	**754,034**	703,076
Operating lease rentals	**1,670,057**	1,605,984
Provision for impairment of receivables	**13,944**	9,236

8. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**89,786**	59,869
Government grant related to income	**70,414**	14,736
Refund of value-added tax ("VAT")	**156,775**	116,969
Information technology service fees	**5,816**	6,589
	322,791	198,163

9. OTHER GAINS, NET

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Losses)/gains on disposal of items of property, plant and equipment	**(48,288)**	11,396
Gains on disposal of subsidiaries *(note 6)*	**948,093**	–
Compensation	**–**	5,241
Net foreign exchange (losses)/gains	**(13,787)**	26,308
	886,018	42,945

10. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses		
– Borrowings and domestic corporate bonds	**236,029**	251,360
– Finance lease obligations	**6,433**	9,046
Total interest expenses	**242,462**	260,406
Less: amount capitalised in vessels under construction and construction in progress	**(26,692)**	(34,740)
	215,770	225,666

11. INCOME TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
– PRC corporate income tax *(a)*	**29,373**	22,048
– Hong Kong profits tax *(b)*	**–**	–
– Others	**466**	–
Deferred income tax	**–**	–
	29,839	22,048

Taxes on income for the interim period are accrued using the tax rate that would be applicable to the expected total annual earnings. The tax rates of the Group's companies applied during the interim period are set out below:

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

According to the Corporate Income Tax Law of the People's Republic of China, which was effective from 1 January 2008, the CIT rate applicable of the Company and its subsidiaries established in Mainland China was 25% for the six months ended 30 June 2014 and 2013.

Pursuant to relevant CIT regulations, the dividends received by the Company from its overseas subsidiaries are subject to CIT at a rate of 25%.

(b) Hong Kong profits tax

Hong Kong profits tax was provided at the rate of 16.5% (six months ended 30 June 2013: 16.5%) on the estimated assessable profits of the Group's companies operating in Hong Kong for the six months ended 30 June 2014.

12. DIVIDENDS

The directors did not recommend an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

13. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation *(RMB'000)*		
– From continuing operations	**396,977**	(1,270,869)
– From a discontinued operation	**36,046**	12,792
Shares		
Weighted average number of ordinary shares in issue *(thousands)*	**11,683,125**	11,683,125

Diluted earnings per share for the period ended 30 June 2014 was the same as the basic earnings per share, as the Company did not have any potentially dilutive ordinary shares during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

In the first half of 2014, the world's major economies showed slow recovery while demand for global container transportation increased steadily. However, given the continuous increase in shipping capacity of containers, freight rates of main trade lanes showed no substantial recovery and the pace of recovery of the container transportation market was still fragile. In face of such volatile market, the Group responded in a steady manner and seized the opportunities to increase trade lanes efficiency by accurately assessing market conditions. As a result, we were able to achieve improved operating results as compared with the same period of last year.

PERFORMANCE ANALYSIS

During the Period, the Group's loaded container volume was 3,953,287TEU, increased by 1.4% as compared with the same period of 2013, and revenue was RMB17,406,834,000, representing an increase of RMB1,369,766,000 or 8.5% as compared with the same period of 2013.

LOADED CONTAINER VOLUME BY TRADE LANES

Principal Markets	**1H 2014** ***(TEU)***	1H 2013 *(TEU)*	Change *(%)*
Pacific trade lanes	**649,140**	640,131	1.4%
Europe/Mediterranean trade lanes	**760,273**	722,023	5.3%
Asia Pacific trade lanes	**931,621**	878,629	6.0%
China domestic trade lanes	**1,562,384**	1,623,499	(3.8%)
Other trade lanes	**49,869**	33,000	51.1%
Total	**3,953,287**	3,897,282	1.4%

BREAKDOWN OF REVENUE

Principal Markets	**1H 2014** ***(RMB'000)***	1H 2013 *(RMB'000)*	Change *(%)*
Pacific trade lanes	**4,473,300**	4,893,404	(8.6%)
Europe/Mediterranean trade lanes	**4,402,181**	3,923,373	12.2%
Asia Pacific trade lanes	**2,968,948**	2,911,244	2.0%
China domestic trade lanes	**2,885,645**	2,881,592	0.1%
Other trade lanes	**446,823**	297,239	50.3%
Logistics and other businesses	**2,229,937**	1,130,216	97.3%
Total	**17,406,834**	16,037,068	8.5%

During the Period, while the Group consolidated domestic market share, the domestic shipping capacity was reasonably allocated, domestic freight volume thus reduced by 3.8% as compared to the corresponding period of last year. On the other hand, the Group flexibly adjusted shipping capacity allocated to international lanes based on market demand, which led to an increase of freight volume of international lanes by 5.2% as compared to the corresponding period of last year. Due to the factors above, during the Period, the number of loaded containers of the Group amounted to 3,953,287TEU, representing an increase of 1.4% as compared to the corresponding period of 2013.

Despite the Company's effort to recover the freight rate in the first half of this year, the imbalance between supply and demand in the international shipping market was still profound and suppressed freight rate rising. The freight rate of international trade lanes bumped up and down and towards a downward trend. Average freight rate per TEU for international trade lanes amounted to RMB5,141, representing a decrease of 2.8% as compared with the same period of last year. Average freight rate per TEU for domestic trade lanes amounted to RMB1,847, representing an increase of 4.1% as compared with the same period of last year, mainly due to the Company constantly optimizing design for domestic trade lanes and increase of their freight rate.

Cost analysis

During the Period, the Group's operational costs totalled RMB17,523,018,000, representing an increase of RMB626,906,000 or 3.7% as compared with the same period of 2013.

The increase in total operational costs was due to the following reasons:

- During the Period, container and cargo costs amounted to RMB6,545,885,000, representing an increase of 8.7% as compared with the same period of last year. Of which, port charges amounted to RMB970,014,000, representing an increase of 2.2% as compared with the same period of last year. The Group's stevedore charges for loaded and empty containers amounted to RMB3,874,695,000 during the Period, representing an increase of 8.5% as compared with the same period of last year. Container management and cargo arrangement expenses amounted to RMB1,701,176,000, representing an increase of 13.3% as compared to the same period of last year, mainly due to an increase in loaded cargo volume for international trade lanes, empty container allocation fee and container stevedore charges.

- Vessel and voyage costs for the Period amounted to RMB5,768,900,000 representing a decrease of 15.5% as compared with the same period of 2013, mainly due to decrease in fuel costs. During the Period, fuel costs amounted to RMB3,499,168,000, representing a decrease of 20.4% as compared with the same period of last year. This was mainly due to the reduction in international oil price in the first half of 2014, which caused the unit price of fuel consumption of the Company to decrease by 6.2% as compared with the same period of last year, and along with the Company's effort to continue to reinforce fuel saving measures, which led to the fuel consumption reduced by 15.2% as compared with the corresponding period of last year.

- During the Period, the costs of logistics and other businesses amounted to RMB2,054,615,000. The increase in costs was primarily due to the Company's subordinated enterprises having updated its service method for material supply which led to a change in the cost recognition method during the period, i.e. from recognition of differences to total amount recognition.

- During the Period, sub-route and other costs amounted to RMB3,153,618,000, representing an increase of 4.3% as compared with the same period of last year. The increase was mainly due to the increase in door-to-door transportation services provided by the Company, which led to an increase in the sub-route shipping volume.

Business Review

In the first half of 2014, in face of the complicated and ever changing market situation and various pressures, the Group adopted a relatively steady operating strategy that focused on cost control and increasing efficiency. The Group continued to pursue excellent operation, improve internal management and enhance overall operating standard through practical and effective measures.

In the first half of 2014, the Company implemented differentiated operation based on the characteristics of different trade lanes. For international trade lanes, it controlled contracts entered into at low price while increasing the number of contracts with small and medium value customers so as to secure stable source of customers. For domestic trade lanes, the Company stepped up marketing efforts toward quality customers and reasonably allocated shipping capacity in accordance with market needs in order to increase trade lanes efficiency.

During the Period, the Company set up a cost management team directly led by senior management of the Company, refined the control measures for all cost items and achieved satisfactory results. In the first half of the year, all cost control measures were successfully implemented, and all cost items including fuel, stevedore, transship, container control costs as well as spare parts costs were kept within budget. In particular, fuel costs control had achieved remarkable results, fuel consumption decreased by 15.2% as compared with the same period of last year despite an increase of 1.4% in loaded containers volume year-on-year, and fuel costs decreased 20.4% as compared with the same period of last year.

The Company continued to optimize its fleet structure. In the first half of 2014, the Company took in six new vessels (each with a capacity of 10,000TEU) as well as stepped up its processing efforts in surrendering and abandoning leases of old and high fuel consumption vessels. Meanwhile, the Company also entered into leases for high efficient vessels at lower prices based on its fleet structure and trade lane operation needs. As at 30 June 2014, the total shipping capacity of the Group's fleet reached 669,000TEU, and average capacity per vessel was 4,523TEU, making it the world's No.7 largest container shipping liner in terms of shipping capacity.

Moreover, in order to address the different market situation and operation needs of each trade lane, the Company constantly explored collaboration opportunities with other container liners. Through joint bidding for vessels, swapping shipping space, buying and selling of shipping space and other means, our trade lane products, service coverage and service quality were enhanced.

FUTURE PROSPECT

In the second half of 2014, the global economic fundamentals display a continuous improving trend, which is expected to boost the steady recovery of container transportation demand. However, due to the imbalance in the overall supply and demand in the industry, whether freight rate will be able to maintain at a reasonable level is still unknown and faces tremendous challenges and resistance. The shipping transportation market is subject to the influence of the global economic recovery pace, fuel price fluctuation, regional political situation as well as changes in strategic alliance among the container liners and other factors. In view of the numerous uncertainties, it is too early to say that the overall situation is optimistic for the shipping industry.

Confronted with such severe market environment, the Group will take all efforts to refine trade lane management and increase trade lane efficiency by pursuing excellent standard, with an aim to push the overall standards of operation onto a new stage. In the second half of 2014, the Group will focus on the implementation of the following measures: actively explore cargo source, strengthen returning cargoes, local cargoes and high value added cargoes canvassing, improve cargo source structure; practically strengthen refined management of operation costs by exploring every possibility to reduce cost and increase cost competitiveness; explore collaboration with other container liners to improve trade lane distribution based on the principles of "equality, openness and mutual benefit"; actively and steadily adjust fleet structure, optimize fleet planning and flexibility in allocation of capacity; adhere to service-based culture, strengthen and improve service standard to provide convenient and quality services to customers; further improve fiscal and taxation management and enhance capital operation ability.

In addition, the Group will strive to enhance innovative thinking, actively identify effective ways for transformation and development as well as press forward the development of new operating mode for e-commerce for the shipping industry in an "active, steady, safe and compliant" manner. Meanwhile, the Company will also strengthen the systemization, processlization and standardization of internal management to increase the risk prevention ability of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's principal sources of working capital are the operating cash inflow and short-term bank borrowings. Cash is mainly used in operation cost expenses, repayment of loans, construction of new vessels and the purchase of containers. During the Period, the Group's net operating cash inflow was RMB608,470,000. As at 30 June 2014, the Group's cash balance in banks was RMB8,216,036,000.

As at 30 June 2014, the Group's total bank borrowings were RMB20,090,738,000. The maturity profile is spread over a period between 2014 to 2026 with RMB10,970,773,000 repayable within one year, RMB2,854,447,000 repayable within the second year, RMB3,892,692,000 repayable within the third to the fifth year, and RMB2,372,826,000 repayable after the fifth year. The Group's long-term bank borrowings are mainly used to finance the construction of vessels.

As at 30 June 2014, the Group's long-term bank borrowings were secured by mortgages over certain container vessels and vessels under construction with a book value of RMB7,736,311,000 (as at 31 December 2013: RMB5,942,678,000).

As at 30 June 2014, the Group's obligations under finance leases amounted to RMB206,757,000, with maturity profile ranging from 2014 to 2019. The amount repayable within one year is RMB36,131,000, the amount repayable within the second year is RMB38,309,000, the amount repayable within the third to the fifth year is RMB113,430,000 and the amount repayable after the fifth year is RMB18,887,000. The Group's obligations under the finance leases are all used in the lease of new containers.

As at 30 June 2014, the Group's bonds payable in ten-year period amounted to RMB1,792,755,000, and all proceeds raised from the bonds were used in the construction of vessels. The issuance of such bonds is guaranteed by Bank of China, Shanghai branch. The Group's RMB borrowings at fixed interest rates amounted to RMB600,000,000. USD borrowings at fixed interest rates amounted to USD55,933,000 (equivalent to RMB344,147,000) and USD borrowings at floating interest rates amounted to USD3,111,850,000 (equivalent to RMB19,146,591,000). The Group's borrowings are settled in RMB or USD while its cash and cash equivalents are also primarily denominated in RMB and US dollars.

It is expected that capital needs for regular cash flow and capital expenditure can be funded by the internal cash flow of the Group or external financing. The Board will review the operating cash flow of the Group from time to time. It is the intention of the Group to maintain an appropriate composition of equity and debt to constantly achieve an effective capital structure.

GEARING RATIO

As at 30 June 2014, the gearing ratio of the Group (i.e. the ratio of net interest-bearing financial liabilities less cash and cash equivalents over total equity) was 57.1%, which is higher than that of 49.3% as at 31 December 2013. The increase was primarily due to the increase of interest-bearing financial liabilities during the Period.

FOREIGN EXCHANGE RISK AND HEDGING

Most of the Group's revenues and operating expenses are settled or denominated in US dollars. As a result, the impact on the net operating revenue due to RMB exchange rate fluctuation can be offset by each other to a certain extent. During the Period, the Group recorded an exchange loss of approximately RMB13,787,000 in the income statement, and the exchange difference which directly charged to equity amounted to approximately RMB55,067,000 during the Period. The Group has continued to monitor the RMB exchange rate fluctuation, and convert net cash inflow from operating activities into RMB in a timely manner so as to minimise the losses brought by foreign exchange fluctuations. The Group will continue to implement the policy of timely conversion of foreign monetary assets, reduce the monetary net assets denominated in foreign currency, and consider appropriate measures, including hedging instruments such as forward exchange contracts when necessary and appropriate, based on the actual needs of the Group's operation in order to minimise the Group's exposure to foreign exchange risk.

CAPITAL COMMITMENT

As at 30 June 2014, the Group's capital commitments and investment commitments which had been contracted but not provided for and which had been authorised by the Board but not contracted for, in relation to vessels under construction amounted to RMB3,695,550,000 and nil, respectively. Furthermore, the operating lease commitments of the Group relating to land and buildings, and vessels and containers, were RMB308,235,000 and RMB8,620,634,000, respectively.

CONTINGENT LIABILITY

As at 30 June 2014, the Group had a provision of RMB25,000,000 for legal claims. The provision was related to legal claims brought against the Group by customers of the Group. After taking legal advice, the Board is of the view that the outcome of the legal claims should not give rise to any significant loss beyond the amounts provided for as at 30 June 2014.

SHARE CAPITAL

As at 30 June 2014, the share capital of the Company was as follows:

Types of shares	Number of issued shares	Percentage (%)
A Shares	7,932,125,000	67.89
H Shares	3,751,000,000	32.11
Total	11,683,125,000	100.00

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (2013: nil).

EMPLOYEES, TRAINING AND BENEFITS

As at 30 June 2014, the Group had 8,851 employees, of which 4,228 were outsourced labour employees. Total staff expenses during the Period amounted to approximately RMB899,539,000.

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

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

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

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

AUDIT COMMITTEE

The Board has set up an audit committee which consists of two independent non-executive Directors, namely Mr. Guan Yimin and Ms. Zhang Nan, and one non-executive Director, namely Ms. Su Min. The audit committee has reviewed the Company's interim results for the Period and agreed with the accounting treatment adopted by the Company.

CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors', supervisors' and relevant employees' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiry made with all the Directors and supervisors of the Company, each of them has confirmed that he/she has complied with the required standard set out in the Model Code regarding directors' and supervisors' securities transactions during the Period. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

INFORMATION DISCLOSURE

This announcement will be published on the Stock Exchange website at http://www.hkexnews.hk. The interim report for the six months ended 30 June 2014 will be dispatched by the Company to its shareholders and published on the website of the Stock Exchange and the Company's website at http://www.cscl.com.cn in due course. The interim report contains all the relevant financial information as required under Appendix 16 to the Listing Rules.

By order of the Board
China Shipping Container Lines Company Limited
Zhang Guofa
Chairman

Shanghai, the PRC
28 August 2014

The Board as at the date of this announcement comprises of Mr. Zhang Guofa, Mr. Huang Xiaowen and Mr. Zhao Hongzhou, being executive Directors, Ms. Su Min, Mr. Ding Nong, Mr. Liu Xihan, Mr. Yu Zenggang and Mr. Chen Jihong, being non-executive Directors, and Ms. Zhang Nan, Mr. Teo Siong Seng, Mr. Chen Lishen, Mr. Guan Yimin and Mr. Shi Xin, being independent non-executive Directors.

* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "China Shipping Container Lines Company Limited".*