THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

中 國 遠 洋 控 股 股 份 有 限 公 司

China COSCO Holdings Company Limited*

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

(Stock Code: 1919)

MAJOR AND CONNECTED TRANSACTIONS —
(1) DISPOSAL OF ALL THE EQUITY INTEREST IN CHINA COSCO BULK SHIPPING (GROUP) COMPANY LIMITED
(2) ACQUISITION OF EQUITY INTERESTS IN AGENCY COMPANIES
(3) DISPOSAL OF ALL THE ISSUED SHARES OF FLORENS CONTAINER HOLDINGS LIMITED
(4) ACQUISITION OF ALL THE ISSUED SHARES OF CHINA SHIPPING PORTS DEVELOPMENT CO., LIMITED
CONTINUING CONNECTED TRANSACTIONS — LEASING TRANSACTIONS

Financial Adviser of the Company

UBS

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

PLATINUM
Securities

A letter from the Board is set out on pages 12 to 85 of this circular. A letter from the Independent Board Committee is set out on pages 86 to 87 of this circular. A letter from the Independent Financial Adviser is set out on pages 88 to 169 of this circular. A notice convening the EGM to be held at Conference Center, Ocean Plaza, 158 Fuxingmennei Avenue, Xicheng District, Beijing, the People's Republic of China and Conference Room, 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Monday, 1 February 2016 at 10:00 a.m. together with the proxy form and reply slip, have been despatched to the Shareholder of the Company on 18 December 2015.

Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with instructions printed on it. The form of proxy should be returned to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the EGM or any adjournment thereof. If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Tuesday, 12 January 2016.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

* *For identification purpose only*

31 December 2015

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CONTENTS

In this circular, the following terms and expressions shall have the following meanings unless the context otherwise requires:

"Agency Companies"	collectively, the Onshore Agency Companies and the Offshore Agency Companies
"Agency Companies Acquisitions"	collectively, the Onshore Agency Acquisitions and the Offshore Agency Acquisitions
"Agency Companies SPAs"	collectively, the Onshore Agency SPAs and the Offshore Agency SPAs
"Angang Vehicle"	Angang Vehicle Transportation Co., Ltd. (鞍鋼汽車運輸有限責任公司), a company incorporated in the PRC
"annual designed handling capacity"	a sustainable annual volume of cargo that can be handled by a terminal according to the initial design, inclusive only of volume of cargo of terminals in which a stake of more than 10% is held
"berth"	a designated location where a vessel may be moored, usually for the purposes of loading and unloading cargo
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"China COSCO Asset Restructuring"	the asset restructuring and reorganization of the Group, comprising (1) the Dry Bulk Disposal; (2) the Agency Companies Acquisitions; (3) the Florens Disposal; and (4) the Terminal Acquisition
"China Shipping"	China Shipping (Group) Company* (中國海運(集團)總公司), a PRC state-owned enterprise and the Controlling Shareholder of CSCL
"China Shipping Group"	China Shipping and its subsidiaries
"Company" or "China COSCO"	China COSCO Holdings Company Limited* (中國遠洋控股股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1919) and the A shares of which are listed on the Shanghai Stock Exchange in the PRC (Stock Code: 601919)
"Completion Accounts Date"	the last day of the previous month where the date of completion of the Terminal Acquisition or the Florens Disposal falls on or before the 15th day of a month or, as the case may be, the last day of that month where the date of the completion falls after the 15th day of a month

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholder"	has the meaning ascribed to thereto under the Listing Rules
"COSCO"	China Ocean Shipping (Group) Company* (中國遠洋運輸(集團)總公司), a PRC state-owned enterprise and the controlling Shareholder which held an aggregate of 52.85% of the total registered capital of the Company (including A shares and H shares of the Company) as at the Latest Practicable Date
"COSCO Bulk"	China COSCO Bulk Shipping (Group) Co., Ltd.* (中遠散夥運輸(集團)有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"COSCO Bulk Equity Interest"	100% of the equity interest in COSCO Bulk
"COSCO Bulk Group"	COSCO Bulk and its subsidiaries
"COSCO Bulk SPA"	the conditional equity transfer agreement dated 11 December 2015 entered into between the Company and COSCO in relation to the Dry Bulk Disposal
"COSCO Finance"	COSCO Finance Co., Ltd.* (中遠財務有限責任公司), a company incorporated in the PRC and a subsidiary of COSCO
"COSCO Group"	COSCO and its subsidiaries
"COSCO Pacific"	COSCO Pacific Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code:1199) and a non-wholly owned subsidiary of the Company
"COSCO Pacific Group"	COSCO Pacific and its subsidiaries
"COSCO Pacific SGM"	the special general meeting of COSCO Pacific to be convened for the purpose of the independent shareholders of COSCO Pacific considering and, if thought fit, approving the Terminal Acquisition and the Florens Disposal (amongst other things)
"COSCON"	COSCO Container Lines Co., Ltd. (中遠集裝箱運輸有限公司), a company incorporated in the PRC and a subsidiary of the Company
"COSCON HK"	COSCO Container Lines (Hongkong) Co., Limited (中遠集運(香港)有限公司), a company incorporated in Hong Kong and subsidiary of the Company

"CP Agreements"	the Agency Companies SPAs, the agreement in relation to the sale and purchase of 13.67% of the issued share capital of China Bohai Bank Co., Ltd. (渤海銀行股份有限公司), the agreement in relation to the capital contribution by CSCL to COSCO Finance resulting in CSCL holding 17.53% equity interest in COSCO Finance immediately after the capital increase, the agreement in relation to the sale and purchase of 40% of the issued share capital of China Shipping Finance Company Limited (中海集團財務有限責任公司), the agreement in relation to the sale and purchase of 100% of the issued share capital of China Shipping Investment Co., Ltd. (中海集團投資有限公司), the agreement in relation to the sale and purchase of 100% of the issued share capital of China Shipping (Group) Leasing Co., Ltd. (中海集團租賃有限公司), the agreement in relation to the sale and purchase of 100% of the issued share capital of China Shipping Nauticgreen Holdings Company Limited (中海綠舟控股有限公司) and Helen Insurance Brokers Limited (海寧保險經紀有限公司), the agreement in relation to the sale and purchase of 91% equity interest in China Shipping (Singapore) Petroleum Pte. Ltd. (中國海運(新加坡)石油有限公司), the agreement in relation to the sale and purchase of 100% of the issued share capital of Dong Fang International Investment Limited (東方國際投資有限公司), the COSCO Bulk SPA, the agreement in relation to the sale and purchase of 9% equity interest in Golden Sea Shipping, the agreement in relation to the sale and purchase of 100% of the issued share capital of Long Honour Investments Limited (長譽投資有限公司) and the Lease Agreement, all of which are dated 11 December 2015
"CS Agency"	China Shipping Container Lines (Hongkong) Agency Co., Limited (中海集裝箱運輸(香港)代理有限公司), a company incorporated in Hong Kong
"CSCL"	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 PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2866) and the A shares of which are listed on the Shanghai Stock Exchange in the PRC (Stock Code: 601866)
"CSCL Agency Shenzhen"	China Shipping Container Lines Agency (Shenzhen) Co., Ltd. (中海集裝箱運輸代理(深圳)有限公司), a company incorporated in the PRC

"CSCL Asset Restructuring"	the asset restructuring and reorganization involving the CSCL Group, comprising (1) the Agency Companies Acquisitions and the disposal of the 91% equity interests in China Shipping (Singapore) Petroleum Pte. Ltd. to China Shipping Regional Holdings Pte. Ltd. (中國海運(東南亞)控股有限公司); (2) the disposal of 49% equity interests in CSPD by CSCL to COSCO Pacific; (3) the acquisitions of the 100% equity interests in China Shipping Investment Co. Ltd. (中海集團投資有限公司), the 100% equity interests in China Shipping (Group) Leasing Co., Ltd. (中海集團租賃有限公司), the 40% equity interests in China Shipping Finance Company Limited (中海集團財務有限責任公司) and the 13.67% equity interests in China Bohai Bank Co., Ltd. (渤海銀行股份有限公司), and the capital increase in COSCO Finance, upon which CSCL will hold 17.53% equity interests in COSCO Finance; and (4) the acquisitions of the 100% equity interests in Dong Fang International Investment Limited (東方國際投資有限公司), the 100% equity interests in China Shipping Nauticgreen Holdings Company Limited (中海綠舟控股有限公司), the 100% equity interests in Helen Insurance Brokers Limited (海寧保險經紀有限公司) and the 100% equity interests in Long Honor Investments Limited and the Florens Disposal
"CSCL Dalian"	China Shipping Container Lines Dalian Co.,Ltd. (中海集裝箱運輸大連有限公司), a company incorporated in the PRC
"CSCL Dalian Data"	China Shipping Container Lines (Dalian) Data Processing Co., Ltd. (中海集運 (大連) 信息處理有限公司), a company incorporated in the PRC
"CSCL Dongguan"	China Shipping Container Lines Dongguan City Company Limited (東莞市中海集裝箱運輸有限公司), a company incorporated in the PRC
"CSCL Fangchenggang"	China Shipping Container Lines Fangchenggang Company Limited (防城港中海集裝箱運輸有限公司), a company incorporated in the PRC
"CSCL Fuzhou"	China Shipping Container Lines Fuzhou Company Limited (福州中海集裝箱運輸有限公司), a company incorporated in the PRC
"CSCL Guangzhou"	China Shipping Container Lines Guangzhou Co., Ltd. (中海集裝箱運輸廣州有限公司), a company incorporated in the PRC
"CSCL Group"	CSCL and its subsidiaries

"CSCL Hainan"	China Shipping Container Lines Hainan Company Limited (中海集裝箱運輸海南有限公司), a company incorporated in the PRC
"CSCL Jiangmen"	China Shipping Container Lines Jiangmen Company Limited (江門中海集裝箱運輸有限公司), a company incorporated in the PRC
"CSCL Jiangsu"	China Shipping Container Lines Jiangsu Company Limited (江蘇中海集裝箱運輸有限公司), a company incorporated in the PRC
"CSCL Lianyungang"	China Shipping Container Lines Lianyungang Company Limited (連雲港中海集裝箱運輸有限公司), a company incorporated in the PRC
"CSCL Longkou"	China Shipping Container Lines Longkou Company Limited (龍口中海集裝箱運輸有限公司), a company incorporated in the PRC
"CSCL Qingdao"	China Shipping Container Lines Qingdao Company Limited (中海集裝箱運輸青島有限公司), a company incorporated in the PRC
"CSCL Qinhuangdao"	China Shipping Container Lines Qinhuangdao Company Limited (中海集裝箱運輸秦皇島有限公司), a company incorporated in the PRC
"CSCL Quanzhou"	China Shipping Container Lines Quanzhou Company Limited (泉州中海集裝箱運輸有限公司), a company incorporated in the PRC
"CSCL Shanghai"	China Shipping Container Lines Shanghai Co., Ltd. (中海集裝箱運輸上海有限公司), a company incorporated in the PRC
"CSCL Shantou"	China Shipping Container Lines Shantou City Company Limited (汕頭市中海集裝箱運輸有限公司), a company incorporated in the PRC
"CSCL Shenzhen"	China Shipping Container Lines Shenzhen Co.,Ltd. (中海集裝箱運輸深圳有限公司), a company incorporated in the PRC
"CSCL Tianjin"	China Shipping Container Lines Tianjin Company Limited (中海集裝箱運輸天津有限公司), a company incorporated in the PRC
"CSCL Xiamen"	China Shipping Container Lines Xiamen Co., Ltd. (中海集裝箱運輸廈門有限公司), a company incorporated in the PRC

"CSCL Yingkou"	China Shipping Container Lines Yingkou Company Limited (中海集裝箱運輸營口有限公司), a company incorporated in the PRC
"CSCL Zhanjiang"	China Shipping Container Lines Zhanjiang Company Limited (湛江中海集裝箱運輸有限公司), a company incorporated in the PRC
"CSCL Zhejiang"	China Shipping Container Lines Zhejiang Company Limited (中海集裝箱運輸浙江有限公司), a company incorporated in the PRC
"CSCL Zhongshan"	China Shipping Container Lines Zhongshan Company Limited (中山中海集裝箱運輸有限公司), a company incorporated in the PRC
"CSHK"	China Shipping Container Lines (Hong Kong) Co., Limited (中海集裝箱運輸(香港)有限公司), a company incorporated in Hong Kong with limited liability and wholly-owned subsidiary of CSCL
"CS Hong Kong"	China Shipping (Hong Kong) Holdings Co., Limited (中國海運(香港)控股有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of China Shipping
"CS Refrigeration"	China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. (中海(洋浦)冷藏儲運有限公司), a company incorporated in the PRC
"CSPD"	China Shipping Ports Development Co., Limited, a company incorporated in Hong Kong
"CSPD Group"	CSPD and its subsidiaries
"CSPD Shares"	5,679,542,724 ordinary shares in CSPD, representing the entire issued share capital of CSPD
"CSPD SPA"	the conditional sale and purchase agreement dated 11 December 2015 entered into between COSCO Pacific, CSCL and CS Hong Kong in relation to the Terminal Acquisition
"CSTD"	China Shipping Terminal Development Co., Ltd.* (中海碼頭發展有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of CSPD
"Dalian Vanguard"	Dalian Vanguard International Logistics Co., Ltd. (大連萬捷國際物流有限公司), a company in incorporated in the PRC

"Damietta"	Damietta International Ports, S.A.E., a company in which CSPD holds a 20% equity interest
"Damietta Sale"	the proposed sale of CSPD's entire 20% equity interests in Damietta, pursuant to its exercise of its contractual right to require another shareholder of Damietta to purchase CSPD's interest in Damietta
"Director(s)"	the director(s) of the Company
"Drewry"	Drewry Shipping Consultant Ltd., the independent shipping consultant jointly appointed by the Company and CSCL
"Drewry Report"	the 2015 annual report by Drewry Maritime Research, the research arm of Drewry
"Dry Bulk Disposal"	the disposal of the COSCO Bulk Equity Interest by the Company to COSCO pursuant to the terms of the COSCO Bulk SPA
"EGM"	the extraordinary general meeting of the Company to be held at Conference Center, Ocean Plaza, 158 Fuxingmennei Avenue, Xicheng District, Beijing, the People's Republic of China and Conference Room, 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Monday, 1 February 2016 at 10:00 a.m. to, among other things, consider, and if thought fit, approve the Transaction Agreements and the transactions contemplated thereunder
"Enlarged Group"	the Company and its subsidiaries upon completion of the China COSCO Asset Restructuring
"equity throughput"	the multiple of the total throughput of a terminal multiplied by the percentage stake held in that terminal
"FCHL"	Florens Container Holdings Limited, a company incorporated in the BVI with limited liability and (immediately before the completion of the Florens Disposal) an indirect wholly owned subsidiary of the Company through COSCO Pacific
"FCHL Shareholder's Loans"	the shareholder's loans owed in the aggregate amount of US$285,000,000 by FCHL to COSCO Pacific and remains outstanding immediately before completion of the Florens Disposal
"FCHL Shares"	22,014 ordinary shares of FCHL, representing all the issued shares of FCHL

"FCHL SPA"	the conditional sale and purchase agreement dated 11 December 2015 entered into between COSCO Pacific and CSHK in relation to the Florens Disposal
"Florens Disposal"	the disposal of the FCHL Shares by COSCO Pacific to CSHK pursuant to the terms of the FCHL SPA
"Golden Sea Shipping"	Golden Sea Shipping Pte. Ltd. (鑫海航運有限公司), a company incorporated in Singapore
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company comprising Dr. Fan Hsu Lai Tai, Rita, Mr. Kwong Che Keung, Gordan, Mr. Peter Guy Bowie and Mr. Yang, Liang Yee Philip, all being independent non-executive Directors, established for the purpose of considering and advising the Independent Shareholders in connection with the Transaction Agreements and the transactions contemplated thereunder
"Independent Financial Adviser" or "Platinum Securities"	Platinum Securities Company Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (i) acquisition of all the issued shares of CSPD; (ii) disposal of all the issued shares of FCHL; (iii) disposal of all the equity interest in COSCO Bulk; and (iv) acquisition of equity interests in the Agency Companies; and (v) Leasing Transactions
"Independent Shareholders"	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolutions approving the Transaction Agreements
"Interim Period"	the period from the Valuation Date to the benchmark date of completion audit of the relevant acquisition or disposal
"Jinzhou Port"	Jinzhou Port Container and Railway Logistics Limited* (錦州港集鐵物流有限公司), a company incorporated in the PRC

"Latest Practicable Date"	24 December 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion herein
"Lease Agreement"	the leasing agreement dated 11 December 2015 between the Company and CSCL in relation to the Leasing Transactions
"Leasing Transactions"	the leasing of vessels and containers by CSCL to the Company pursuant to the terms of the Lease Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 December 2016
"Negotiation Period"	a period of 20 business days after the Long Stop Date
"Net Damietta Proceeds"	an amount equal to the total sale proceeds received by CSPD in relation to the Damietta Sale less all costs incurred or suffered by CSPD and its affiliates in relation to the Damietta Sale
"Onshore Agency Acquisitions"	the acquisitions by the Group of the Onshore Agency Companies from the CSCL Group pursuant to the Onshore Agency Agreements
"Onshore Agency Companies"	collectively, CSCL Dalian, CSCL Tianjin, CSCL Qingdao, CSCL Shanghai, CSCL Xiamen, CSCL Guangzhou, CSCL Shenzhen, CSCL Hainan, CSCL Yingkou, CSCL Qinhuangdao, CSCL Lianyungang, CSCL Longkou, CSCL Zhejiang, CSCL Jiangsu, CSCL Quanzhou, CSCL Fuzhou, CSCL Shantou, CSCL Zhongshan, CSCL Fangchenggang, CSCL Zhanjiang, CSCL Jiangmen, CSCL Dongguan, CSCL Dalian Data, Shanghai Puhai, CS Refrigeration, Dalian Vanguard, Jinzhou Port, Angang Vehicle, CSCL Agency Shenzhen and Universal Logistics Shenzhen, which are companies incorporated in the PRC
"Onshore Agency SPA(s)"	the conditional sale and purchase agreement(s) dated 11 December 2015 in respect of the Onshore Agency Acquisitions
"Offshore Agency Acquisitions"	the acquisitions by COSCON, COSCON HK and PanAsia of the Offshore Agency Companies from CSCL and CSHK
"Offshore Agency Companies"	collectively, Universal Shipping, Golden Sea Shipping and CS Agency

"Offshore Agency SPA(s)"	the conditional sale and purchase agreement(s) dated 11 December 2015 in respect of the Offshore Agency Acquisitions
"PanAsia"	Shanghai PanAsia Shipping Co., Ltd. (上海泛亞航運有限公司), a company incorporated in the PRC and a subsidiary of the Company
"PBOC"	People's Bank of China
"PRC"	the People's Republic of China
"PRC GAAP"	the Accounting Standards for Business Enterprises of the People's Republic of China issued by the Ministry of Finance
"Pre-Closing Dividend"	a dividend of an amount no greater than the amount of the distributable profits of CSPD (in the case of the Terminal Acquisition) or FCHL (in the case of the Florens Disposal) as at 30 September 2015 which in the case of the Terminal Acquisition, CS Hong Kong and CSCL or, in the case of the Florens Disposal, COSCO Pacific may, on a date that is at least 10 business days prior to the completion of the Terminal Acquisition or Florens Disposal (as applicable), subject to the applicable law, procure CSPD or FCHL (as applicable) to declare and pay, in the case of Terminal Acquisition, to CS Hong Kong and CSCL or, in the case of Florens Disposal, to the COSCO Pacific. The distributable profits of CSPD as at 30 September 2015 were approximately HK$663.8 million and the distributable profits of FCHL as at 30 September 2015 were approximately US$1,161.0 million
"Restructuring"	collectively, the China COSCO Asset Restructuring and the CSCL Asset Restructuring
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	means the State-owned Assets Supervision and Administration Commission of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Listing Rules"	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
"Shanghai Puhai"	Shanghai Puhai Shipping Liners Co., Ltd. (上海浦海航運有限公司), a company incorporated in the PRC
"Shares"	the shares of the Company

"Shareholder(s)"	shareholder(s) of the Company
"SOE"	state-owned enterprise
"SOE Reform"	has the meaning ascribed to it under the section headed "(4) THE TERMINAL ACQUISITION — Reasons for and benefits of the Florens Disposal and the Terminal Acquisition"
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisors"	supervisors of the Company
"Terminal Acquisition"	the acquisition of the CSPD Shares by COSCO Pacific pursuant to the terms of the CSPD SPA
"TEU"	twenty-foot containers subscribing to the standards adopted by the International organization for Standardization
"total throughput"	a measure of the annual volume of cargo handled by a terminal. For this purpose, only volume of cargo of terminals in which a stake of more than 10% is held is taken into account
"Transaction Agreements"	collectively, the COSCO Bulk SPA, the Agency Companies SPAs, the FCHL SPA, the CSPD SPA and the Lease Agreement
"Universal Logistics Shenzhen"	Universal Logistics (Shenzhen) Co., Ltd. (深圳中海五洲物流有限公司), a company incorporated in the PRC
"Universal Shipping"	Universal Shipping (Asia) Company Limited (五洲航運有限公司), a company incorporated in Hong Kong
"US$"	United States dollars, the lawful currency of the United States
"Valuation Date"	30 September 2015
"Valuer" or "China Tong Cheng"	China Tong Cheng Assets Appraisal Co., Ltd., professional valuer and the independent appraiser with respect to the valuation of COSCO Bulk, the Agency Companies, FCHL and CSPD as at 30 September 2015
"%"	per cent.

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China COSCO Holdings Company Limited*

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

(Stock Code: 1919)

Directors:
Mr. MA Zehua[2] *(Chairman)*
Mr. LI Yunpeng[1] *(Vice Chairman)*
Ms. SUN Yueying[2]
Mr. SUN Jiakang[1]
Mr. YE Weilong[1]
Mr. WANG Yuhang[2]
Mr. WAN Min[2]
Dr. FAN HSU Lai Tai, Rita[3]
Mr. KWONG Che Keung, Gordon[3]
Mr. Peter Guy BOWIE[3]
Mr. YANG, Liang Yee Philip[3]

[1] *Executive Director*

[2] *Non-executive Director*

[3] *Independent Non-executive Director*

Registered Office:
2nd Floor, 12 Yuanhang Business Centre
Central Boulevard and East Seven Road Junction
Tianjin Port Free Trade Zone
Tianjin, the PRC

Head office and principal place of business in Hong Kong:
49th Floor
COSCO Tower
183 Queen's Road Central
Hong Kong

31 December 2015

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS —

(1) DISPOSAL OF ALL THE EQUITY INTEREST IN CHINA COSCO BULK SHIPPING (GROUP) COMPANY LIMITED

(2) ACQUISITION OF EQUITY INTERESTS IN AGENCY COMPANIES

(3) DISPOSAL OF ALL THE ISSUED SHARES OF FLORENS CONTAINER HOLDINGS LIMITED

(4) ACQUISITION OF ALL THE ISSUED SHARES OF CHINA SHIPPING PORTS DEVELOPMENT CO., LIMITED

CONTINUING CONNECTED TRANSACTIONS — LEASING TRANSACTIONS

* *For identification purpose only*

INTRODUCTION

Reference is made to the announcement of the Company dated 11 December 2015. In connection with the China COSCO Asset Restructuring, on 11 December 2015: (1) the Company and COSCO entered into the COSCO Bulk SPA, pursuant to which the Company conditionally agreed to sell and COSCO conditionally agreed to acquire the COSCO Bulk Equity Interest, representing 100% of the equity interest in COSCO Bulk; (2) the Group and the CSCL Group entered into the Agency Companies SPAs, pursuant to which the Group conditionally agreed to acquire and the CSCL Group conditionally agreed to sell certain equity interest in the Agency Companies; (3) COSCO Pacific and CSHK entered into the FCHL SPA, pursuant to which COSCO Pacific conditionally agreed to sell the FCHL Shares and assign the FCHL Shareholders' Loans and CSHK agreed to acquire the FCHL Shares and take assignment of the FCHL Shareholders' Loans; (4) COSCO Pacific, CSCL and CS Hong Kong entered into the CSPD SPA, pursuant to which CSCL and CS Hong Kong have conditionally agreed to sell, and COSCO Pacific has conditionally agreed to acquire, the CSPD Shares; and (5) the Company and CSCL entered into the Lease Agreement, pursuant to which the Company conditionally agreed to lease from CSCL, and CSCL conditionally agreed to lease to the Company, vessels and containers owned or operated by CSCL. The COSCO Bulk SPA, Agency Companies SPAs, the FCHL SPA, the CSPD SPA, the Lease Agreement and other transactions in the Restructuring are inter-conditional upon each other.

The purpose of this circular is to provide you with, among other things, (i) further details of the Transactions Agreements; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction Agreements and the proposed annual caps under the Lease Agreement; and (iv) other information as required under the Listing Rules.

(1) THE DRY BULK DISPOSAL

The COSCO Bulk SPA

On 11 December 2015, the Company and COSCO entered into the COSCO Bulk SPA, pursuant to which the Company conditionally agreed to sell and COSCO conditionally agreed to acquire the COSCO Bulk Equity Interest, representing 100% of the equity interest in COSCO Bulk.

The principal terms and conditions of the COSCO Bulk SPA are summarized below:

Date	:	11 December 2015
Parties:	:	(a) the Company as the seller (b) COSCO as the purchaser
General nature	:	The Company has conditionally agreed to sell, and COSCO has conditionally agreed to acquire, all the COSCO Bulk Equity Interest in accordance with the terms of the COSCO Bulk SPA.

Consideration	:	The total consideration for the COSCO Bulk Equity Interest shall be RMB6,768.0727 million, which was based on the valuation by the Valuer as at the Valuation Date determined based on the income approach. As the valuation is subject to the filing requirements under PRC laws and regulations, the parties agreed that in the event of adjustment to the valuation under the filing procedures, the final consideration will be adjusted according to the adjusted valuation. The consideration for the COSCO Bulk Equity Interest shall be paid in cash in RMB in one lump sum within 30 business days after the conditions precedent of the COSCO Bulk SPA are fulfilled or waived by the Company and COSCO in writing. The consideration for the Dry Bulk Disposal was arrived at on an arm's length basis with reference to a number of factors, including but not limited to: (a) reference materials, including the appraised net asset value of COSCO Bulk of RMB6,768,072,700 as at the Valuation Date based on methodologies required by SASAC to meet the requirements under PRC laws and regulations; (b) various valuation multiples such as P/E ratio, P/B ratio and EV/EBITDA ratio of the comparable shipping companies as well as the historical comparable transactions; (c) the current situation and development prospects of the industries in which the COSCO Bulk Group operate; (d) the historical financial performance and development potential of the COSCO Bulk Group; (e) the current situation and development prospects of the industries in which the Company operates; and (f) the historical financial performance and development potential of the Company.
Adjustment of Consideration	:	The Company shall have the right to distribute a one-off dividend from COSCO Bulk's undistributed profit as at the Valuation Date. In the event such dividend is distributed prior to the payment of the consideration, the consideration payable shall be reduced by the amount of dividend.

The maximum pre-closing dividend which may be declared by COSCO Bulk is nil, as the amount of distributable profits of COSCO Bulk as at 30 September 2015 is a negative amount.

Any net profit incurred by the COSCO Bulk Group during the Interim Period shall accrue for the benefit of the Company, and the amount in cash shall be paid by the COSCO to the Company, and any net loss incurred by the COSCO Bulk Group during the Interim Period shall be borne by the Company, and the amount in cash shall be paid by the Company to the COSCO. The net profit or loss shall be determined based on a completion audit of the COSCO Bulk Group to be conducted within 60 days from the completion date or based on the disclosed financial report or management accounts of the COSCO Bulk Group.

Conditions precedent : Completion of the Dry Bulk Disposal shall be conditional upon the satisfaction of, among other things, the following conditions:

(i) no material adverse change having occurred to the business, operations, assets, liabilities, etc. of COSCO Bulk since the Valuation Date, save as disclosed by the Company to COSCO before the signing of the COSCO Bulk SPA;

(ii) no breach of the terms of the COSCO Bulk SPA having occurred, and the declarations, representations and warranties given by the parties therein remaining effective;

(iii) consents of, or notifications to, all creditors and secured creditors required for the Dry Bulk Disposal having been obtained and made by COSCO Bulk;

(iv) all necessary filings, consents, authorization or approvals required for the China COSCO Asset Restructuring at current stage having been obtained or given, and no early termination or similar situation having occurred in any part of the China COSCO Asset Restructuring;

(v) all necessary filings, consents, authorization or approvals required for the CSCL Asset Restructuring at current stage having been obtained or given, and no early termination or similar situation having occurred in any part of the CSCL Asset Restructuring; and

(vi) the approvals by the Shareholders in a general meeting of the Company and shareholders of CSCL in a general meeting of CSCL in respect of the Lease Agreement having been obtained, and the Lease Agreement having become effective.

The parties shall endeavor to ensure that all the conditions precedent as set out in the COSCO Bulk SPA are fulfilled on or before the Long Stop Date. If the conditions precedent are not fulfilled by the Long Stop Date, the parties shall negotiate on the full or partial waiver of any such conditions precedent, delay of completion date or termination of the agreement, and shall endeavor to reach an agreement within the Negotiation Period. If no agreement is reached within the Negotiation Period, the agreement shall be terminated.

Reasons for and Benefits of the Dry Bulk Disposal

In recent years, the Chinese economy has been undergoing a structural transformation, which led to a slowdown in commodities such as iron ore and coal. The dry bulk shipping market continues to be weak and there is severe imbalance between supply and demand. Dry bulk shipping companies have been faced with serious challenges. The international dry bulk shipping market continued to hover at a historically low level. During the first three quarters of 2015, the average Baltic Dry Index (BDI) was 744, representing a 32.4% decrease compared to the same period of last year. The Company expects that in 2016, the "new normal" of the international dry bulk shipping market condition will not be changed significantly.

The Board believes that it is in the best interest of the Company to enter into the Dry Bulk Disposal and focus on the container shipping business, since the customer base, market driver, shipping cycle and competitive landscape vary considerably between dry bulk shipping and container shipping. The market barrier for dry bulk shipping is significantly lower than container shipping. After the Dry Bulk Disposal, the Company will be able to allocate its resources and prioritize the development of container shipping and terminal business, leading to a more refined business structure.

In addition, the Company will be able to maintain a comparatively simpler business structure after the disposal of dry bulk shipping business, which will help to improve the transparency of the Company thus to acquire the recognition of the capital market and improve its profit-generating ability.

Directors' Confirmation

Mr. Ma Zehua, Mr. Li Yunpeng, Ms. Sun Yueying, Mr. Sun Jiakang, Mr. Ye Weilong, Mr. Wang Yuhang and Mr. Wan Min are Directors nominated by COSCO and have therefore abstained from voting on the relevant resolution of the Board approving the COSCO Bulk SPA and the Dry Bulk Disposal.

Other than the abovementioned Directors, the remaining Directors are the independent non-executive Directors forming the Independent Board Committee, namely Dr. Fan Hsu Lai Tai, Rita, Mr. Kwong Che Keung, Gordon, Mr. Peter Guy Bowie and Mr. Yang, Liang Yee Philip. Please refer to the section headed "Recommendations" below for their view in respect of the Transaction Agreements.

Financial Effects of the Dry Bulk Disposal on the Group

The Group intends to apply the net proceeds from the Dry Bulk Disposal primarily for the settlement of consideration for the Agency Companies Acquisitions and for use in its ordinary business operations.

It is estimated that the Company would recognize a gain of approximately RMB1,469,024,700 from the Dry Bulk Disposal, which was calculated based on the difference between the consideration of the Dry Bulk Disposal of approximately RMB6,768,072,700 and the net asset under PRC GAAP financial statements as at 30 September 2015, and a loss of approximately RMB1,135,339,300 after recycling of exchange and certain other reserves of RMB2,604,364,000, under PRC GAAP financial statements as at 30 September 2015.

Upon completion of the Dry Bulk Disposal, COSCO Bulk will cease to be a subsidiary of the Company.

For details of the financial effects of the COSCO Bulk Disposal (which is part of the China COSCO Asset Restructuring), please refer to the section headed "Financial effects of the China COSCO Asset Restructuring" below and the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular.

Implications under the Listing Rules

As one or more of the applicable percentage ratios in respect of the COSCO Bulk SPA exceed 25% but are all less than 75%, the Dry Bulk Disposal constitutes a major transaction of the Company subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, as COSCO is the controlling Shareholder and hence a connected person of the Company, the Dry Bulk Disposal also constitutes a connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) THE AGENCY COMPANIES ACQUISITIONS

On 11 December 2015, the Group and CSCL Group entered into the Agency Companies SPAs, pursuant to which the Group conditionally agreed to acquire and the CSCL Group conditionally agreed to sell certain equity interest in the Agency Companies for a total consideration of approximately RMB1,140.8970 million, subject to adjustment.

Offshore Agency SPAs

The principal terms and conditions of the Offshore Agency SPAs are summarized below:

Date	:	11 December 2015
Parties:	:	(a) COSCON, COSCON HK and PanAsia as the purchasers; (b) CSHK and CSCL as the sellers.
General nature	:	PanAsia and COSCON HK have conditionally agreed to purchase, and CSHK has conditionally agreed to sell, 100% equity interest in each of Universal Shipping and CS Agency, respectively. COSCON has conditionally to purchase, and CSCL has conditionally agreed to sell, its 51% equity interest in Golden Sea Shipping.
Consideration	:	The total consideration for the 100% equity interest in CS Agency is RMB35.6706 million. Such consideration was determined after arm's length negotiations between CSHK and COSCON HK with reference to a number of commercial considerations, including but not limited to the valuation of RMB35.6706 million as at the Valuation Date which was determined based on the asset-based approach. The total consideration for the 100% equity interests in Universal Shipping is RMB124.2913 million. Such consideration was determined after arm's length negotiations between CSCL and PanAsia with reference to a number of commercial considerations, including but not limited to the valuation of RMB124.2913 million as at the Valuation Date which was determined based on the asset-based approach. The total consideration for the 51% equity interests in Golden Sea Shipping is RMB71.0360 million. Such consideration was determined after arm's length negotiations between CSCL and COSCON with reference to a number of commercial considerations, including but not limited to the valuation of 51% equity interests in Golden Sea Shipping at an amount of RMB71.0360 million as at the Valuation Date which was determined based on the asset-based approach.

In respect of CS Agency and Universal Shipping, the consideration shall be payable in the US$ equivalent amount and the exchange rate shall be determined based on the exchange rate announced by the PBOC as at the Valuation Date, whilst in respect of Golden Sea Shipping, the consideration shall be payable in RMB.

Conditions precedent : Completion of the Offshore Agency Acquisitions shall be conditional upon the satisfaction of, among other things, the following conditions:

(a) resolutions of the shareholders of CSCL and the Shareholders having been passed approving the transactions under the relevant Offshore Agency SPA in accordance with Shanghai Listing Rules and the Listing Rules;

(b) the CSCL Asset Restructuring having received all necessary filings, approvals and consents, and no part of the CSCL Asset Restructuring having been terminated or similar event having occurred;

(c) the China COSCO Asset Restructuring having received all necessary filings, approvals and consents, and no part of the China COSCO Asset Restructuring having been terminated or similar event having occurred;

(d) no material adverse change to the target companies' business, operations, assets and liabilities since the Valuation Date, save as disclosed by the seller to the purchaser before the signing of the relevant Offshore Agency SPA;

(e) the representations and warranties made by the purchasers and sellers shall be true and accurate in material respects as of the date of the relevant Offshore Agency SPA and as at the completion date; and

(f) CSHK and CSCL having performed or complied with, in all material respects, all of their undertakings and obligations required to be performed or complied with prior to completion.

The parties to the relevant Offshore Agency SPA are entitled to, in their absolute discretion, by written notice to the other party, to waive any of the conditions precedent either in whole or in part (except for those as described in (a), (b) and (c) above).

If the first business day on or by which all conditions precedent have been fulfilled (or waived in accordance with the terms of the relevant Offshore Agency SPA) has not occurred on or before the Long Stop Date (or such later date as the parties may agree in writing), the relevant Offshore Agency SPA shall be terminated automatically.

Adjustment of consideration : If, after the filing of the valuation report with the relevant state-owned assets supervision and administration authorities or their authorized bodies, there is any change or adjustment to the valuation, the parties agree to negotiate in good faith to agree on adjustments to the consideration payable by the purchaser at closing and any other consequential amendments to the provisions of the agreement that may be necessary in relation to such change or adjustment to the valuation.

In addition, the amount of net profit incurred by the target companies during the Interim Period (if any) shall be paid in cash by the respective purchaser to respective seller (in the case of Golden Sea Shipping, multiplied by 51%). The amount of net loss incurred by the target companies during the Interim Period (if any) shall be paid in cash by the respective seller to the respective purchaser (in the case of Golden Sea Shipping, multiplied by 51%). The specific amount of net profit or loss shall be determined by way of a special closing audit as agreed between both parties within 60 business days of the closing date or otherwise agreed by the parties according to the disclosed financial report or management accounts of the target companies.

The sellers may, on a date that is at least 10 business days prior to the closing date, subject to applicable law, procure the target companies to declare and pay a dividend of an amount no greater than the amount of the retained earnings of the respective target companies as at 30 September 2015, provided that such pre-closing dividend may only be paid once and only be paid from cash held by the respective target company as at 30 September 2015 and shall not be funded by the proceeds from any financial indebtedness incurred after 30 September 2015. In the event of such distribution of dividend, the consideration payable by the relevant purchaser shall be reduced accordingly.

The total maximum dividend which may be declared by the Offshore Agency Companies and which may result in the adjustment of consideration is approximately RMB187 million, being the amount of distributable profits of the Offshore Agency Companies as at 30 September 2015 (in the case of Golden Sea Shipping, multiplied by 51%).

Onshore Agency SPAs

The principal terms and conditions of the Onshore Agency SPA are summarized below:

Date : 11 December 2015

Parties : (a) the Company, COSCON and PanAsia as the purchasers;

(b) CSHK and CSCL as the sellers.

General nature : CSCL has conditionally agreed to sell, and the Company has conditionally agreed to purchase (through their respective designated entities or subsidiaries) the following equity interest in 28 of the Onshore Agency Companies and at the following consideration, which was based on the valuation by the Valuer as at the Valuation Date determined based on the asset-based approach:

No.	**Onshore Agency Company**	**Equity interest**	**Value**	**Consideration**
			approximately RMB'000	*approximately RMB'000*
1	China Shipping Container Lines Dalian Co., Ltd. (中海集裝箱運輸大連有限公司)	100%	36,268.4	36,268.4
2	China Shipping Container Lines Tianjin Company Limited (中海集裝箱運輸天津有限公司)	100%	36,031.3	36,031.3
3	China Shipping Container Lines Qingdao Company Limited (中海集裝箱運輸青島有限公司)	100%	20,242.0	20,242.0
4	China Shipping Container Lines Shanghai Co., Ltd. (中海集裝箱運輸上海有限公司)	100%	147,561.0	147,561.0
5	China Shipping Container Lines Xiamen Co., Ltd. (中海集裝箱運輸廈門有限公司)	100%	23,514.0	23,514.0
6	China Shipping Container Lines Guangzhou Co., Ltd. (中海集裝箱運輸廣州有限公司)	100%	27,447.5	27,447.5
7	China Shipping Container Lines Shenzhen Co., Ltd. (中海集裝箱運輸深圳有限公司)	100%	38,583.9	38,583.9
8	China Shipping Container Lines Hainan Company Limited (中海集裝箱運輸海南有限公司)	100%	23,344.7	23,344.7

No.	Onshore Agency Company	Equity interest	Value	Consideration
			approximately RMB'000	*approximately RMB'000*
9	China Shipping Container Lines Yinkou Company Limited (中海集裝箱運輸營口有限公司)	10%	2,022.1	2,022.1
10	China Shipping Container Lines Qinghuangdao Company Limited (中海集裝箱運輸秦皇島有限公司)	10%	449.1	449.1
11	China Shipping Container Lines Lianyungang Company Limited (連雲港中海集裝箱運輸有限公司)	10%	0	0
12	China Shipping Container Lines Longkou Company Limited (龍口中海集裝箱運輸有限公司)	10%	100.8	100.8
13	China Shipping Container Lines Zhejiang Company Limited (中海集裝箱運輸浙江有限公司)	45%	10,700.4	10,700.4
14	China Shipping Container Lines Jiangsu Company Limited (江蘇中海集裝箱運輸有限公司)	45%	3,499.2	3,499.2
15	China Shipping Container Lines Quanzhou Company Limited (泉州中海集裝箱運輸有限公司)	10%	607.9	607.9
16	China Shipping Container Lines Fuzhou Company Limited (福州中海集裝箱運輸有限公司)	10%	671.1	671.1
17	China Shipping Container Lines Shantou City Company Limited (汕頭市中海集裝箱運輸有限公司)	10%	1,410.7	1,410.7
18	China Shipping Container Lines Zhongshan Company Limited (中山中海集裝箱運輸有限公司)	10%	281.8	281.8
19	China Shipping Container Lines Fangchenggang Company Limited (防城港中海集裝箱運輸有限公司)	10%	1,203.4	1,203.4
20	China Shipping Container Lines Zhanjiang Company Limited (湛江中海集裝箱運輸有限公司)	10%	978.7	978.7
21	China Shipping Container Lines Jiangmeng Company Limited (江門中海集裝箱運輸有限公司)	10%	314.6	314.6

No.	Onshore Agency Company	Equity interest	Value	Consideration
			approximately RMB'000	*approximately RMB'000*
22	China Shipping Container Lines Dongguan City Company Limited (東莞市中海集裝箱運輸有限公司)	10%	315.1	315.1
23	China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. (中海(洋浦)冷藏儲運有限公司)	100%	19,686.8	19,686.8
24	China Shipping Container Lines (Dalian) Data Processing Co., Ltd. (中海集運(大連)信息處理有限公司)	100%	4,872.6	4,872.6
25	Shanghai Puhai Shipping Liners Co., Ltd. (上海浦海航運有限公司)	98.2%	360,529.8	360,529.8
26	Dalian Vanguard International Logistics Co., Ltd. (大連萬捷國際物流有限公司)	50%	52,464.1	52,464.1
27	Jinzhou Port Container and Railway Logistics Limited* (錦州港集鐵物流有限公司)	45%	2,331.6	2,331.6
28	Angang Vehicle Transportation Co., Ltd. (鞍鋼汽車運輸有限責任公司)	20.07%	70,241.0	70,241.0

CSHK has conditionally agreed to sell, and COSCON and PanAsia has conditionally agreed to purchase the following equity interest in two of the Onshore Agency Companies and at the following consideration which was based on the valuation by the Valuer as at the Valuation Date determined based on the asset-based approach:

No.	Onshore Agency Company	Equity interest	Value	Consideration
			approximately RMB'000	*approximately RMB'000*
1.	China Shipping Container Lines Agency (Shenzhen) Co., Ltd. (中海集裝箱運輸代理(深圳)有限公司)	100%	15,174.1	15,174.1
2.	Universal Logistics (Shenzhen) Co., Ltd. (深圳中海五洲物流有限公司)	100%	9,051.6	9,051.6

Payment of consideration	:	The consideration for the equity interest in the Onshore Agency Companies shall be paid in cash within 30 business days upon fulfillment of all the conditions precedent or waived by the parties in writing. As the valuation is subject to the filing requirements under PRC laws and regulations, the parties agreed that in the event of adjustment to the valuation under the filing procedures, the final consideration will be adjusted according to the adjusted valuation.
Adjustment of Consideration	:	If CSCL makes a payment or distribution of dividends between the date of the Onshore Agency SPA and the consideration payment date as stated above, the total consideration in relation to the Onshore Agency Acquisition will be reduced by the same amount accordingly. The total maximum dividend which may be declared by the Onshore Agency Companies and which may result in the adjustment of consideration is RMB182,329,000, being the amount of distributable profits of the Onshore Agency Companies as at 30 September 2015 multiplied by the relevant percentage thereof which the Group is acquiring. According to the Onshore Agency SPAs, the seller shall be entitled to any gains, losses or changes in the equity interests in the Onshore Agency Companies during the Interim Period. Such gains, losses or changes in the equity interests shall be settled through cash return between the purchaser and seller. The specific amount of gains, losses or changes in the equity interests shall be determined by way of a special closing audit as agreed between both parties after 60 days of the closing date or with reference to the published financial information or management accounts of Onshore Agency Companies prepared for the corresponding period.
Conditions precedent	:	Completion of the Onshore Agency Acquisitions shall be conditional upon the satisfaction of, among others, the following conditions: (i) all necessary internal review and approval procedures having been completed in accordance with the effective articles of association of all parties under the Onshore Agency SPAs and applicable listing rules (where applicable); (ii) all approvals from the decision-making bodies of the Onshore Agency Companies and letters of renunciation issued by the other shareholders of these entities (if any) in relation to the pre-emptive right having been obtained;

(iii) no material adverse change having occurred to the business, operations, assets, liabilities etc. of the Onshore Agency Companies since the Valuation Date, save as disclosed by CSCL to the Company before the signing of the relevant Onshore Agency SPA;

(iv) no breach of the terms of the Onshore Agency SPAs having occurred and the declarations, representations and warranties therein remaining effective;

(v) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation to the China COSCO Asset Restructuring, and no part of these transactions having been terminated, nor is there any similar occurrence;

(vi) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation to the CSCL Asset Restructuring, and no part of these transactions having been terminated, nor is there any similar occurrence; and

(vii) the Lease Agreement having been approved at the general meetings of CSCL and the Company and become effective.

The parties shall endeavor to ensure that all the conditions precedent as set out in the Onshore Agency SPAs are fulfilled on or before the Long Stop Date. If the conditions precedent are not fulfilled by the Long Stop Date, the parties shall negotiate on the full or partial waiver of any such conditions precedent, delay of completion date or termination of the agreement, and shall endeavor to reach an agreement within the Negotiation Period. If no agreement is reached within the Negotiation Period, the agreement shall be terminated automatically.

The consideration for the Onshore Agency Acquisitions have been determined after arm's length negotiation between the parties with reference to a number of commercial considerations, including but not limited to the appraised value of the Onshore Agency Companies as at the Valuation Date.

Completion date shall occur on the date on which the consideration has been settled in full.

For the reasons for and benefits of the Agency Companies Acquisitions, please refer to the section headed "(5) Leasing Transactions—Reasons for and benefits of the Leasing Transactions and the China COSCO Asset Restructuring" below.

Directors' Confirmation

Mr. Ma Zehua, Mr. Li Yunpeng, Ms. Sun Yueying, Mr. Sun Jiakang, Mr. Ye Weilong, Mr. Wang Yuhang and Mr. Wan Min who are Directors nominated by COSCO and have abstained from voting in the COSCO Bulk SPA and the Dry Bulk Disposal, have also abstained from voting on the relevant resolutions of the Board approving the Agency Companies SPAs and the Agency Companies Acquisitions, as the Agency Companies Acquisitions are part of the Restructuring and conditional upon, amongst other things, approval for transactions in which COSCO Group is a party (including the Dry Bulk Disposal).

Other than the abovementioned Directors, the remaining Directors are the independent non-executive Directors forming the Independent Board Committee, namely Dr. Fan Hsu Lai Tai, Rita, Mr. Kwong Che Keung, Gordon, Mr. Peter Guy Bowie and Mr. Yang, Liang Yee Philip. Please refer to the section headed "Recommendations" below for their view in respect of the Transaction Agreements.

Financial Effects of the Agency Companies Acquisitions on the Group

The Group intends to settle the consideration payable under the Agency Companies SPAs primarily from the consideration received under the Dry Bulk Disposal.

Upon completion of the Agency Companies Acquisitions, each of the Agency Companies will become a subsidiary of the Company, except that Dalian Vanguard will become a joint venture and each of Jinzhou Port and Angang Vehicle will become an associate of the Company.

For details of the financial effects of the Agency Companies Acquisitions (which is part of the China COSCO Asset Restructuring), please refer to the section headed "Financial Effects of the China COSCO Asset Restructuring" below and the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular.

Implications under the Listing Rules

Pursuant to Rule 14.22 of the Listing Rules, transactions under the Agency Companies SPAs and the CSPD SPA are required to be aggregated since the counterparties of the transactions thereunder are connected with one another. As one or more of the applicable percentage ratios in respect of the Agency Companies SPAs, when aggregated with the CSPD SPA, exceed 25% but are all less than 100%, the Agency Companies Acquisitions constitutes a major transaction of the Company subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, the Agency Companies Acquisitions, which are conditional upon the approval for the other Transaction Agreements (including transactions with COSCO Group), have been deemed as connected transactions of the Company by the Stock Exchange pursuant to Rule 14A.20 of the Listing Rules, and the Agency Companies SPAs are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(3) THE FLORENS DISPOSAL

The FCHL SPA

On 11 December 2015, COSCO Pacific and CSHK entered into the FCHL SPA, pursuant to which COSCO Pacific conditionally agreed to sell the FCHL Shares and assign the FCHL Shareholder's Loans, and CSHK has conditionally agreed to purchase the FCHL Shares and take the assignment of the FCHL Shareholders' Loans in accordance with the terms of the FCHL SPA. Upon completion of the Florens Disposal, FCHL will cease to be a subsidiary of COSCO Pacific.

The principal terms and conditions of the FCHL SPA are summarized below:

Date	:	11 December 2015
Parties:	:	(a) COSCO Pacific (a non-wholly owned subsidiary of the Company) as the seller (b) CSHK as the purchaser
General nature of the Florens Disposal	:	COSCO Pacific has conditionally agreed to sell the FCHL Shares and assign the FCHL Shareholder's Loans and CSHK has conditionally agreed to purchase the FCHL Shares and take assignment of the FCHL Shareholder's Loans in accordance with the terms of the FCHL SPA.
Consideration	:	The initial consideration for the FCHL Shares is RMB7,784,483,300, less any Pre-Closing Dividend. The consideration for the FCHL Shareholder's Loans is US$285,000,000. The initial consideration for the FCHL Shares and the consideration for the FCHL Shareholder's Loans shall be payable by CSHK upon completion of the Florens Disposal. The distributable profits of FCHL as at 30 September 2015 were approximately US$1,161.0 million, which is the maximum Pre-Closing Dividend which may be declared by FCHL.

The final consideration for the FCHL Shares will be determined after completion of the Florens Disposal by reference to customary completion accounts adjustments based on the difference in net asset value of FCHL as at 30 September 2015 and as at the Completion Accounts Date. The consideration for the Florens Disposal was determined after arm's length negotiation between the parties taking into account a number of commercial considerations, including but not limited to the appraised value of FCHL as at the Valuation Date.

If after the filing with competent authorities of the valuation report by the Valuer in respect of FCHL, there is any change or adjustment to the valuation of FCHL, the parties to the FCHL SPA agree to negotiate in good faith to agree on adjustments to the initial consideration for the FCHL Shares that may be necessary in relation to such change or adjustment to the valuation.

Conditions precedent : Completion of the Florens Disposal shall be conditional upon the satisfaction of, among other things, the following conditions:

(i) the approval by the independent shareholders of COSCO Pacific in the COSCO Pacific SGM in respect of the Florens Disposal;

(ii) the approval by the independent shareholders of CSCL in respect of the Florens Disposal;

(iii) the approval by the Independent Shareholders in respect of the Florens Disposal;

(iv) all necessary third party consents and approvals from the regulatory authorities in relation to the Florens Disposal shall have been granted;

(v) the representations and warranties given by COSCO Pacific and CSHK respectively being true and accurate as at completion of the Florens Disposal;

(vi) approval from the Anti-Monopoly Bureau of the Ministry of Commerce of the PRC in connection with the Florens Disposal (and the fulfilment of any conditions subject to which such approval is given);

(vii) consents of, and notifications to, third parties required for the Florens Disposal;

(viii) compliance by COSCO Pacific, in all material respects, its obligations under the FCHL SPA which are required to be complied with prior to completion of the Florens Disposal;

(ix) all regulatory approvals and shareholders' approvals (if any) in respect of the Terminal Acquisition in accordance with the CSPD SPA; and

(x) all regulatory approvals and shareholders' approvals (if any) in respect of the transactions contemplated under each of the CP Agreements having been obtained in accordance with its terms.

Completion : Under the FCHL SPA, completion of the Florens Disposal shall take place on the 30th business day after the conditions precedent to the FCHL SPA have been fulfilled or waived (or such other time as the parties may mutually agree).

If the conditions precedent under the FCHL SPA have not been fulfilled or waived on or before the Long Stop Date (or such later date as the parties may agree), the FCHL SPA shall automatically terminate (other than in respect of the certain surviving provisions therein).

It is currently expected that completion of the Terminal Acquisition and the Florens Disposal will take place on the same day.

Directors' Confirmation

Mr. Ma Zehua, Mr. Li Yunpeng, Ms. Sun Yueying, Mr. Sun Jiakang, Mr. Ye Weilong, Mr. Wang Yuhang and Mr. Wan Min who are Directors nominated by COSCO and have abstained from voting in the COSCO Bulk Spa and the Dry Bulk Disposal, have also abstained from voting on the relevant resolutions of the Board approving the FCHL SPA and Florens Disposal, as the Florens Disposal is part of Restructuring and conditional upon, amongst other things, approval for transactions in which COSCO Group is party (including the Dry Bulk Disposal).

Other than the abovementioned Directors, the remaining Directors are the independent non-executive Directors forming the Independent Board Committee, namely Dr. Fan Hsu Lai Tai, Rita, Mr. Kwong Che Keung, Gordon, Mr. Peter Guy Bowie and Mr. Yang, Liang Yee Philip. Please refer to the section headed "Recommendations" below for their view in respect of the Transaction Agreements.

Financial Effects of the Florens Disposal on the Group

It is estimated that the Company would recognize a gain attributable to equity holder of the Company of approximately RMB171,209,000 from the Florens Disposal, which was calculated based on the difference between the consideration attributable to equity holder of the Company of approximately RMB3,469,544,000 and the net asset attributable to the equity holder of the Company under PRC GAAP financial statements as at 30 September 2015, and a net loss attributable to equity holder of the Company of approximately RMB127,940,000 on its consolidated profit and loss account after recycling of exchange reserves of RMB299,149,000, under PRC GAAP financial statements as at 30 September 2015.

Net Proceeds from the Florens Disposal

COSCO Pacific intends to apply the net proceeds from the Florens Disposal primarily for providing working capital funds for its terminals businesses and for capturing any future acquisition or investment opportunities in terminal businesses.

For details of the financial effects of the Florens Disposal (which is part of the China COSCO Asset Restructuring), please refer to the section headed "Financial Effects of the China COSCO Asset Restructuring" below and the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular.

Implications under the Listing Rules

As one or more of the applicable percentage ratios in respect of the FCHL SPA exceed 25% but are all less than 75%, the Florens Disposal constitutes a major transaction of the Company subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, the Florens Disposal, which is conditional upon the approval for the other Transaction Agreements (including transactions with COSCO Group), has been deemed as a connected transaction of the Company by the Stock Exchange pursuant to Rule 14A.20 of the Listing Rules. Therefore, the Florens Disposal is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(4) THE TERMINAL ACQUISITION

The CSPD SPA

On 11 December 2015, COSCO Pacific, CSCL and CS Hong Kong entered into the CSPD SPA, pursuant to which CSCL and CS Hong Kong have conditionally agreed to sell, and COSCO Pacific has conditionally agreed to purchase, the CSPD Shares. Upon completion of the Terminal Acquisition, CSPD will become a wholly-owned subsidiary of COSCO Pacific and therefore a non-wholly owned subsidiary of the Company.

The principal terms and conditions of the CSPD SPA are summarized below:

Date	:	11 December 2015
Parties:	:	(a) COSCO Pacific (a non-wholly owned subsidiary of the Company) as the purchaser (b) CSCL and CS Hong Kong as the sellers
General nature of the Terminal Acquisition	:	CSCL and CS Hong Kong have conditionally agreed to sell, and the Company has conditionally agreed to purchase, the CSPD Shares in accordance with the terms of the CSPD SPA
Consideration and payment terms	:	The initial consideration for the CSPD Shares shall be RMB7,632,455,300 (the "**Initial Price**"). The Initial Price will be subject to the certain adjustments. The price payable by the Company for the CSPD Shares at completion of the Terminal Acquisition (the "**Closing Price**") will be an amount equal to: (i) the Initial Price, (ii) *minus* the RMB equivalent of an amount equal to the Pre-Closing Dividend; (iii) if the Damietta Sale is completed on or prior to the completion of the Terminal Acquisition: (a) *minus* an amount equal to RMB216,989,700; and (b) *plus* the RMB equivalent of an amount equal to the Net Damietta Proceeds; and (iv) if the Damietta Sale is not completed on or prior to completion of the Terminal Acquisition, *minus* an amount equal to RMB216,989,700. The distributable profits of CSPD as at 30 September 2015 were approximately HK$663.8 million, which is the maximum Pre-Closing Dividend which may be declared by CSPD. The final consideration will be determined after completion of the Terminal Acquisition by reference to customary completion accounts adjustments based on the difference in net asset value of CSPD as at 30 September 2015 and as at the Completion Accounts Date. The Terminal Acquisition will be financed by internal resources and bank borrowings.

If after the filing with competent authorities of the valuation report by the Valuer in respect of CSPD, there is any change or adjustment to the valuation of CSPD, the parties to the CSPD SPA agree to negotiate in good faith to agree on adjustments to the Closing Price that may be necessary in relation to such change or adjustment to the valuation.

The consideration for the Terminal Acquisition was determined based on normal commercial terms after arm's length negotiations between the parties to the CSPD SPA, by reference to the valuation report issued by the Valuer with the valuation, which was prepared using the asset approach.

Conditions precedent : Completion of the Terminal Acquisition is conditional upon the satisfaction of, among other things, the following conditions:

(a) the approval by the independent shareholders of COSCO Pacific in respect of the Terminal Acquisition;

(b) the approval by the shareholders of CSCL and CS Hong Kong in respect of the Terminal Acquisition;

(c) the approval by the independent shareholders of the Company in respect of the Terminal Acquisition;

(d) all necessary third party consents and regulatory approvals required in relation to the Terminal Acquisition shall have been granted;

(e) the representations and warranties given by each of CSCL and CS Hong Kong and COSCO Pacific respectively being true and accurate as at completion of the Terminal Acquisition;

(f) approval from the Anti-Monopoly Bureau of the Ministry of Commerce of the PRC in connection with the Terminal Acquisition (and the fulfilment of any conditions subject to which such approval is given);

(g) consents of, and notifications to, third parties required for the Terminal Acquisition;

(h) compliance by CSCL and CS Hong Kong in all material respects, of their respective obligations under the CSPD SPA which are required to be complied with prior to completion of the Terminal Acquisition;

(i) all regulatory approvals and shareholders' approvals (if any) in respect of the Florens Disposal in accordance with the FCHL SPA; and

(j) all regulatory approvals and shareholders' approvals (if any) in respect of the transactions contemplated under each of the CP Agreements in accordance with its terms.

Non-compete : CSCL and CS Hong Kong have agreed that they will not, and have agreed to procure that their respective groups will not, on or before the second anniversary of the completion of the Terminal Acquisition, engage in, or be directly or indirectly interested in any entity that engages in, the business of management and operation of terminals or ports. However, such restrictions shall not prohibit them from continuing to hold their existing interests as at the date of the CSPD SPA in any entity that engages in the business of management and operation of terminals or ports (other than CSPD and the interests held by CSPD). Such existing interests are interests in (i) No. 25, 28 and 30 terminals in Port of Seattle (in which CSPD has an interest), (ii) Berth's 100-102 terminals and Berth's 121-126 terminals in the Port of Los Angeles, (iii) Yantai Port (in which CSPD also has an interest), (iv) Qinhuangdao Port Co., Ltd., which holds 55% interest in Qinhuangdao New Harbour that has the right to operate Qinhuangdao New Harbour Container Yard, Qinhuangdao New Harbour No. 24 and No. 25 Terminals (in which CSPD also has an interest), (v) Penglai Ferry Terminal and (vi) Yantai Port Tong San Terminal.

Completion : Under the CSPD SPA, completion of the Terminal Acquisition shall take place on the 30th business day after the conditions precedent to the CSPD SPA have been fulfilled or waived (or such other time as the parties to the CSPD SPA may mutually agree).

If the conditions precedent under the CSPD SPA are not fulfilled or waived on or before the Long Stop Date (or such later date as the parties may agree), the CSPD SPA shall automatically terminate (other than in respect of the certain surviving provisions therein). Upon completion of the Terminal Acquisition, COSCO Pacific will hold 100% of the issued shares in CSPD.

It is currently expected that completion of the Terminal Acquisition will take place on the same day as completion of the Florens Disposal.

Financial Effects of the Terminal Acquisition

Upon completion of the Terminal Acquisition, CSPD will become a subsidiary of the Company.

For details of the financial effects of the Terminal Acquisition (which is part of the China COSCO Asset Restructuring), please refer to the section headed "Financial effects of the China COSCO Asset Restructuring" below and the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular.

Directors' Confirmation

Mr. Ma Zehua, Mr. Li Yunpeng, Ms. Sun Yueying, Mr. Sun Jiakang, Mr. Ye Weilong, Mr. Wang Yuhang and Mr. Wan Min who are Directors nominated by COSCO and have abstained from voting in the COSCO Bulk SPA and the Dry Bulk Disposal, have also abstained from voting on the relevant resolutions of the Board approving the CSPD SPA and the Termination Acquisition, as the Terminal Acquisition are part of the Restructuring and conditional upon approval for transactions in which COSCO Group is a party (including the Dry Bulk Disposal).

Other than the abovementioned Directors, the remaining Directors are the independent non-executive Directors forming the Independent Board Committee, namely Dr. Fan Hsu Lai Tai, Rita, Mr. Kwong Che Keung, Gordon, Mr. Peter Guy Bowie and Mr. Yang, Liang Yee Philip. Please refer to the section headed "Recommendations" below for their view in respect of the Transaction Agreements.

Implications under the Listing Rules

Pursuant to Rule 14.22 of the Listing Rules, transactions under the Agency Companies SPAs and the CSPD SPA are required to be aggregated since the counterparties of the transactions thereunder are connected with one another.

As one or more of the applicable percentage ratios in respect of the CSPD SPA, when aggregated with the Agency Companies SPAs, exceed 25% but are all less than 100%, the Terminal Acquisition constitutes a major transaction of the Company subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, the Terminal Acquisition, which is conditional upon approval for the other Transaction Agreements (including transactions with COSCO Group), has been deemed as a connected transaction of the Company by the Stock Exchange pursuant to Rule 14A.20 of the Listing Rules. Therefore, the Terminal Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Conditional Special Cash Dividend

As disclosed in the announcement of COSCO Pacific dated 23 December 2015, the board of directors of COSCO Pacific has declared a conditional special cash dividend of HK80 cents per Share (the "**Conditional Special Cash Dividend**"). Payment of the Conditional Special Cash Dividend is conditional on (i) the independent shareholders of COSCO Pacific passing the resolution approving the Terminal Acquisition and the Florens Disposal at the COSCO Pacific SGM; and (ii) the completion of the Terminal Acquisition and the Florens Disposal in accordance with the provisions of the CSPD SPA and the FCHL SPA.

If the above conditions are fulfilled, the Conditional Special Cash Dividend will be payable to all shareholders of COSCO Pacific whose names appear on the register of members of COSCO Pacific on a record date that will be determined by the board of directors of COSCO Pacific and announced after the COSCO Pacific SGM and before the completion of the Terminal Acquisition and the Florens Disposal.

If the resolution approving the Terminal Acquisition and the Florens Disposal is not passed by the independent shareholders of COSCO Pacific at the COSCO Pacific SGM or if the Terminal Acquisition and the Florens Disposal do not complete in accordance with the provisions of the CSPD SPA and the FCHL SPA for any reason, the Conditional Special Cash Dividend will not be paid to the shareholders of COSCO Pacific.

As at the Latest Practicable Date, the Company, through its wholly-owned subsidiaries China COSCO (Hong Kong) Limited and COSCO Investments Limited, held in aggregate 1,329,899,469 shares in COSCO Pacific (representing approximately 44.83% of the total issued share capital of COSCO Pacific). In the event of the payment of the Conditional Special Cash Dividend and assuming no change in the number of shares held by the Company up to the record date, the Company would be entitled to approximately HK$1,035,364,890 in special cash dividend from COSCO Pacific.

Reasons for and Benefits of the Florens Disposal and the Terminal Acquisition

Background to the Terminal Acquisition and the Florens Disposal: SOE Reform

The Terminal Acquisition and the Florens Disposal form parts of the China COSCO Asset Restructuring and the CSCL Asset Restructuring, being a reform of PRC State-Owned-Enterprises ("**SOEs**"). Such reform is intended to enhance the competitiveness of the SOEs in the global market by creating synergies for and improving the operating efficiency of SOEs in different positions on the same value chain. Under the China COSCO Asset Restructuring and the CSCL Asset Restructuring, businesses of the COSCO Group and the China Shipping Group will be reorganized such that container shipping, terminals operation and financial services will become the core businesses of the Group, the COSCO Pacific Group and the China Shipping Group respectively.

Focus on terminals business

The COSCO Pacific Group's main strategy is to focus on terminals business. The China COSCO Asset Restructuring and the CSCL Asset Restructuring therefore provides an opportunity that suits the COSCO Pacific Group's strategy. COSCO Pacific became listed on the Stock Exchange in 1994 with container leasing as its sole business. Since 1995, the COSCO Pacific Group has diversified into terminals business. In 1995, the COSCO Pacific Group acquired an interest in COSCO-HIT Terminals (Hong Kong) Limited and generated total throughput of 1.2 million TEU. In 1997, the COSCO Pacific

Group entered the PRC market by acquiring partial equity interests in four container terminals from COSCO. In 2003, the COSCO Pacific Group acquired a 49% stake in COSCO-PSA Terminal Private Limited in Singapore, the COSCO Pacific Group's first overseas terminal project. In 2009, the COSCO Pacific Group acquired a 100% stake in Piraeus Container Terminal S.A., the COSCO Pacific Group's first wholly-owned terminal operation. By the end of 2014, the COSCO Pacific Group's total throughput amounted to 67.3 million TEU. The Terminal Acquisition and the Florens Disposal present the COSCO Pacific Group with a golden opportunity to focus on terminals business.

The Terminal Acquisition

Strengthen a leading position

The global container terminals industry outlook is expected to have sustainable volume growth. By acquiring a basket of terminals assets, the COSCO Pacific Group gears up to increase its global network and market share and advances its leading position in global container terminals industry. With the enlarged terminals portfolio from the Terminal Acquisition and the management expertise of CSPD, the COSCO Pacific Group is well-positioned to expand and optimize its terminals network by "Going Global" and to make new investments in the future with a view to further strengthening its global competitiveness. As part of the China COSCO Asset Restructuring and the CSCL Asset Restructuring, the COSCO Pacific Group will benefit from its parent company having the world's 4th largest container shipping fleet with a total fleet capacity of 1.583 million TEU, representing approximately 8% of the world's container shipping capacity in 2014. The PRC is a material market for the COSCO Pacific Group as it remains significant to global economic growth. Following the Terminal Acquisition with an enlarged market share and more balanced geographical coverage, the COSCO Pacific Group is expected to be well-positioned to benefit from the potential opportunities in the Greater China market[1].

A larger terminal portfolio

COSCO Pacific will become interested in a larger terminal portfolio through the Terminal Acquisition. The pro-forma annual designed handling capacity of the COSCO Pacific Group and the CSPD Group was 103.8 million TEU in 2014, being 33.2% higher than the annual designed handling capacity of the Group in 2014. The pro-forma total throughput of the Group and the CSPD Group was 78.7 million TEU in 2014, being 16.8% higher than the total throughput of the COSCO Pacific Group in 2014. The pro-forma equity throughput of the COSCO Pacific Group and the CSPD Group was 24.3 million TEU in 2014, being 27.8% higher than the equity throughput of the COSCO Pacific Group in 2014.

Note 1: Greater China refers to the PRC and Hong Kong

A greater market share

On the basis of the annual designed handling capacity in the world's container terminal market in 2014 (as shown in the Drewry Report), the total global market share of the terminals in which the COSCO Pacific Group is interested would, as a result of the Terminal Acquisition, increase from 7.7% to 10.3%, making the COSCO Pacific Group the world's largest container terminal operator. On the basis of total throughput in the world's container terminal market in 2014 (as shown in the Drewry Report), the total global market share of the COSCO Pacific Group post the Terminal Acquisition would increase from 9.9% to 11.6% in terms of total throughput, the 2nd largest in the world, while its global market share in terms of equity throughput would increase from 2.8% to 3.6%, the 6th largest globally.

A further strengthened dominant position in Greater China

After the Terminal Acquisition, the COSCO Pacific Group will enhance coverage in China with its total throughput in Greater China increasing by 19.1% from 56.6 million TEU to 67.4 million TEU in 2014. On the basis of total throughput in 2014 (as shown in the Drewry Report), the Terminal Acquisition would increase the market share of the COSCO Pacific Group in Greater China from 27.0% to 32.2%. Greater China remains the key focus for the COSCO Pacific Group. 85.7% of the pro-forma total throughput of the COSCO Pacific Group and the CSPD Group and 84.0% of the total throughput of the COSCO Pacific Group were attributable to Greater China in 2014.

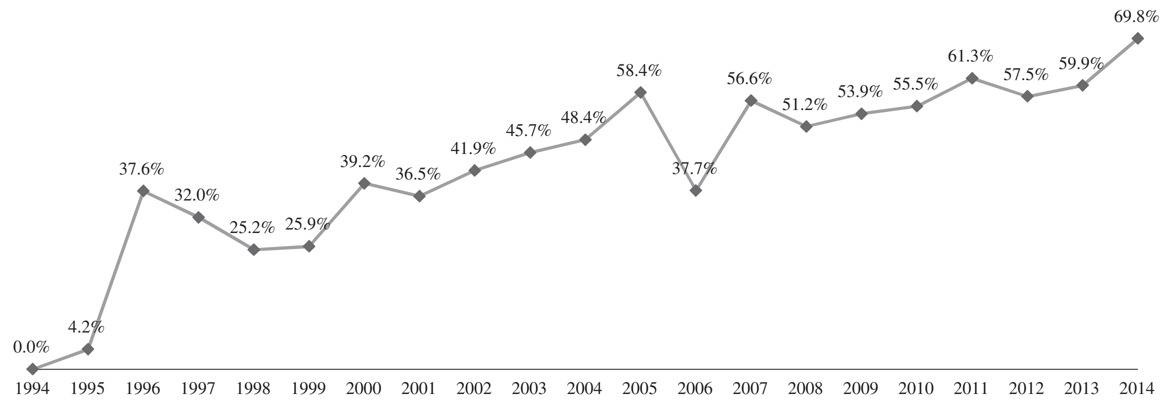
The map below shows the locations of the terminals in which the COSCO Pacific Group or the CSPD Group is interested.

The Florens Disposal

The Florens Disposal will allow the COSCO Pacific Group to focus resources on the operation and development of its terminals business.

COSCO Pacific became listed on the Main Board of the Stock Exchange in 1994 with container leasing being its sole business. The synergies of the COSCO Pacific Group's container leasing business with the COSCO Pacific Group's terminals operations, which have now grown to become the largest part of the COSCO Pacific Group's business in terms of net profit contribution, are limited. The net profit of terminals business attributable to the equity holders of COSCO Pacific increased from US$120.6 million in 2007 to US$221.0 million in 2014 and its contribution to the sum of terminal and container leasing businesses increased to 69.8% in 2014 from 56.6% in 2007.

The following chart shows the percentage of the net profit of terminals business attributable to the equity holders of the COSCO Pacific, and its contribution to the sum of terminals and container leasing businesses from 1994 to 2014.[1, 2]



Source: COSCO Pacific's Annual Reports

Notes:

1. 2000-2008 net profits breakdown figures have been restated in 2009 as a result of the adoption of HKFRS 8 "Operating Segments" issued by the Hong Kong Institute of Certified Public Accountants.

2. The percentage of terminals profit contribution decreased largely in 2006 due to the inclusion of net profit generated from the disposal of returned containers in container leasing net profit in 2006.

It is in the interest of COSCO Pacific and the shareholders of the Company to change the COSCO Pacific Group's business focus to terminals business operations.

The Board considers that it is now an opportunity for the COSCO Pacific Group to be transformed into a pure terminals operator. That is expected to unlock the COSCO Pacific Group's intrinsic value and to narrow the gap in valuation between the Company and other public companies in the terminals industry as a result of conglomerate valuation discount.

Sustainable growth strategy

The COSCO Pacific Group intends to create long-term value by implementing a sustainable growth strategy as follows. The COSCO Pacific Group's aim is to continue to focus on developing a comprehensive global terminals portfolio with a view to seizing opportunities from the "One Belt, One Road" and Yangtze River Economic Belt initiatives of the PRC and seeking to invest in ports along the Maritime Silk Road, ASEAN and Eurasia. The COSCO Pacific Group aims to enhance its brand value by continuing to improve the operating efficiency of its terminals business and replicating its expertise developed through its existing terminals business. The COSCO Pacific Group's strategy is to continue to invest in hub ports in response to the global trend of mega-vessels and the necessity to build global hub network and to leverage its parent's hub strategy. The COSCO Pacific Group will further strengthen the profitability by capturing investment opportunities through equity investments in addition to investments with controlling stake.

(5) LEASING TRANSACTIONS

On 11 December 2015, the Company and CSCL entered into the Lease Agreement, pursuant to which the Company conditionally agreed to lease from CSCL, and CSCL conditionally agreed to lease to Company, vessels and containers.

The principal terms and conditions of the Lease Agreement are summarized below:

Date	:	11 December 2015
Parties	:	(a) the Company as the lessee; (b) CSCL as the lessor.
Subject matter	:	CSCL and its subsidiaries and associates shall charter and lease (excluding finance leasing) vessels and containers owned or operated by them to the Company and its subsidiaries and associates under the following principles: Vessels (i) self-owned vessels: the charter will be time charter in principle. For vessels with a capacity of more than 8,000 TEU, the charter period shall be a fixed term of five years and an option term of five years subject to negotiation between both parties; for vessels with a capacity of less than 8,000 TEU, the charter period shall be a fixed term of five years.

(ii) chartered-in vessels: CSCL shall make efforts to (1) procure an early surrender of the charter and procure the original owners to charter the vessels to the Company directly; or (2) obtain the consent of the original owner to sub-charter the vessels to the Company, with the new charter agreements or sub-charter agreements on the same terms and conditions as the original charters. For such sub-chartered vessels, upon the expiry of the charters, the Company shall return (through CSCL) the vessels to the original owner at the time and location to be determined at the discretion of the Company subject to the provisions of relevant charter agreements.

(iii) chartered-out vessels: for the chartered-in and then chartered-out vessels, when the chartered-out agreements expire: (1) if the chartered-in agreements of the same vessels expire at the same time, CSCL shall return such vessels to its original owners; (2) if such chartered-in agreements remain effective, principle (ii) shall apply; for those self-owned vessels, principle (i) shall apply upon the expiry of the chartered-out agreement

(iv) self-owned vessels under construction: principle (i) of self-owned vessels shall apply once the construction is completed.

Containers

(i) self-owned containers: terms of the lease shall be determined based on the age of the containers. For containers with an age of less than five years, six to eight years, nine to ten years and more than ten years, the corresponding terms of lease shall be five years, three years, two years and one year respectively; for containers built between 2004 and 2005, the terms of lease shall be subject to further negotiation between both parties.

(ii) containers under sale-and-lease back arrangements: CSCL shall endeavour to obtain the consent of the owners to sub-lease the containers to the Company which will determine the new terms and conditions in connection with the lease of such containers upon the expiry of the lease term subject to the discussion between CSCL and the owners of the containers.

		(iii) containers leased from third parties: CSCL shall endeavour to obtain the consent of the owners to replace the existing lease agreements with new ones entered into directly with the Company on terms and conditions substantially the same as the existing agreements.
Term	:	The initial term of the Lease Agreement shall be 10 years from the effective date. The Lease Agreement shall take effect on the date of completion of the approvals by competent authorities for the Lease Agreement and the proposed annual caps in accordance with the articles of association of the Company and CSCL, applicable laws, rules and listing rules (including board approval and shareholders' approval). The Lease Agreement shall be subject to the approval by competent authorities of the Company and CSCL (including board approval and shareholders' approval, if required) of the Lease Agreement and the transaction caps at least once every three years. In the event such approval is not obtained, the Lease Agreement shall terminate automatically.
Pricing and other material terms	:	Prices of lease of vessels and containers shall be based on fair market consideration based on arm's length negotiations between the parties. In order to determine fair market consideration, the Company and CSCL have appointed an independent shipping consultant, Drewry, to prepare its advice based on the market price of vessels and container leasing for the past three years. A summary of the principles and principal calculation assumptions in determining the lease rates and tenors for vessels and containers are contained in the Appendix V to this circular.
Conditions precedent	:	The Leasing Transactions shall be conditional upon the satisfaction of, among other things, the following conditions: (1) all relevant internal approval procedures and information disclosure requirements under the effective articles of association of the Company and CSCL and applicable listing rules having been obtained in relation with the execution and implementation of the Lease Agreement;

(2) no breach of the terms of the Lease Agreement having occurred, and the declaration, representations and warranties given by the parties under the Lease Agreement remaining effective;

(3) all necessary filings, approvals, consents and permits having been obtained in relation with all transactions under the China COSCO Asset Restructuring, and no part of these transactions having been terminated, nor is there any similar occurrence; and

(4) all necessary filings, approvals, consents and permits having been obtained in relation with all transactions under the CSCL Asset Restructuring, and no part of these transactions having been terminated, nor is there any similar occurrence.

The parties shall use endeavor to ensure that the conditions precedent are fulfilled on or before the Long Stop Date. If the conditions precedent are not fulfilled by the Long Stop Date, the parties shall negotiate on the full or partial waiver of the conditions precedent, delay of completion date or termination of the agreement, and shall endevaour to reach an agreement within the Negotiation Period. If no agreement is reached within the Negotiation Period, the Lease Agreement shall terminate.

Individual Agreements : Subject to the terms and conditions of the Lease Agreement, the parties shall negotiate and enter into specific vessel and container leasing agreements on or before 14 March 2016.

Annual caps and basis of determination

(a) **Proposed annual caps**

Under the Lease Agreement, for the years ending 31 December 2016, 2017 and 2018, the proposed annual caps with respect to vessels chartering and container leasing fees under the Lease Agreement shall not exceed the amounts as follows:

	For the year ending 31 December		
	2016	**2017**	**2018**
Aggregate amount payable by the Group to CSCL Group in respect of leasing of vessels	US$945,000,000	US$1,013,000,000	US$1,107,000,000
Aggregate amount payable by the Group to CSCL Group in respect of leasing of containers	US$170,000,000	US$188,000,000	US$165,000,000

(b) **Basis of determination of annual caps**

The proposed annual caps have been determined after arm's length negotiations between the parties with reference to (i) the market vessel chartering standards for other vessel chartering business of similar tonnage vessels and similar tenor; (ii) estimated market fluctuation in terms of chartering price and demands; and (iii) prevailing market rate determined by Drewry, an independent shipping consultant jointly engaged by the Company and CSCL. Further details of the principal bases and assumptions of Drewry are set out in Appendix V to this circular.

Directors' Confirmation

Mr. Ma Zehua, Mr. Li Yunpeng, Ms. Sun Yueying, Mr. Sun Jiakang, Mr. Ye Weilong, Mr. Wang Yuhang and Mr. Wan Min who are Directors nominated by COSCO and have abstained from voting in the COSCO Bulk SPA and the Dry Bulk Disposal, have also abstained from voting on the relevant resolutions of the Board approving the Lease Agreement and the Leasing Transactions, as the Leasing Transactions are part of the Restructuring and conditional upon, amongst other things, transactions in which COSCO Group is a party (including the Dry Bulk Disposal).

Other than the abovementioned Directors, the remaining Directors are the independent non-executive Directors forming the Independent Board Committee, namely Dr. Fan Hsu Lai Tai, Rita, Mr. Kwong Che Keung, Gordon, Mr. Peter Guy Bowie and Mr. Yang, Liang Yee Philip. Please refer to the section headed "Recommendations" below for their view in respect of the Transaction Agreements.

Implications under the Listing Rules

The transactions under the Lease Agreement, which are conditional upon approval for the other Transaction Agreements (including transactions with COSCO Group), have been deemed as continuing connected transactions for the Company by the Stock Exchange pursuant to Rule 14A.20 of the Listing Rules.

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the transactions contemplated under the Lease Agreement exceed 5%, the transactions under the Lease Agreement constitute continuing connected transactions of the Company subject to reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Since the initial term under the Lease Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Independent Financial Adviser is required to explain why the Lease Agreement requires a longer period and confirm that it is normal business practice for agreements of this type to be of such duration.

Reasons for and Benefits of the Leasing Transactions and the China COSCO Asset Restructuring

With the economic transition in China, in order to achieve a healthy and sustainable development, the Company will carry out a business restructuring through which the Company can reach the objective of developing into a stronger, better and bigger company. Through the China COSCO Asset Restructuring and the Leasing Transactions, the Company will be able to optimize its resource allocation in the container shipping business, achieve economies of scale, and become a listed specialized container shipping services provider.

Through the Agency Companies Acquisitions, CSCL shall transfer its entire equity interests in the assets related to container services to the Company, except for container vessels which will be leased to the Company under the Lease Agreement. The main operation of the container shipping business within the scope of the Agency Companies Acquisitions covers shipping agency, sea freight forwarding and fuel supply, which is dependent on and affiliated to the operation of container vessels. This can further maximize the synergy effects to provide the Company with more flexibility to integrate the container shipping business.

Through the China COSCO Asset Restructuring and the Leasing Transactions, the Company will become one of the world's leading container shipping and terminal service providers, and further enhance its ability to provide customers with overall container shipping solutions by constantly improving its global network coverage, thus enhancing the Company's overall competitiveness and profitability.

New strategic positioning and objectives of the Company

- After the China COSCO Asset Restructuring, the strategic positioning of the Company will be changed from integrated shipping services to specialized services across the container shipping value chain, while the business model will be changed from a product-focused to customer-focused model.

- Its strategic objectives is to become a world-class container shipping and terminal service provider with a continued focus to build up a global network, provide customers with integrated solutions and create continued return to shareholders.

- It will take account the following four areas when implementing its strategies:

  (i) Profitability

  (ii) Resilience

  (iii) Globalization

  (iv) Scale

The Directors consider that the Lease Agreement can result in creating synergic effects between the Company and CSCL, which in return will optimize this business model and resource allocation, as further described below.

Through the Leasing Transactions, the Company will improve its position in the container shipping industry and become more competitive globally. By operating vessels and containers leased from CSCL, the Company's overall ranking is expected to become one of the top 4 globally in terms of capacity.

Further, under the Leasing Transactions, the Company will only incur an annual lease payment which has been determined fair according to Drewry, the independent shipping consultant appointed by the Company and CSCL, instead of a one-off consideration for acquiring the assets from CSCL.

Streamline of Business

Business streamlining and consolidation has become a common practice in the container shipping industry, as it can effectively achieve economies of scale and enhance business competiveness. The Company considers that the Leasing Transactions will strengthen the Company's shipping capacity and routes, improve the Company's market position in container shipping industry and narrow the gap between the Company and the world's top three shipping companies.

The present container shipping businesses of the Company and CSCL are relatively similar and there have been many years of cooperation between them. The China COSCO Asset Restructuring will allow both companies to optimize resource allocation in their container shipping business, achieve economies of scale and enhance their overall competiveness, including:

(i) enlarging shipping capacity and raising the Company's position in the industry;

(ii) increasing freight volume and market share;

(iii) improving fleet structure and optimizing routes setting; and

(iv) realizing a series of synergies after consolidation of container shipping business.

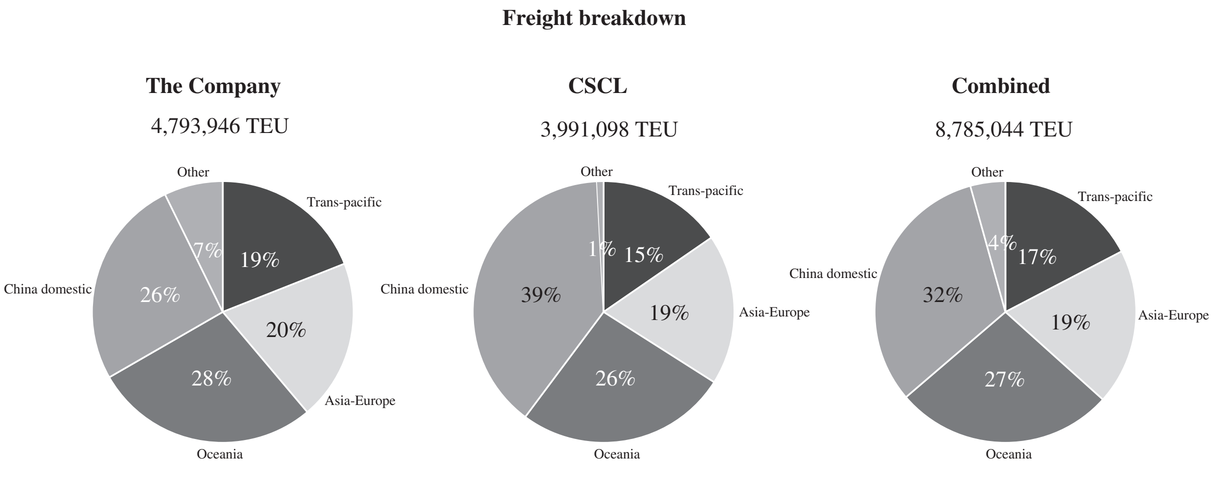
As of 31 October 2015, the combined scale of container shipping fleet of the Company and CSCL had reached 1.583 million TEU (288 vessels), which accounted for approximately 8% of the world's container shipping capacity (19.699 million TEU), ranking No.4 in the world. The average age of the parties' vessel was approximately 8.2 years (72.6% of less than 10 years, 24.6% of ages between 10-20 years inclusive, while remaining 2.8% was more than 20 years).

Overview of the Company and CSCL vessels and routes as of 31 October 2015

	the Company	CSCL	Combined
Vessels	182	106	288
TEU (000s)	873	710	1,583
New build vessels	21	14	35
New build capacity (TEU) (000s)	327	234	561
Routes	105	80	
Ports of call	205	180	
Countries covered by routes	69	65	

Source: Information of the Company and CSCL as of 31 October 2015

For the six months ended 30 June 2015, the freight volume of the Company and CSCL were as follows:



Source: Interim reports of the Company and CSCL for the six months ended 30 June 2015

The integration will generate synergies and enhance the Company's competiveness in both domestic and international container shipping market. After the China COSCO Asset Restructuring, the combined average fleet size will be 5,497 TEU, which is higher than the industry top 20 average of 5,002 TEU as well as the industry top 100 average of 3,847 TEU, as of 31 October 2015.

As shown in the table below, after the China COSCO Asset Restructuring, the Company will be able to deploy more larger vessels:

Fleet capacity structure

		China COSCO owned	China COSCO leased	CSCL owned	CSCL leased	Combined	China COSCO ordered	CSCL ordered	Combined
	Capacity (TEU)	-	-	94,855		**94,855**	209,000	126,000	**335,000**
Above 15,000TEU	Vessels	-	-	5		**5**	11	6	**17**
	Capacity (TEU)	187,416	104,912	172,808	13,470	**478,606**	72,500	108,000	**180,500**
10,000 – 15,000TEU	Vessels	16	8	14	1	**39**	5	8	**13**
	Capacity (TEU)	-	167,638	44,678	138,374	**350,690**	45,460	-	**45,460**
8,000 – 10,000TEU	Vessels	-	19	5	16	**40**	5	-	**5**
	Capacity (TEU)	-	6,008	-	19,464	**25,472**	-	-	**-**
6,000 – 8,000TEU	Vessels	-	1	-	3	**4**	-	-	**-**
	Capacity (TEU)	188,982	101,220	158,704	30,457	**479,363**	-	-	**-**
4,000 – 6,000TEU	Vessels	40	20	35	7	**102**	-	-	**-**
	Capacity (TEU)	23,800	15,031	-	25,106	**63,937**	-	-	**-**
2,300 – 4,000TEU	Vessels	7	5	-	10	**22**	-	-	**-**
	Capacity (TEU)	14,782	63,166	-	12,336	**90,284**	-	-	**-**
Below 2,300TEU	Vessels	11	55	-	10	**76**	-	-	**-**
Total	**Capacity (TEU)**	414,980	457,975	471,045	239,207	**1,583,207**	326,960	234,000	**560,960**
	Vessels	74	108	59	47	**288**	21	14	**35**

Source: Information of the Company and CSCL as of 31 October 2015

After the China COSCO Asset Restructuring, 26.2% of the fleet will be owned while the remaining 73.8% will be leased.

The Company and CSCL also intend to undertake a business integration with the following objectives:

- Optimize global presence of shipping-route network, increase capacity input in emerging and regional markets and enhance the service capacity and level of global network according to the Company's requirements and strategic development objectives after completion of the China COSCO Asset Restructuring.

- Improve capacity allocation, strategize optimization plan for the capacity-tier replacement of east-west main shipping routes, south-north branch routes and regional shipping routes, and strengthen the competitive and effective capacity according to the Company's requirement of cargo flow expansion.

- Further reduce the cost of global shipping-route network by optimizing the design of shipping routes, expanding shipping-route network coverage, increasing service frequency, and enhancing efficient utilization rate of shipping space.

- Increase operational efficiency and reduce operational cost by optimizing the presence of a global network and central hub, and by taking full advantage of business centralization.

- Effectively control fixed cost and expenses of vessels by making proper arrangement for the retirement of excess capacity.

- Align with the development of balanced cargo flow across the globe, enhance effective cargo-carrying capacity, increase revenue and save the cost of empty container allocation.

- Explore alliance cooperation in more areas to take advantage of each other's strengths and further strengthen overall competitiveness.

Synergies from restructuring of container shipping business

The China COSCO Asset Restructuring will result in synergies as well as increase in the Company's competitive advantage in both the domestic and international container shipping markets.

Currently, the Company and CSCL share significant overlap of network and services, which can lead to potential synergies around the areas of network and fleet structure optimization. In addition, there are synergies in the areas of integration of containers, supplier optimization, management enhancement and other cost savings. However, in the early stage of the integration, there may be potential loss of revenue from volume dilution, especially in routes with significant overlap. However, the Company will set up immediate action plans and implementation strategies to minimise any customer loss.

Areas of potential synergies	**Key drivers for synergy**
Optimize shipping route network and allocation of shipping capacity	• International routes: Replace smaller ships with larger ones, reduce route unit operating costs, dispose excessive ships, integration of trans-hubs, feeder network optimization, optimize third party feeder routes costs and increase the opportunity for liner swap by re-designing proprietary feeder routes or by strengthening bargaining power • Domestic routes: Based on long term cooperation, realize synergy through optimization of domestic network and fleet structure
Optimize management costs	• Re-arrange staffing • Terminate rental of excess office space • IT system migration to one system for upgrade and maintenance
Optimize supplier-related costs	• Use proprietary terminals and optimize third-party terminal contracts • Optimize supplier contracts for multimodal transportation, bunker, lubricating oil, insurance and spare parts

Integration of container fleets	• Cooperation on exchange of containers and empty container space, reduce container fleet size and container/vessel ratio • Reduce storage, lift and repair costs; adjustment of inland and feeder line empty container; integration of container chassis
Other revenue synergies	• Provide new routes and services to attract customers

Post-Restructuring Strategies

Continue to optimize fleet structure and network to increase asset utilization	• Optimize fleet structure — employ larger and newer vessels to lay a solid foundation for long-term development; optimize fleet structure and reduce costs through continuously increasing the proportion of self-owned large vessels, ordering new energy-efficient vessels and accelerating the replacement of old vessels • Optimize shipping network — proactively develop a global network to deal with the direct competition in the three major East-West routes; seize the right timing to set up routes in emerging markets outside China including Asia-Europe, Transpacific, North-South, intra-Europe and intra-Asia routes — thereby expanding and shifting focus to global markets • Further develop capability in regional shipping routes
Enhance profitability	• In response to China's "new normal", the Company will explore new marketing opportunities and seek new earnings growth drivers. Along with vessel upgrades, alliance cooperation, network optimization, and a reduction in loss-making freight routes, the Company aims to reduce single-container network costs in Europe/America routes • Enhance operational efficiency — continuously reduce fuel costs through increased technological investment and improvement in operations; reduce overall operating costs through improvements in the management system and the construction of a unified global IT system

Increase marketing capability	• Provide a greater variety of products to customers with a wider selection of optimized routes, serve customers with enhanced quality with the integrated customer service team, attract customers with improved capability and capacity of inland and logistics support • Building upon existing customers in China, the Company will proactively develop relationships with major customers around the world by offering high quality, tailor-made shipping services, thereby enhancing the Company's marketing capability globally • Continuously optimize the structure of suppliers and customers, and explore opportunities with small-to-medium scale customers that can contribute higher values • Increase the number of quality clients by encouraging frontline salespersons with initiatives related to their motivations and innovations
Business innovation, and increased service and product offerings	• Facilitate the cross-border integration of traditional industries and e-commerce to accomplish the goal of complete route coverage; extend the e-commerce platform into external trading routes, while continuing to launch new products and services • Promote "last mile" business solutions as part of the package; improve overall customer service and provide complete solutions to customers
International development strategy	• Proactively participate in China's "One Belt One Road" strategy, expand adjacent service offerings and increase market share • Enhance regional business, foster the development of inter-regional shipping routes and strive to develop branch route business based on existing main routes • Strategically plan for future alliance adjustment while optimizing internally, seek the best external cooperation opportunities and fully leverage the benefits of shipping alliances

WAIVER FROM STRICT COMPLIANCE WITH THE PROFIT FORECAST REQUIREMENTS UNDER THE LISTING RULES

The valuation of COSCO Bulk prepared by the Valuer is finally based on the income approach, the valuation of the Agency Companies prepared by the Valuer is finally based on the asset-based approach, and the valuation of FCHL is finally based on the market comparison approach. However, as the Valuer is required under the relevant requirements in the PRC to conduct the valuation of each of COSCO Bulk, the Agency Companies and FCHL using at least two valuation approaches, the valuation report in respect of COSCO Bulk, the Agency Companies and FCHL therefore covers also a valuation based on the asset-based approach, the income approach and the income approach, respectively. The Company has applied for, and the Stock Exchange has granted, a waiver from the profit forecast requirements under Rules 14.62, 14.66(2). 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix lB of the Listing Rules in respect of each of the Dry Bulk Disposal, the Agency Companies Acquisitions and the Florens Disposal.

FINANCIAL EFFECTS OF THE CHINA COSCO ASSET RESTRUCTURING

Upon completion of the China COSCO Asset Restructuring, certain target companies thereunder will become subsidiaries of the Company and the financial information of those companies will be consolidated into the consolidated financial statements of the Company. The unaudited pro forma financial information of the Enlarged Group before and after completion of the China COSCO Asset Restructuring as if the completion of the China COSCO Asset Restructuring had been completed on 30 June 2015, including the bases of preparation, are set out in Appendix III to this circular.

Based on the annual report of the Group for the year ended 31 December 2014, as at 31 December 2014, the Group had total assets, total liabilities and net assets of approximately RMB148,788 million, RMB105,830 million and RMB42,958 million respectively. Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group (assuming the China COSCO Asset Restructuring had been completed on 30 June 2015) as set out in Appendix III to this circular, the Enlarged Group would have a decrease in total assets of approximately RMB30,552 million to approximately RMB124,584 million, an decrease in total liabilities of approximately RMB29,197 million to approximately RMB80,575 million, and an decrease in net assets of approximately RMB1,355 million to approximately RMB44,009 million.

For details of the unaudited pro forma financial information on the Enlarged Group and its basis of preparation, please refer to Appendix III to this circular.

GENERAL INFORMATION

Information on the Relevant Parties and the Target Companies

(a) **the Group**

The Company was established in the PRC on 3 March 2005. The Company, through its various subsidiaries, provides a wide range of container shipping, dry bulk shipping, terminals and container leasing services covering the whole shipping value chain for both international and domestic customers.

(b) **the COSCO Pacific Group**

The COSCO Pacific Group is principally engaged in the businesses of managing and operating terminals, container leasing, management and sale, and related businesses.

(c) **the COSCO Group**

COSCO is one of the mega-sized state-owned enterprises under SASAC. Apart from the business operated by the Group, the main business currently operated by the COSCO Group also includes operation of oil tankers and other liquefied bulk cargo shipping, general cargo and special vessel shipping, ship repair and retrofit, ship building, provision of vessel fuels, and provision of financial services, ship trading services and seaman and ship management services, etc.

(d) **FCHL**

FCHL is an investment holding company incorporated in the BVI. FCHL and its subsidiaries are principally engaged in the businesses of container leasing, management and sale and related business. As of 30 June 2015, FCHL's owned, sale-and-lease back and managed fleet size reached 1,969,196 TEU providing long-term and short-term leasing services to its customers.

The net asset value, profit before tax and profit after tax of FCHL for the financial years ended 31 December 2013 and 2014, as derived from the audited financial statements of FCHL prepared in accordance with HKFRS, are as follows:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	US$'000	*US$'000*
Net asset value	1,005,189	1,103,287
Profit before tax	130,619	100,188
Profit after tax	127,491	97,449

(e) **COSCO Bulk**

COSCO Bulk is principally engaged in the business of international dry and bulk cargo shipping.

The net asset value, loss before and after tax of COSCO Bulk as derived the unaudited financial statements of COSCO Bulk for the financial years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS, are as follows:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB'000	*RMB'000*
Net asset value	7,784,611	6,094,066
Loss before tax	1,665,647	1,639,131
Loss (after income tax expense)	1,656,951	1,671,564

(f) **CSCL**

CSCL is principally engaged in the business of operation and management of international and domestic container marine transportation.

(g) **China Shipping, CS Hong Kong and CSHK**

China Shipping is a large shipping conglomerate involved in import and export business, trading, coastal and ocean cargo transportation, dry bulk cargo transportation, supply of food for vessels, management of docks and other services in relation to the above, and operates in different regions of the PRC and across the world.

CS Hong Kong is principally engaged in international shipping business. It is a wholly-owned subsidiary of China Shipping.

CSHK is principally engaged in route management, shipping agency, shipping transportation, and shipping-rail transportation. It is a wholly-owned subsidiary of CSCL.

(h) **CSPD**

CSPD is an investment holding company which primarily holds investments in various port and port-related companies. Such companies operate container terminals in various jurisdictions (including Hong Kong, Taiwan, Zeebrugge (Belgium), Seattle (the USA) and the PRC) and mainly provide loading, storage and maintenance services.

The net asset value, profit before tax and profit after tax of CSPD for the financial years ended 31 December 2013 and 2014, as derived from the audited consolidated financial statements of CSPD prepared in accordance with HKFRS, are as follows:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	HK$'000	*HK$'000*
Net asset value	4,353,334	8,373,095
Profit before tax	411,539	204,665
Profit after tax	317,008	170,606

An Accountants' Report of CSPD for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-2 to II-97 in Appendix II to this circular.

Upon the incorporation of CSPD in July 2001, CS Hong Kong subscribed for 20% of the shares in CSPD for a total subscription price of HK$2,000,000. In August 2005, CS Hong Kong acquired the remaining 80% shareholding in CSPD from China Shipping Terminal Development Co., Ltd.*

(中海碼頭發展有限公司), a wholly-owned subsidiary of CSPD as at the date of the announcement, for a consideration of HK$8,000,000, as a result of which CSPD became a wholly-owned subsidiary of CS Hong Kong. In March 2007, CS Hong Kong subscribed further shares in CSPD for a total subscription price of HK$224,000,000. In June 2014, CS Hong Kong subscribed for further shares in CSPD for a total subscription price of HK$4,100,352,855 and CSCL subscribed for new shares in CSPD for the consideration of RMB3,423,060,400, as a result of which CSPD became held by CS Hong Kong and CSCL as to 51% and 49% respectively.

Interests in container terminals held by CSPD

CSPD's principal interests in container terminals are as follows:

1. **APM Terminals Zeebrugge N.V.**

Location	:	Zeebrugge, Belgium
Effective interest	:	CSPD holds approximately 24% equity interest in APM Terminals Zeebrugge N.V., a company incorporated in Belgium which has the right to commercially operate the container terminal at the Southern Quay of the Albert II dock in Port of Zeebrugge
Number of berths	:	2
Quay length	:	900 metres
Annual designed handling capacity	:	1.0 million TEU
2013 total throughput	:	0.3 million TEU
2014 total throughput	:	0.4 million TEU

2. **Asia Container Terminals**

Location	:	Hong Kong
Effective interest	:	CSPD holds 20% equity interest in Asia Container Terminals Holdings Limited, the holding company of 100% equity interest in Asia Container Terminals Limited which has the right to commercially operate Terminal 8 (West) of Kwai Tsing Container Terminal in Hong Kong
Number of berths	:	2
Quay length	:	740 metres
Annual designed handling capacity	:	1.6 million TEU

CSPD acquired its interest in Asia Container Terminals in 2014.

3. **Kao Ming Container Terminal**

Location	:	Kaohsiung, Taiwan
Effective interest	:	CSPD holds approximately 33.3% equity interest in Cheer Dragon Investment Limited, which in turn holds 30% equity interest in Kao Ming Container Terminal Corporation ("**KMCT**") that has the right to operate berths no. 108, 109, 110 and 111 of the Intercontinental Terminal at Port of Kaohsiung. The effective interest held by CSPD in KMCT is 10%
Number of berths	:	4
Quay length	:	1,500 metres
Annual designed handling capacity	:	2.8 million TEU
2013 total throughput	:	1.2 million TEU
2014 total throughput	:	1.3 million TEU

4. **SSA Terminals (Seattle)**

Location	:	Washington, U.S.A.
Effective interest	:	CSPD holds 40% equity interest in China Shipping Terminals (USA) LLC, which in turn holds 33.3% equity interest in SSA Terminals (Seattle) LLC that has the right to operate terminals 25, 28 and 30 in Port of Seattle. The effective interest held by CSPD in SSA Terminals (Seattle) LLC is approximately 13%
Number of berths	:	2
Quay length	:	961 metres
Annual designed handling capacity	:	1.0 million TEU
2013 total throughput	:	0.1 million TEU
2014 total throughput	:	0.1 million TEU

5. **Jinzhou New Age Container Terminal**

Location	:	Jinzhou, Liaoning Province, PRC
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC immediate holding company of 51% interest in Jinzhou New Age Container Terminal Co., Ltd. (錦州新時代集裝箱碼頭有限公司) which was granted approval to operate at Jinzhou New Age Container Operation Area No. 207, 208 Terminal (錦州港新時代集裝箱作業區207碼頭、208碼頭)
Number of berths	:	2
Quay length	:	533 metres
Annual designed handling capacity	:	1.0 million TEU
2013 total throughput	:	0.4 million TEU
2014 total throughput	:	0.3 million TEU

6. **Lianyungang New Oriental International Container Terminal**

Location	:	Lianyungang, Jiangsu Province, PRC
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC immediate holding company of 55% interest in Lianyungang New Oriental International Container Terminal Co., Ltd. (連雲港新東方國際貨櫃碼頭有限公司), which was granted approval to operate at Lianyungang Port No. 29 — 32 Terminal (連雲港29號—32號泊位)
Number of berths	:	4
Quay length	:	1,184 metres
Annual designed handling capacity	:	1.5 million TEU
2013 total throughput	:	1.2 million TEU
2014 total throughput	:	0.9 million TEU

7. **Guangxi Qinzhou International Container Terminal**

Location	:	Qinzhou, Guangxi Province, PRC
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC immediate holding company of 40% interest in Guangxi Qinzhou International Container Terminal Co., Ltd. (廣西欽州國際集裝箱碼頭有限公司) which was granted approvals to operate at Guangxi Qinzhou Port Dalanping Operation Area Dangerous Goods Container Yard, Guangxi Qinzhou Port Dalanping Operation Area No. 1, 2 Terminal (廣西欽州港大欖坪作業區危險貨物集裝箱專用堆場、廣西欽州港大欖坪作業區1號、2號泊位)
Number of berths	:	2
Quay length	:	767 metres
Annual designed handling capacity	:	1.2 million TEU
2013 total throughput	:	0.6 million TEU
2014 total throughput	:	0.7 million TEU

8. **Yingkou New Century Terminal**

Location	:	Yingkou, Liaoning Province, PRC
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC immediate holding company of 40% interest in Yingkou New Century Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司) which was granted approvals to operate at Yingkou Port Bayuquan Area No. 53, 54 Terminal (營口港鱍魚圈區53號、54號泊位)
Number of berths	:	2
Quay length	:	680 metres
Annual designed handling capacity	:	1.5 million TEU
2013 total throughput	:	1.1 million TEU
2014 total throughput	:	1.1 million TEU

9. **Tianjin Five Continents International Container Terminal**

Location	:	Tianjin, PRC
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC immediate holding company of 14% interest in Tianjin Five Continents International Container Terminal Co., Ltd.* (天津五洲國際集裝箱碼頭有限公司) which was granted approvals to operate at Tianjin Port Beijiang Port Area Dongtudi North No. 35 — 38 Terminal* (天津港北疆港區東突堤北側35號—38號)
Number of berths	:	4
Quay length	:	1,202 metres
Annual designed handling capacity	:	1.5 million TEU
2013 total throughput	:	2.3 million TEU
2014 total throughput	:	2.6 million TEU

10. **Qinhuangdao Port New Harbour Container Terminal**

Location	:	Qinhuangdao, Shandong Province, PRC
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC immediate holding company of 30% interest in Qinhuangdao Port New Harbour Container Terminal Co., Ltd* ("**Qinhuangdao New Harbour**") (秦皇島港新港灣集裝箱碼頭有限公司), and holds 0.88% equity interest in Qinhuangdao Port Co., Ltd* (秦皇島港股份有限公司), the shareholder of 55% interest in Qinhuangdao New Harbour (秦皇島港新港灣集裝箱碼頭有限公司), which was granted approvals to operate at Qinhuangdao New Harbour Container Yard* (秦皇島新港灣集裝箱碼頭有限公司集裝箱堆場), Qinhuangdao New Harbour No. 24, 25 Terminal* (秦皇島港新港灣集裝箱碼頭有限公司 24號、25號泊位), Qinhuangdao New Harbour Railway Warehouse* (秦皇島港新港灣集裝箱碼頭有限公司鐵路庫). The effective interest held by CSPD in Qinhuangdao Port New Harbour (秦皇島新港灣集裝箱碼頭有限公司) is approximately 30.5%

Number of berths	:	2
Quay length	:	573 metres
Annual designed handling capacity	:	1.2 million TEU
2013 total throughput	:	0.4 million TEU
2014 total throughput	:	0.4 million TEU

11. **Ningbo Meishan Bonded Port New Harbour Terminal**

Location	:	Ningbo, Zhejiang Province, PRC
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC immediate holding company of 20% interest in Ningbo Meishan Bonded Port New Harbour Terminal Operating Co., Ltd.* (寧波梅山保税港區新海灣碼頭經營有限公司)
Number of berths	:	2
Quay length	:	804 metres
Annual designed handling capacity	:	1.5 million TEU

Ningbo Meishan Bonded Port New Harbour Terminal has not yet commenced operation.

12. **Shanghai Mingdong Container Terminal**

Location	:	Shanghai, PRC
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC immediate holding company of 20% interest in Shanghai Mingdong Container Terminals Co., Ltd.* (上海明東集裝箱碼頭有限公司), which was granted approvals to operate at Waigaoqiao Port Terminal, Waigaoqiao Port Dangerous Goods Yard* (外高橋港區公司碼頭、外高橋港區公司危險貨物堆場)
Number of berths	:	9
Quay length	:	2,258 metres
Annual designed handling capacity	:	5.6 million TEU

CSPD acquired its interest in Shanghai Mingdong Container Terminals in 2014.

13. **Nansha Stevedoring Co., Ltd of Guangzhou Port**

Location	:	Guangzhou, Guangdong Province, PRC
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC immediate holding company of 40% interest in Nansha Stevedoring Co., Ltd* of Guangzhou Port (廣州港南沙港務有限公司), which was granted approvals to operate at Nansha Port No. 1 — 4 Terminal, Barge Terminal, Dangerous Goods Yard* (南沙港1號—4號泊位、駁船碼頭、危險貨物堆場)
Number of berths	:	10
Quay length	:	2,053 metres
Annual designed handling capacity	:	5.0 million TEU
2013 total throughput	:	5.7 million TEU
2014 total throughput	:	6.0 million TEU

14. **Dalian International Container Terminal**

Location	:	Dalian, Liaoning Province, PRC
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC immediate holding company of 30% interest in Dalian International Container Terminal Co., Ltd.* ("**DICT**") (大連國際集裝箱碼頭有限公司), and holds 10% direct interest in DICT, which was granted approval to operate at DICT No. 17, 18 Terminal, H01 — H04 Dangerous Goods Container Turnover Site* (大連國際集裝箱碼頭有限 公司17號、18號泊位、H01-H04危險貨物集裝箱周轉崗地). The effective interest held by CSPD in DICT is 40%
Number of berths	:	5
Quay length	:	1,842 metres
Annual designed handling capacity	:	4.0 million TEU
2013 total throughput	:	1.4 million TEU
2014 total throughput	:	1.4 million TEU

15. **Qingdao Qianwan Intelligent Container Terminal**

Location	:	Qingdao, Shandong Province, PRC
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC immediate holding company of 100% interest in Shanghai China Shipping Terminal Development Co., Ltd.* (上海中海碼頭發展有限公司), which in turn holds 20% interest in Qingdao Qianwan Intelligent Container Terminal Co., Ltd (青島前灣智能集裝箱碼頭有 限公司). The effective interest held by CSPD in Qingdao Qianwan Intelligent Container Terminal Co. Ltd. (青島前灣智能集裝箱碼頭有限公司) is 20%
Number of berths	:	2
Quay length	:	660 metres
Annual designed handling capacity	:	1.4 million TEU

Qingdao Qianwan Intelligent Container Terminal has not yet commenced operation.

Recent Development

On 18 December 2015, CSPD agreed to purchase a shareholding of approximately 19.999% in CJ Korea Express Busan Container Terminal Corp., which has the right to commercially operate certain container terminal at Busan North Port for a period of 5 years from 1 January 2013. As at the Latest Practicable Date, such proposed purchase had not completed.

(i) **Agency Companies**

CSCL Dalian

CSCL Dalian is principally engaged in shipping agency services.

Based on the audited consolidated financial statements of CSCL Dalian for the year ended 31 December 2014 prepared in accordance with HKFRS, the consolidated net assets of CSCL Dalian as at 31 December 2014 were RMB39,415,000.

The audited consolidated profit (before and after tax) of CSCL Dalian for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	15,085,000	18,992,000
Consolidated profit after tax	9,983,000	12,955,000

An Accountants' Report of CSCL Dalian for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-391 to II-447 in Appendix II to this circular.

CSCL Tianjin

CSCL Tianjin is principally engaged in shipping agency services.

Based on the audited consolidated financial statements of CSCL Tianjin for the year ended 31 December 2014 prepared in accordance with HKFRS, the consolidated net assets of CSCL Tianjin as at 31 December 2014 were RMB33,401,000.

The audited consolidated profit (before and after tax) of CSCL Tianjin for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	16,012,000	9,465,000
Consolidated profit after tax	11,097,000	6,230,000

An Accountants' Report of CSCL Tianjin for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-508 to II-562 in Appendix II to this circular.

CSCL Qingdao

CSCL Qingdao is principally engaged in shipping agency services.

Based on the audited consolidated financial statements of CSCL Qingdao for the year ended 31 December 2014 prepared in accordance with HKFRS, the consolidated net assets of CSCL Qingdao as at 31 December 2014 were RMB3,679,000.

The audited consolidated profit (before and after tax) of CSCL Qingdao for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit/loss before tax	5,093,000	-10,595,000
Consolidated profit/loss after tax	2,110,000	-13,330,000

An Accountants' Report of CSCL Qingdao for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-331 to II-390 in Appendix II to this circular.

CSCL Shanghai

CSCL Shanghai is principally engaged in shipping agency services.

Based on the audited consolidated financial statements of CSCL Shanghai for the year ended 31 December 2014 prepared in accordance with HKFRS, the consolidated net assets of CSCL Shanghai as at 31 December 2014 were RMB173,970,000.

The audited consolidated profit (before and after tax) of CSCL Shanghai for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	18,212,000	75,598,000
Consolidated profit after tax	13,189,000	54,551,000

An Accountants' Report of CSCL Shanghai for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-213 to II-272 in Appendix II to this circular.

CSCL Xiamen

CSCL Xiamen is principally engaged in shipping agency services.

Based on the audited consolidated financial statements of CSCL Xiamen for the year ended 31 December 2014 prepared in accordance with HKFRS, the consolidated net assets of CSCL Xiamen as at 31 December 2014 were RMB28,619,000.

The audited consolidated profit (before and after tax) of CSCL Xiamen for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	4,091,000	4,902,000
Consolidated profit after tax	2,763,000	3,387,000

An Accountants' Report of CSCL Xiamen for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-273 to II-330 in Appendix II to this circular.

CSCL Guangzhou

CSCL Guangzhou is principally engaged in shipping agency services.

Based on the audited consolidated financial statements of CSCL Guangzhou for the year ended 31 December 2014 prepared in accordance with HKFRS, the consolidated net assets of CSCL Guangzhou as at 31 December 2014 were RMB48,467,000.

The audited consolidated profit (before and after tax) of CSCL Guangzhou for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	14,998,000	14,040,000
Consolidated profit after tax	10,086,000	9,651,000

An Accountants' Report of CSCL Guangzhou for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-448 to II-507 in Appendix II to this circular.

CSCL Shenzhen

CSCL Shenzhen is principally engaged in shipping agency services.

Based on the audited consolidated financial statements of CSCL Shenzhen for the year ended 31 December 2014 prepared in accordance with HKFRS, the consolidated net assets of CSCL Shenzhen as at 31 December 2014 were RMB29,182,000.

The audited consolidated profit (before and after tax) of CSCL Shenzhen for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	3,356,000	7,433,000
Consolidated profit after tax	2,443,000	5,080,000

An Accountants' Report of CSCL Shenzhen for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-178 to II-212 in Appendix II to this circular.

CSCL Hainan

CSCL Hainan is principally engaged in shipping agency services.

Based on the audited consolidated financial statements of CSCL Hainan for the year ended 31 December 2014 prepared in accordance with HKFRS, the consolidated net assets of CSCL Hainan as at 31 December 2014 were RMB18,812,000.

The audited consolidated profit (before and after tax) of CSCL Hainan for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	3,149,000	3,289,000
Consolidated profit after tax	2,146,000	2,000,000

An Accountants' Report of CSCL Hainan for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-563 to II-612 in Appendix II to this circular.

CSCL Yingkou

CSCL Yingkou is principally engaged in shipping agency services.

Based on the audited financial statements of CSCL Yingkou for the year ended 31 December 2014 prepared in accordance with PRC GAAP, the consolidated net assets of CSCL Yingkou as at 31 December 2014 were RMB18,517,395.

The audited consolidated profit (before and after tax) of CSCL Yingkou for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with PRC GAAP are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	1,068,959	1,352,198
Consolidated profit after tax	591,318	475,404

As CSCL Yingkou is a subsidiary of CSCL Dalian, the financial results of CSCL Yingkou have been included in the Accountants' Report of CSCL Dalian. For the Accountants' Report of CSCL Dalian for the three years ended 31 December 2014 and the nine months ended 30 September 2015, please refer to pages II-391 to II-447 of Appendix II to this circular.

CSCL Qinhuangdao

CSCL Qinhuangdao is principally engaged in shipping agency services.

Based on the audited financial statements of CSCL Qinhuangdao for the year ended 31 December 2014 prepared in accordance with PRC GAAP, the consolidated net assets of CSCL Qinhuangdao as at 31 December 2014 were RMB5,071,395.

The audited consolidated profit (before and after tax) of CSCL Qinhuangdao for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with PRC GAAP are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit/loss before tax	1,838,237	-19,430
Consolidated profit/loss after tax	1,347,717	-35,236

As CSCL Qinhuangdao is a subsidiary of CSCL Tianjin, the financial results of CSCL Qinhuangdao have been included in the Accountants' Report of CSCL Tianjin. For the Accountants' Report of CSCL Tianjin for the three years ended 31 December 2014 and the nine months ended 30 September 2015, please refer to pages II-508 to II-562 of Appendix II to this circular.

CSCL Lianyungang

CSCL Lianyungang is principally engaged in shipping agency services.

Based on the audited financial statements of CSCL Lianyungang for the year ended 31 December 2014 prepared in accordance with PRC GAAP, the consolidated net assets of CSCL Lianyungang as at 31 December 2014 were RMB-7,751,584.

The audited consolidated profit (before and after tax) of CSCL Lianyungang for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with PRC GAAP are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit/loss before tax	2,397,342	-17,587,730
Consolidated profit/loss after tax	1,539,660	-17,596,298

As CSCL Lianyungang is a subsidiary of CSCL Qingdao, the financial results of CSCL Lianyungang have been included in the Accountants' Report of CSCL Qingdao. For the Accountants' Report of CSCL Qingdao for the three years ended 31 December 2014 and the nine months ended 30 September 2015, please refer to pages II-331 to II-390 of Appendix II to this circular.

CSCL Longkou

CSCL Longkou is principally engaged in shipping agency services.

Based on the audited financial statements of CSCL Longkou for the year ended 31 December 2014 prepared in accordance with PRC GAAP, the consolidated net assets of CSCL Longkou as at 31 December 2014 were RMB972,842.

The audited consolidated profit (before and after tax) of CSCL Longkou for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with PRC GAAP are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	114,854	81,290
Consolidated profit after tax	83,148	63,377

As CSCL Longkou is a subsidiary of CSCL Qingdao, the financial results of CSCL Longkou have been included in the Accountants' Report of CSCL Qingdao. For the Accountants' Report of CSCL Qingdao for the three years ended 31 December 2014 and the nine months ended 30 September 2015, please refer to pages II-331 to II-390 of Appendix II to this circular.

CSCL Zhejiang

CSCL Zhejiang is principally engaged in shipping agency services.

Based on the audited financial statements of CSCL Zhejiang for the year ended 31 December 2014 prepared in accordance with PRC GAAP, the consolidated net assets of CSCL Zhejiang as at 31 December 2014 were RMB33,753,458.

The audited consolidated profit (before and after tax) of CSCL Zhejiang for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with PRC GAAP are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	5,698,492	25,429,032
Consolidated profit after tax	4,268,574	18,803,033

As CSCL Zhejiang is a subsidiary of CSCL Shanghai, the financial results of CSCL Zhejiang have been included in the Accountants' Report of CSCL Shanghai. For the Accountants' Report of CSCL Shanghai for the three years ended 31 December 2014 and the nine months ended 30 September 2015, please refer to pages II-213 to II-272 of Appendix II to this circular.

CSCL Jiangsu

CSCL Jiangsu is principally engaged in shipping agency services.

Based on the audited financial statements of CSCL Jiangsu for the year ended 31 December 2014 prepared in accordance with PRC GAAP, the consolidated net assets of CSCL Jiangsu as at 31 December 2014 were RMB8,466,485.

The audited consolidated profit (before and after tax) of CSCL Jiangsu for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with PRC GAAP are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	391,883	441,394
Consolidated profit after tax	319,318	245,535

As CSCL Jiangsu is a subsidiary of CSCL Shanghai, the financial results of CSCL Jiangsu have been included in the Accountants' Report of CSCL Shanghai. For the Accountants' Report of CSCL Shanghai for the three years ended 31 December 2014 and the nine months ended 30 September 2015, please refer to pages II-213 to II-272 of Appendix II to this circular.

CSCL Quanzhou

CSCL Quanzhou is principally engaged in shipping agency services.

Based on the audited financial statements of CSCL Quanzhou for the year ended 31 December 2014 prepared in accordance with PRC GAAP, the consolidated net assets of CSCL Quanzhou as at 31 December 2014 were RMB5,994,274.

The audited consolidated profit (before and after tax) of CSCL Quanzhou for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with PRC GAAP are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	112,992	214,427
Consolidated profit after tax	42,794	132,881

As CSCL Quanzhou is a subsidiary of CSCL Xiamen, the financial results of CSCL Quanzhou have been included in the Accountants' Report of CSCL Xiamen. For the Accountants' Report of CSCL Xiamen for the three years ended 31 December 2014 and the nine months ended 30 September 2015, please refer to pages II-273 to II-330 of Appendix II to this circular.

CSCL Fuzhou

CSCL Fuzhou is principally engaged in shipping agency services.

Based on the audited financial statements of CSCL Fuzhou for the year ended 31 December 2014 prepared in accordance with PRC GAAP, the consolidated net assets of CSCL Fuzhou as at 31 December 2014 were RMB5,957,223.

The audited consolidated profit (before and after tax) of CSCL Fuzhou for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with PRC GAAP are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	82,549	239,813
Consolidated profit after tax	20,893	87,423

As CSCL Fuzhou is a subsidiary of CSCL Xiamen, the financial results of CSCL Fuzhou have been included in the Accountants' Report of CSCL Xiamen. For the Accountants' Report of CSCL Xiamen for the three years ended 31 December 2014 and the nine months ended 30 September 2015, please refer to pages II-273 to II-330 of Appendix II to this circular.

CSCL Shantou

CSCL Shantou is principally engaged in shipping agency services.

Based on the audited financial statements of CSCL Shantou for the year ended 31 December 2014 prepared in accordance with PRC GAAP, the consolidated net assets of CSCL Shantou as at 31 December 2014 were RMB14,715,329.

The audited consolidated profit (before and after tax) of CSCL Shantou for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with PRC GAAP are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	4,501,362	987,655
Consolidated profit after tax	3,308,554	697,300

As CSCL Shantou is a subsidiary of CSCL Guangzhou, the financial results of CSCL Shantou have been included in the Accountants' Report of CSCL Guangzhou. For the Accountants' Report of CSCL Guangzhou for the three years ended 31 December 2014 and the nine months ended 30 September 2015, please refer to pages II-448 to II-507 of Appendix II to this circular.

CSCL Zhongshan

CSCL Zhongshan is principally engaged in shipping agency services.

Based on the audited financial statements of CSCL Zhongshan for the year ended 31 December 2014 prepared in accordance with PRC GAAP, the consolidated net assets of CSCL Zhongshan as at 31 December 2014 were RMB2,529,248.

The audited consolidated profit (before and after tax) of CSCL Zhongshan for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with PRC GAAP are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	98,112	112,378
Consolidated profit after tax	85,883	44,200

As CSCL Zhongshan is a subsidiary of CSCL Guangzhou, the financial results of CSCL Zhongshan have been included in the Accountants' Report of CSCL Guangzhou. For the Accountants' Report of CSCL Guangzhou for the three years ended 31 December 2014 and the nine months ended 30 September 2015, please refer to pages II-448 to II-507 of Appendix II to this circular.

CSCL Fangchenggang

CSCL Fangchenggang is principally engaged in shipping agency services.

Based on the audited financial statements of CSCL Fangchenggang for the year ended 31 December 2014 prepared in accordance with PRC GAAP, the consolidated net assets of CSCL Fangchenggang as at 31 December 2014 were RMB11,971,023.

The audited consolidated profit (before and after tax) of CSCL Fangchenggang for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with PRC GAAP are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	37,698	29,696
Consolidated profit after tax	26,829	20,679

As CSCL Fangchenggang is a subsidiary of CSCL Guangzhou, the financial results of CSCL Fangchenggang have been included in the Accountants' Report of CSCL Guangzhou. For the Accountants' Report of CSCL Guangzhou for the three years ended 31 December 2014 and the nine months ended 30 September 2015, please refer to pages II-448 to II-507 of Appendix II to this circular.

CSCL Zhanjiang

CSCL Zhanjiang is principally engaged in shipping agency services.

Based on the audited financial statements of CSCL Zhanjiang for the year ended 31 December 2014 prepared in accordance with PRC GAAP, the consolidated net assets of CSCL Zhanjiang as at 31 December 2014 were RMB8,842,493.

The audited consolidated profit (before and after tax) of CSCL Zhanjiang for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with PRC GAAP are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	1,219,982	701,602
Consolidated profit after tax	890,055	376,161

As CSCL Zhanjiang is a subsidiary of CSCL Guangzhou, the financial results of CSCL Zhanjiang have been included in the Accountants' Report of CSCL Guangzhou. For the Accountants' Report of CSCL Guangzhou for the three years ended 31 December 2014 and the nine months ended 30 September 2015, please refer to pages II-448 to II-507 of Appendix II to this circular.

CSCL Jiangmen

CSCL Jiangmen is principally engaged in shipping agency services.

Based on the audited financial statements of CSCL Jiangmen for the year ended 31 December 2014 prepared in accordance with PRC GAAP, the consolidated net assets of CSCL Jiangmen as at 31 December 2014 were RMB2,903,637.

The audited consolidated profit (before and after tax) of CSCL Jiangmeng for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with PRC GAAP are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	218,697	243,557
Consolidated profit after tax	119,798	194,757

As CSCL Jiangmen is a subsidiary of CSCL Guangzhou, the financial results of CSCL Jiangmen have been included in the Accountants' Report of CSCL Guangzhou. For the Accountants' Report of CSCL Guangzhou for the three years ended 31 December 2014 and the nine months ended 30 September 2015, please refer to pages II-448 to II-507 of Appendix II to this circular.

CSCL Dongguan

CSCL Dongguan is principally engaged in shipping agency services.

Based on the audited financial statements of CSCL Dongguan for the year ended 31 December 2014 prepared in accordance with PRC GAAP, the consolidated net assets of CSCL Dongguan as at 31 December 2014 were RMB2,743,607.

The audited consolidated profits (before and after tax) of CSCL Dongguan for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with PRC GAAP are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	123,622	-37,495
Consolidated profit after tax	105,848	-68,493

As CSCL Dongguan is a subsidiary of CSCL Guangzhou, the financial results of CSCL Dongguan have been included in the Accountants' Report of CSCL Guangzhou. For the Accountants' Report of CSCL Guangzhou for the three years ended 31 December 2014 and the nine months ended 30 September 2015, please refer to pages II-448 to II-507 of Appendix II to this circular.

CSCL Dalian Data

CSCL Dalian Data is principally engaged in information services.

Based on the audited financial statements of CSCL Dalian Data for the year ended 31 December 2014 prepared in accordance with HKFRS, the net assets of CSCL Dalian Data as at 31 December 2014 were RMB4,814,000.

The audited consolidated profits (before and after tax) of CSCL Dalian Data for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Profit before tax	2,192,000	1,072,000
Profit after tax	1,868,000	898,000

An Accountants' Report of CSCL Dalian Data for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-678 to II-706 in Appendix II to this circular.

Shanghai Puhai

The principal business of Shanghai Puhai is principally engaged in shipping business.

Based on the audited consolidated financial statements of Shanghai Puhai for the year ended 31 December 2014 prepared in accordance with HKFRS, the consolidated net assets of Shanghai Puhai as at 31 December 2014 were RMB520,075,000.

The audited consolidated profit/(loss) (before and after tax) of Shanghai Puhai for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit/loss before tax	13,027,000	2,795,000
Consolidated profit/loss after tax	4,031,000	-10,674,000

An Accountants' Report of Shanghai Puhai for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-104 to II-177 in Appendix II to this circular.

Golden Sea Shipping

Golden Sea Shipping is principally engaged in feeder container shipping business.

Based on the audited financial statements of Golden Sea Shipping for the year ended 31 December 2014 prepared in accordance with HKFRS, the net assets of Golden Sea Shipping as at 31 December 2014 were RMB109,874,000.

The audited consolidated profit (before and after tax) of Golden Sea Shipping for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Profit before tax	17,244,000	32,407,000
Profit after tax	16,180,000	32,295,000

An Accountants' Report of Golden Sea Shipping for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-707 to II-745 in Appendix II to this circular.

CS Refrigeration

CS Refrigeration is principally engaged in transportation business.

Based on the audited consolidated financial statements of CS Refrigeration for the year ended 31 December 2014 prepared in accordance with HKFRS, the consolidated net assets of CS Refrigeration as at 31 December 2014 were RMB20,810,000.

The audited consolidated profit (before and after tax) of CS Refrigeration for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	3,073,000	3,727,000
Consolidated profit after tax	2,190,000	2,852,000

An Accountants' Report of CS Refrigeration for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-613 to II-677 in Appendix II to this circular.

Dalian Vanguard

The principal business of Dalian Vanguard is principally engaged in logistics services.

Based on the audited consolidated financial statements of Dalian Vanguard for the year ended 31 December 2014 prepared in accordance with HKFRS, the net assets of Dalian Vanguard as at 31 December 2014 were RMB69,741,000.

The audited consolidated net profit (before and after tax) of Dalian Vanguard for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Profit before tax	113,000	204,000
Profit after tax	113,000	204,000

An Accountants' Report of Dalian Vanguard for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-989 to II-1031 in Appendix II to this circular.

Jinzhou Port

Jinzhou Port is principally engaged in logistics services.

Based on the audited financial statements of Jinzhou Port for the year ended 31 December 2014 prepared in accordance with the HKFRS, the net assets of Jinzhou Port as at 31 December 2014 were RMB9,771,000.

The audited consolidated profit (before and after tax) of Jinzhou Port for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Profit before tax	132,000	524,000
Profit after tax	74,000	199,000

An Accountants' Report of Jinzhou Port for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-1032 to II-1067 in Appendix II to this circular.

Angang Vehicle

Angang Vehicle is principally engaged in transportation services.

Based on the audited financial statements of Angang Vehicle for the year ended 31 December 2014 prepared in accordance with HKFRS, the consolidated net assets of Angang Vehicle as at 31 December 2014 were RMB366,179,000.

The audited consolidated profit (before and after tax) of Angang Vehicle for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	8,563,000	23,670,000
Consolidated profit after tax	3,278,000	16,705,000

An Accountants' Report of Angang Vehicle for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-920 to II-988 in Appendix II to this circular.

CS Agency

CS Agency is principally engaged in shipping agency services.

Based on the audited consolidated financial statements of CS Agency for the year ended 31 December 2014 prepared in accordance with HKFRS, the consolidated net assets of CS Agency as at 31 December 2014 were RMB29,670,000.

The audited consolidated profit (before and after tax) of CS Agency for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Consolidated profit before tax	9,487,000	6,439,000
Consolidated profit after tax	9,135,000	4,915,000

An Accountants' Report of CS Agency for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-746 to II-797 in Appendix II to this circular.

CSCL Agency Shenzhen

CSCL Agency Shenzhen is principally engaged in shipping agency services.

Based on the audited financial statements of CSCL Agency Shenzhen for the year ended 31 December 2014 prepared in accordance with HKFRS, the net assets of CSCL Agency Shenzhen as at 31 December 2014 were RMB14,282,000.

The audited consolidated profit (before and after tax) of CSCL Agency Shenzhen for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Profit before tax	3,716,000	1,506,000
Profit after tax	2,911,000	1,255,000

An Accountants' Report of CSCL Agency Shenzhen for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-798 to II-830 in Appendix II to this circular.

Universal Shipping

Universal Shipping is principally engaged in feeder container shipping business.

Based on the audited consolidated financial statements of Universal Shipping for the year ended 31 December 2014 prepared in accordance with HKFRS, the net assets of Universal Shipping as at 31 December 2014 were RMB111,185,000.

The audited consolidated profit (before and after tax) of Universal Shipping for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Profit before tax	20,635,000	12,085,000
Profit after tax	21,356,000	11,667,000

An Accountants' Report of Universal Shipping for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-831 to II-886 in Appendix II to this circular.

Universal Logistics Shenzhen

Universal Logistics Shenzhen is principally engaged in shipping agency services.

Based on the audited financial statements of Universal Logistics Shenzhen for the year ended 31 December 2014 prepared in accordance with HKFRS, the net assets of Universal Logistics Shenzhen as at 31 December 2014 were RMB7,601,000.

The audited consolidated profit (before and after tax) of Universal Logistics Shenzhen for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	For the financial year ended	
	31 December 2013	**31 December 2014**
	RMB	*RMB*
Profit before tax	277,000	354,000
Profit after tax	277,000	354,000

An Accountants' Report of Universal Logistics Shenzhen for the three years ended 31 December 2014 and the nine months ended 30 September 2015 is set out on pages II-887 to II-919 in Appendix II to this circular.

APPROVAL-IN-PRINCIPLE OF SASAC

On 11 December 2015, the Company received notification from COSCO Group that SASAC has granted its approval of the restructuring of COSCO Group and China Shipping Group in relation to their businesses in container shipping, vessel leasing, oil shipping, bulk shipping and the financial sectors. As of the Latest Practicable Date, there were ongoing discussions in respect of the restructuring of the Company at the controlling shareholders' level and the restructuring plan had not materialized.

APPROVAL OF THE NON-EXERCISE OF THE RIGHT OF FIRST REFUSAL TO CONTRIBUTE TO THE CAPITAL INCREASE IN COSCO FINANCE

Pursuant to PRC laws and the requirements of Shanghai Listing Rules. As at the Latest Practicable Date, COSCO Finance was held by the Group as to approximately 31.25% and was an associated company of the Company.

As part of the CSCL Asset Restructuring, CSCL proposes to contribute RMB614,267,400 to the share capital of COSCO Finance, of which RMB340,000,000 shall be contributed to the increase in registered capital of COSCO Finance and the remaining RMB274,267,400 shall be contributed to capital reserve. The amount of capital increase was based on the valuation by the Valuer of the total equity interest in COSCO Finance of RMB2,890,670,300 determined based on the market approach.

Upon completion of the capital increase, CSCL shall hold approximately 17.53% of the equity interest of COSCO Finance and the equity interest held by the Group in COSCO Finance shall decrease from approximately 17.25% to 14.22% (without considering the equity interest held by the Group in COSCO Finance via COSCO Bulk Group, as COSCO Bulk Group will be disposed of pursuant to the COSCO Bulk SPA). The decrease in equity interest of the Group in COSCO Finance is not expected to result in adverse effects to the Group's normal operations and financial conditions.

The Company proposes not to exercise its right of first refusal to the pro-rata contribution to the increase in share capital, which is subject to the approval by the Independent Shareholders pursuant to applicable PRC laws and regulations. A special resolution will be proposed at the EGM for the Independent Shareholders to consider, and if thought fit, approve the non-exercise by the Company of the right of first refusal to the pro-rata contribution to the increase in share capital of COSCO Finance.

APPROVAL OF THE DRAFT REPORT FOR THE MATERIAL ASSET DISPOSAL AND ACQUISITION AND CONNECTED TRANSACTIONS OF THE COMPANY

To implement the material asset restructuring, the Company has prepared the Draft Report for the Material Asset Disposal and Acquisition and Connected Transactions of China COSCO Holdings Company Limited (《中國遠洋控股股份有限公司重大資產出售及購買暨關聯(連)交易報告書(草案)》) and its summary in accordance with the Administrative Measures for the Material Assets Reorganization of Listed Companies, Standards on the Contents and Formats of Information Disclosures by Companies Publicly Offering Securities No.26 — Material Asset Reorganization of Listed Companies and other regulations and rules in relation the material assets restructuring of listed companies and in consideration of the actual situations of this material asset restructuring. The summary of the report has been disclosed in English and Chinese in the overseas regulatory announcement of the Company dated 24 December 2015. The full text of the report which is in Chinese has been disclosed in the overseas regulatory announcement of the Company dated 24 December 2015.

The report will be subject to the consideration and approval by the Shareholders at the EGM by way of a special resolution.

APPOINTMENT OF DIRECTOR

As disclosed in the announcement of the Company dated 8 December 2015, the Board proposed to appoint Mr. Xu Zunwu as an executive Director. According to the Articles of Association, the appointment of Mr. Xu Zunwu as an executive Director is subject to the approval of the Shareholders at a general meeting. An ordinary resolution in relation to the appointment of Mr. Xu Zunwu as as an executive Director will be proposed at the EGM.

The biographical details of Mr. Xu Zunwu are as follows:

Mr. Xu Zunwu, aged 58, is currently the deputy general manager of the Company, the vice chairman, managing director and vice party secretary of China COSCO Bulk Shipping (Group) Co., Ltd. (中遠散貨運輸(集團)有限公司), the chairman of COSCO Bulk, the chairman of Qingdao Ocean Shipping Co., Ltd. (青島遠洋運輸有限公司), the chairman of Shenzhen Ocean Shipping Co., Ltd. (深圳遠洋運輸股份有限公司) and the chairman of COSCO (H.K.) Shipping Co., Limited (中遠(香港)航運有限公司). He previously held positions as the deputy general manager of Guangzhou Ocean Shipping Co., Ltd. (廣州遠洋運輸有限公司), the deputy general manager of COSCO Bulk, deputy general manager, managing director and vice president of COSCO (H.K.) Shipping Co., Limited, the general manager of Shenzhen Ocean Shipping Co., Ltd. (深圳遠洋運輸有限公司) and the managing director of COSCO Bulk. Mr. Xu Zunwu has over 30 years of experience in the maritime industry and has extensive experience in corporate operation management. Mr. Xu Zunwu graduated from Shanghai Maritime University majoring in ocean shipping. Mr. Xu Zunwu is a senior economist.

A service contract is proposed to be signed by Mr. Xu Zunwu and the Company. Mr. Xu Zunwu will not receive remuneration from the Company for being an executive Director, but the expenses incurred in connection with his discharge of duties as an executive Director will be borne by the Company. Mr. Xu Zunwu is proposed to be appointed for a term commencing from the conclusion of the EGM and ending on the expiration of the term of the fourth session of the Board and will be subject to retirement and re-election at the annual general meetings of the Company in accordance with the Articles of Association. Save as disclosed above, Mr. Xu Zunwu does not have any relationship with any Directors, senior management of the Company or substantial or controlling Shareholders.

Mr. Xu Zunwu has not held any directorship in any other listed companies in the past three years. Mr. Xu Zunwu does not have any interest, deemed interest or short position in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, there is no other information relating to Mr. Xu Zunwu that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matter in relation to his proposed appointment that needs to be brought to the attention of the Shareholders.

EGM

The EGM will be held for the Shareholders to consider and, if thought fit, approve, amongst other things, the Transaction Agreements and the transactions contemplated thereunder.

In accordance with the Listing Rules, COSCO and its associates, being connected persons of the Company and having material interest (which are different from those of the Independent Shareholders) in the Transaction Agreements will be required to abstain from voting at the EGM on the resolutions (except for resolution no.11 in relation to the general authorisation to the Board to attend to formalities in the material asset restructuring of the Company and resolution no.12 on the appointment of Director). As at the Latest Practicable Date, COSCO and its associates held and controlled the voting rights of 5,318,082,844. A Shares and 81,179,500 H Shares, representing approximately 52.85% of the issued share capital of the Company.

A notice of the EGM, together with the proxy form and reply slip, have been depatched to the Shareholders on 18 December 2015. The EGM will be held at Conference Center, Ocean Plaza, 158 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC and Conference Room, 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Monday, 1 February 2016 at 10:00 a.m.

Whether or not you intend to attend the EGM, you are requested to complete and return the proxy form to the Hong Kong H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the EGM or any adjournment thereof. If you intend to attend the EGM, you are required to complete and return the reply slip to the Hong Kong H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Tuesday, 12 January 2016.

Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of it should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders to be taken at a general meeting of the Company shall be taken by poll. An announcement of the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 86 to 87 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 88 to 169 of this circular in connection with the Transaction Agreements and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that (i) the Dry Bulk Disposal; (ii) the Agency Companies Acquisitions; (iii) the Florens Disposal; (iv) the Terminal Acquisition; and (v) the Leasing Transactions (together with the annual caps therein) are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Transaction Agreements and the transactions contemplated thereby at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
China COSCO Holdings Company Limited
GUO Huawei
Company Secretary

中國遠洋控股股份有限公司
China COSCO Holdings Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1919)

31 December 2015

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS —
(1) DISPOSAL OF ALL THE EQUITY INTEREST IN CHINA COSCO BULK SHIPPING (GROUP) COMPANY LIMITED
(2) ACQUISITION OF EQUITY INTERESTS IN AGENCY COMPANIES
(3) DISPOSAL OF ALL THE ISSUED SHARES OF FLORENS CONTAINER HOLDINGS LIMITED
(4) ACQUISITION OF ALL THE ISSUED SHARES OF CHINA SHIPPING PORTS DEVELOPMENT CO., LIMITED
AND
CONTINUING CONNECTED TRANSACTIONS — LEASING TRANSACTIONS

We refer to the circular issued by the Company to its Shareholders dated 31 December 2015 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to whether (i) the Dry Bulk Disposal; (ii) the Agency Companies Acquisitions; (iii) the Florens Disposal; (iv) the Terminal Acquisition; and (v) the Leasing Transactions (together with the annual caps therein) are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

* *For identification purpose only*

Platinum Securities Company Limited has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction Agreements and the transactions contemplated thereby. The text of the letter of advice from the Independent Financial Adviser containing their recommendations and the principal factors they have taken into account in arriving at their recommendations are set out from pages 88 to 169 of the Circular.

Having considered the terms of the Transaction Agreements and the advice of the Independent Financial Adviser, we are of the opinion that the (i) the Dry Bulk Disposal; (ii) the Agency Companies Acquisitions; (iii) the Florens Disposal; (iv) the Terminal Acquisition; and (v) the Leasing Transactions (together with the annual caps therein) are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Transaction Agreements and the transactions contemplated thereby.

Yours faithfully,
For and on behalf of the Independent Board Committee

Dr. Fan Hsu Lai Tai, Rita	**Mr. KWONG Che Keung, Gordon**	**Mr. Peter Guy BOWIE**	**Mr. YANG, Liang Yee Philip**

Independent non-executive Directors

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.

PLATINUM Securities Company Limited

21/F LHT Tower
31 Queen's Road Central
Hong Kong

Telephone	(852) 2841 7000
Facsimile	(852) 2522 2700
Website	www.platinum-asia.com

31 December 2015

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS —

(1) DISPOSAL OF ALL THE EQUITY INTEREST IN CHINA COSCO BULK SHIPPING (GROUP) COMPANY LIMITED

(2) ACQUISITION OF EQUITY INTERESTS IN AGENCY COMPANIES

(3) DISPOSAL OF ALL THE ISSUED SHARES OF FLORENS CONTAINER HOLDINGS LIMITED

(4) ACQUISITION OF ALL THE ISSUED SHARES OF CHINA SHIPPING PORTS DEVELOPMENT CO., LIMITED

AND

CONTINUING CONNECTED TRANSACTIONS — LEASING TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to, among others, (i) the Dry Bulk Disposal; (ii) the Agency Companies Acquisition; (iii) the Florens Disposal; (iv) the Terminal Acquisition; and (v) the Leasing Transactions. Details are contained in the circular of the Company dated 31 December 2015 (the "Circular") of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Board announced that as part of the China COSCO Asset Restructuring, on 11 December 2015: (1) the Company and COSCO entered into the COSCO Bulk SPA, pursuant to which the Company conditionally agreed to sell and COSCO conditionally agreed to acquire the COSCO Bulk Equity Interest, representing 100% of the equity interest in COSCO Bulk; (2) the Group and the CSCL Group entered into the Agency Companies SPAs, pursuant to which the Group conditionally agreed to acquire and the CSCL Group conditionally agreed to sell certain equity interest in the Agency Companies; (3) COSCO Pacific and CSHK entered into the FCHL SPA, pursuant to which COSCO Pacific conditionally agreed to sell and CSHK agreed to acquire the FCHL Shares, representing all the issued shares of FCHL; (4) COSCO Pacific, CSCL and CS Hong Kong entered into the CSPD SPA, pursuant to which CSCL and CS Hong Kong have conditionally agreed to sell, and COSCO Pacific has conditionally agreed to acquire, the CSPD Shares; and (5) the Company and CSCL entered into the Lease Agreement, pursuant to which the Company conditionally agreed to lease from CSCL, and CSCL conditionally agreed to lease to the Company, vessels and containers.

BASIS OF OUR OPINION

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the Dry Bulk Disposals; (ii) the Agency Companies Acquisitions; (iii) the Florens Disposal; (iv) the Terminal Acquisition; and (v) the Leasing Transactions (together with the annual caps), as far as the Independent Shareholders are concerned, are in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee and Independent Shareholders as to whether the Independent Shareholders should vote in favour of the China COSCO Asset Restructuring and the Leasing Transactions.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things:

(i) COSCO Bulk SPA;

(ii) Offshore Agency SPAs;

(iii) Onshore Agency SPAs;

(iv) FCHL SPA;

(v) CSPD SPA;

(vi) Lease Agreement;

(vii) unaudited pro forma financial information of the Enlarged Group as contained in Appendix III of the Circular;

(viii) audited annual report of COSCO Pacific for the year ended 31 December 2012 (the "2012 Annual Report of COSCO Pacific");

(ix) annual report of the Company, COSCO Pacific and CSCL for the year ended 31 December 2013 (the "2013 Annual Report of the Company", "2013 Annual Report of COSCO Pacific" and "2013 Annual Report of CSCL", respectively);

(x) annual report of the Company, COSCO Pacific and CSCL for the year ended 31 December 2014 (the "2014 Annual Report of the Company", "2014 Annual Report of COSCO Pacific" and "2014 Annual Report of CSCL", respectively);

(xi) audited accountants' reports of the CSPD, Onshore Agency Companies and Offshore Agency Companies for the year ended 31 December 2013 ("2013 Accountants' Report of CSPD", "2013 Accountants' Reports of the Onshore Agency Companies" and "2013 Accountants' Reports of the Offshore Agency Companies", respectively);

(xii) audited accountants' reports of the CSPD, Onshore Agency Companies and Offshore Agency Companies for the year ended 31 December 2014 ("2014 Accountants' Report of CSPD", "2014 Accountants' Reports of the Onshore Agency Companies" and "2014 Accountants' Reports of the Offshore Agency Companies", respectively);

(xiii) interim report of the Company, COSCO Pacific and CSCL for the six months ended 30 June 2015 (the "2015 Interim Report of the Company", "2015 Interim Report of COSCO Pacific" and "2015 Interim Report of CSCL");

(xiv) audited accountants' reports of CSPD, Onshore Agency Companies and Offshore Agency Companies for the nine months period ended 30 September 2015 (the "9M2015 Financial Report of CSPD", "9M2015 Financial Report of the Onshore Agency Companies" and "9M2015 Financial Report of the Offshore Agency Companies", respectively);

(xv) Drewry's container shipping asset leasing strategy report; and

(xvi) the appraisal reports for valuation of COSCO Bulk, Onshore Agency Companies and Offshore Agency Companies, FCHL and CSPD as at 30 September 2015 (the "COSCO Bulk Appraisal Report", "Agency Companies Appraisal Reports", "FCHL Appraisal Report" and "CSPD Appraisal Report") which were prepared by the Valuer.

We have assumed that all information, facts, opinions and representations contained in the Circular and all information, statements and representation provided to us by the Directors and/or the management of the Company, which we have relied on, are true, complete and accurate and not misleading in all material respects as at the date hereof. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other matters not contained in the Circular, the omission of which would make any statement in the Circular misleading or deceptive.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion, and we consider that we have taken sufficient and necessary steps based on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We are independent from, and are not associated with the Company or any other party to the China COSCO Asset Restructuring and Leasing Transactions, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the China COSCO Asset Restructuring and Leasing Transactions. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the China COSCO Asset Restructuring and Leasing Transactions. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the China COSCO Asset Restructuring and Leasing Transactions or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

During the past two years, Mr. Li Lan, for and on behalf of Platinum Securities Company Limited, signed the opinion letters from the independent financial adviser contained in the Company's circulars (i) dated 12 September 2014 in respect of continuing connected transactions — new financial services agreement by COSCO Pacific Limited; and (ii) dated 2 October 2015 in respect of discloseable and connected transaction — COSCO KHI Shipbuilding Agreements. The past engagements were limited to providing independent advisory services to the independent board committee and the independent shareholders of the Company pursuant to the Listing Rules. Under the past engagements, Platinum Securities Company Limited received normal professional fees from the Company. Notwithstanding the past engagements, as at the Latest Practicable Date, we were independent from, and were not associated with the Company or any other party to the China COSCO Asset Restructuring, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the China COSCO Asset Restructuring. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the China COSCO Asset Restructuring. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the China COSCO Asset Restructuring, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising Dr. FAN HSU Lai Tai, Rita, Mr. KWONG Che Keung, Gordon, Mr. Peter Guy BOWIE, and Mr. YANG, Liang Yee Philip, has been established to advise the Independent Shareholders as to whether the Transactions contemplated thereunder including but not limited to the (i) the Dry Bulk Disposal; (ii) the Agency Companies Acquisitions; (iii) the Florens Disposal; (iv) the Terminal Acquisition; and (v) the Leasing Transactions, are on normal commercial terms and the terms of respective transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

I. THE CONNECTED TRANSACTIONS

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

1. Background

Reference is made to the announcement of the Company dated 11 December 2015. The Board announced that in connection with the China COSCO Asset Restructuring, on 11 December 2015: (1) the Company and COSCO entered into the COSCO Bulk SPA, pursuant to which the Company conditionally agreed to sell and COSCO conditionally agreed to acquire the COSCO Bulk Equity Interest, representing 100% of the equity interest in COSCO Bulk; (2) the Group and the CSCL Group entered into the Agency Companies SPAs, pursuant to which the Group conditionally agreed to acquire and the CSCL Group conditionally agreed to sell certain equity interest in the Agency Companies; (3) COSCO Pacific and CSHK entered into the FCHL SPA, pursuant to which COSCO Pacific conditionally agreed to sell and CSHK agreed to acquire the FCHL Shares, representing all the issued shares of FCHL; (4) COSCO Pacific, CSCL and CS Hong Kong entered into the CSPD SPA, pursuant to which CSCL and CS Hong Kong have conditionally agreed to sell, and COSCO Pacific has conditionally agreed to acquire, the CSPD Shares; and (5) the Company and CSCL entered into the Lease Agreement, pursuant to which the Company conditionally agreed to lease from CSCL, and CSCL conditionally agreed to lease to the Company, vessels and containers owned and operated by CSCL. The COSCO Bulk SPA, Agency Companies SPAs, the FCHL SPA, the CSPD SPA, the Lease Agreement and other transactions in the Restructuring are inter-conditional upon each other.

2. Information on the Company and CSCL

2.1 Information on Company

The Company was established in the PRC on 3 March 2005. The Company, together with its subsidiaries, provides a wide range of services including container shipping, dry bulk shipping, terminals and container leasing services covering the whole shipping value chain for both international and domestic customers.

Set out below is the financial highlight of the Company's consolidated financial statements in accordance with HKFRS:

Financial highlights of the Company

	For the year ended 31 December				Six months ended 30 June			
		2013		2014		2014		2015
	%	*(RMB million) (Audited)*	%	*(RMB million) (Audited)*	%	*(RMB million) (Unaudited)*	%	*(RMB million) (Unaudited)*
Revenue	100%	66,138	100%	66,901	100%	32,492	100%	29,928
- Container shipping	73%	48,325	75%	50,324	74%	24,010	79%	23,641
- Dry bulk shipping	21%	14,068	19%	12,556	20%	6,426	15%	4,464
- Container terminal *(Note 1)*	5%	2,822	5%	3,176	5%	1,584	5%	1,503
- Container leasing *(Note 2)*	3%	2,155	3%	2,193	3%	1,130	3%	978
- Others	0%	19	0%	15	0%	—	0%	—
- Inter-segment elimination	-2%	(1,251)	-2%	(1,363)	-2%	(658)	-2%	(658)
Operating (loss) / profit by segment:		(1,303)		1,043		(831)		2,863
- Container shipping		(988)		1,016		(869)		1,627
- Dry bulk shipping		(1,698)		(1,045)		(710)		688
- Container terminal		756		719		477		494
- Container leasing		925		739		399		374
- Others		(298)		(386)		(128)		(320)
Net profit / (loss) attributable to equity holders of the Company		235		363		(2,277)		1,897
Cash and cash equivalents		48,206		39,706		37,842		43,941
Total assets		161,862		148,788		151,146		155,136
Total equity attributable to equity holders of the Company		24,223		24,379		22,145		26,166

Note:

1. The amount includes 100% of revenue related to the container terminals business of COSCO Pacific, which is fully consolidated into the financial statements of China COSCO.

2. The amount includes 100% of revenue related to the container leasing business of COSCO Pacific, which is fully consolidated into the financial statements of China COSCO.

From the above table, we note that the Group recorded revenue of approximately RMB66,901 million for the year ended 31 December 2014 (“FY2014”), representing an increase of approximately RMB763 million or 1.2% as compared to approximately RMB66,138 million for the year ended 31 December 2013 (“FY2013”). Net profit attributable to equity holders of the Company amounted to approximately RMB363 million in FY2014, representing an increase of approximately RMB128 million or 54.5% as compared to approximately RMB235 million in FY2013.

According to the 2014 Annual Report of the Company, revenue from container shipping business amounted to approximately RMB50,324 million, representing an increase of 4.1% as compared to FY2013. As the core business of the Group, revenue from container shipping business generally represents over 70% of total revenue throughout the years, and its share of revenues grew from 73% for FY2013 to 79% for the six months ended 30 June 2015 (“1H2015”). We note that the container shipping volume and average container freight rate amounted to 9,437,540 TEU and RMB4,558 per TEU in FY2014, representing an increase of 8.5% and an increase of 1.7% respectively as compared to FY2013. As at 31 December 2014, the Group had a total fleet capacity of 840,692 TEU and the shipping capacity operated by the Group increased by 6.9% as compared to FY2013. Revenue from the dry bulk shipping and related business amounted to approximately RMB12,556 million in FY2014, representing a decrease of 10.7% as compared to FY2013, which was mainly due to lower shipping capacity and shipment volume. In FY2014, the Company had gradually adjusted and optimised the structure of its dry bulk shipping fleet and operated a reduced fleet of chartered-in dry bulk vessels. We note that the proportion of revenue from dry bulk business out of total revenue decreased from 21% to 15% from FY2013 to 1H2015. Revenue from the terminals business and container leasing business amounted to approximately RMB3,176 million and approximately RMB2,193 million in FY2014, representing an increase of 12.5% and an increase of 1.8% as compared to FY2013. The overall segment operating profit improved from a segmental loss of RMB1,303 million in FY2013 to a segmental profit of RMB1,043 million in FY2014, which was mainly due to improved performance in both the container shipping business and dry bulk business. We understand from the management of the Company that the improved results in FY2014 are due to i) decrease in fuel costs in the container shipping business, and ii) decrease in charter costs as a result of reduction in capacity of charter-in vessels.

According to the 2015 Interim Report of the Company, due to reduced global economic growth, overall weakened demand and continued oversupply in shipping capacity, the overall revenue of the Group in 1H2015 declined 7.9% year-on-year, and net profit attributable to equity holders of the Company amounted to approximately RMB1,897 million, representing a year-on-year increase of approximately RMB4,174 million as compared to a net loss of approximately RMB2,277 million in the six months ended 2014 (“1H2014”). However, we note that the increase in profit attributable to equity holders of the Company were mainly due to other income and government subsidies of approximately RMB3,708 million in 1H2015. Excluding this item, the Group would have recorded approximately RMB1,811 million in net loss attributable to equity holders of the Company in 1H2015.

The Group had cash and cash equivalents of approximately RMB39,706 million as at 31 December 2014, as compared to approximately RMB43,941 million as at 30 June 2015. The Group’s cash and cash equivalents consisted primarily of cash on hand and bank balances which were primarily held in RMB and United States Dollars denominated accounts with banks. The equity attributable to equity holders of the Company as at 30 June 2015 was approximately RMB26,166 million, representing an increase of 7.3% as compared to approximately RMB24,379 million as at 31 December 2014.

2.2 Information on CSCL

CSCL is principally engaged in the business of operation and management of international and domestic container marine transportation.

Set out below are the financial highlights of CSCL's consolidated financial statements in accordance with HKFRS:

Financial highlights of CSCL

	For the year ended 31 December		**Six months ended 30 June**	
	2013	**2014**	**2014**	**2015**
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*
	(Audited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Revenue — container shipping	33,917	36,077	17,407	15,991
(Loss)/profit attributable to equity holders of CSCL	(2,610)	1,069	432	11
Cash and cash equivalents	9,014	9,356	8,216	8,005
Total assets	50,817	53,541	51,616	54,112

As shown in the table above, CSCL Group recorded revenue of approximately RMB36,077 million in FY2014, representing an increase of approximately RMB2,160 million or 6.4% as compared to approximately RMB33,917 million in FY2013. Profit attributable to equity holders of CSCL amounted to approximately RMB1,069 million in FY2014, as compared to loss attributable to equity holders of CSCL of approximately RMB2,610 million in FY2013. The increase in revenue in FY2014 was mainly due to increase in loaded container volume by Asia Pacific trade lanes and increase in freight rates which is due to the recovery of and increased demand in international trade lanes in 2014. Beside the increase in revenue, profit attributable to equity holders of CSCL in FY2014 was also primarily due to the decrease in fuel cost as CSCL strengthened its fuel saving measures and fuel consumption fell by 15.8% as compared with FY2013, also as a result of the sharp fall in oil prices in the fourth quarter of 2014. In FY2014, cash and cash equivalents and total assets of CSCL Group steadily increased from approximately RMB9,014 million and approximately RMB50,817 million as at 31 December 2013, respectively, to approximately RMB9,356 million and approximately RMB53,541 million as at 31 December 2014, respectively. The increase in cash was mainly due to positive cash inflow from operating activities and the increase in total assets was primarily due to addition of container vessels and vessels under construction and subscription of 49% equity interest in China Shipping Terminal Development (H.K.) Co., Ltd.

In 1H2015, although the shipping volume of CSCL Group increased by 1.0% to 3,991,098 TEU, the revenue decreased by 8.1% from approximately RMB17,407 million in 1H2014 to approximately RMB15,991 million and profit attributable to equity holders of CSCL decreased by 97.5% from approximately RMB432 million in 1H2014 to approximately RMB11 million mainly because the container transportation market as a whole remained subdued in the first half of 2015 and freight rates for Asia-Europe trade lanes hit record low levels under the impact of new shipping capacity put into market amid a weak economic growth momentum in the Eurozone, according to the 2015 Interim Report of CSCL. Cash and cash equivalents of CSCL Group decreased from approximately RMB9,356 million as at 31 December 2014 to approximately RMB8,005 million as at 30 June 2015, which was mainly due to capital expenditure outflows in 1H2015. The amount of total assets of CSCL Group remained stable and increased slightly from approximately RMB53,541 million as at 31 December 2014 to approximately RMB54,112 million as at 30 June 2015.

3. Industry overview

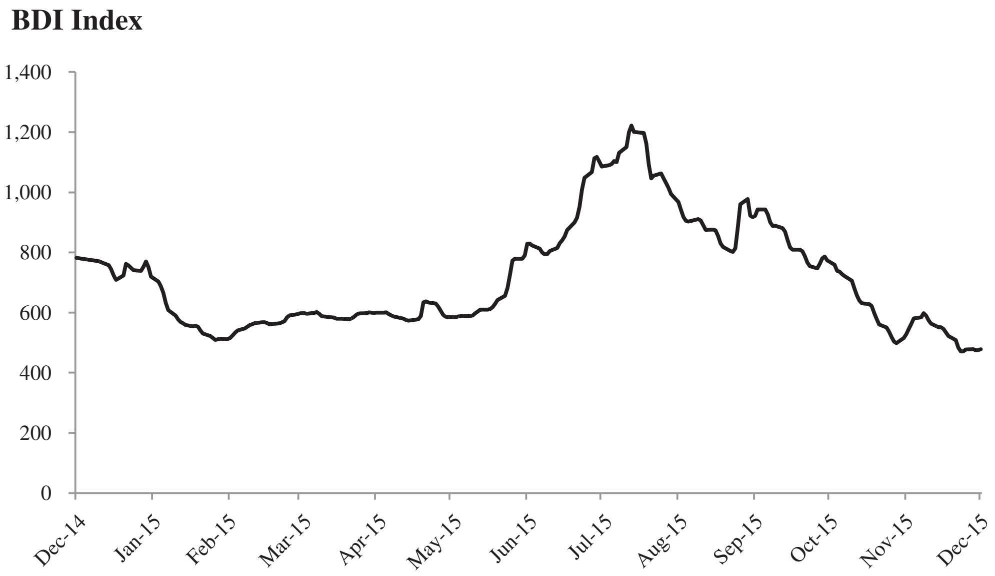
The relevant parties and the business of the target companies in the China COSCO Asset Restructuring can mainly be divided into the following industry segments:

(i) **Dry bulk shipping**

The dry bulk shipping sector involves transportation of major dry bulk commodities such as iron ore, coal, food supplies, bauxite and phosphate rock, with coal and iron ore almost making up two-thirds of the entire bulk shipping sector. We believe that the demand for dry bulk cargo shipping is mainly subject to global economy, especially demand for raw materials. In the past few years, China began reducing its coal import as the PRC government has become more concerned about air pollution. China, the world's largest importer of coal, has implemented import taxes and other pollutant emissions control policies on coal, leading the country coal import to drop substantially in 2014. Driven by sustained weakness in economic activity of China and new measures on supporting environmental friendly energy, domestic coal consumption continued to fall and coal imports have recorded further decline in 2015. We also note that iron ore inventories are currently at a high level across global locations with significant supply-demand imbalances. Since China is the largest consumer and importer of coal and iron ore, reduced China import leads to lower demand for dry bulk shipping, and therefore the outlook on the bulk shipping industry is expected to remain negative in the next few years.

The exhibit below depicts the Baltic Dry Index ("BDI"), which is a leading indicator for the dry bulk shipping industry. With reference to the Baltic Exchange, BDI is a measurement of the cost of shipping major bulk commodities on a number of shipping routes and is calculated daily by based on the average of spot freight rates. Exhibit 1 below sets out the historical trend of the BDI from 24 December 2014 to the Latest Practicable Date.

Exhibit 1: Historical level of the Baltic Dry Index



Source: Bloomberg

The index was inching up early this year and once reached the peak at the level of 1,222 on 5 August 2015, but subsequently plunged by over 50% and fell below the level of 600 for the second time in 2015. The BDI has continued to fall recently, and for most of 2015, it has been on a downtrend led by the slowdown in imports from China. It is expected that the oversupply concern and weak demand growth of the China economy will continue to place a downward pressure on the BDI in the medium run, with 3-5 years needed for the dry bulk shipping industry to overcome the current demand and supply imbalances.

In addition, we understand that the dry bulk orderbook is a good predictor of the long-term outlook of the industry as it generally takes years to construct new vessels. The number of new vessels ordered suggests management expectations concerning future supply and demand trend. In June 2015, the dry bulk orderbook fell and recorded 3.5% month-on-month and 13.1% year-on-year decline. A falling orderbook shows that shipping companies are holding off new vessel orders as they have a cautious view on the outlook of the industry.

Therefore, it is believed that overcapacity on the vessels coupled with weak Chinese demand for commodities has led to progressive deterioration of the sentiment in the dry bulk industry. As mentioned above, the high inventory level and weak global demand in dry bulk are likely to continue to impact negatively the prospect of the dry bulk business. Further deterioration of both domestic and international economic environment and the strengthening of the US dollars might also adversely impact the demand for dry bulk.

(ii) **Container shipping**

The key metrics of the container shipping sector are the freight rates and global container throughput. Regarding the freight rates in the PRC, we have reviewed the China (Export) Containerized Freight Index ("CCFI"), which was sponsored by the Ministry of Transport of the PRC. CCFI serves as the barometer of the shipping market and is formulated to reflect the transport market in terms of costs and market rates to ship containers from China to major destinations around the world. CCFI has shown a declining trend since February 2015 and has since dropped approximately 30% from the peak. Due to the slowdown in global economic growth and the excessive shipping capacity, international freight rates are currently significantly weaker and the China-Mediterranean and China-North Europe routes have not been performing very well compared to the previous years.

Another metric of the container shipping business is global container throughput. According to a report published by Drewry, an independent global shipping consultant, world terminal operators' throughput amounted to approximately 679 million TEU in FY2014, representing an increase of 5% as compared to FY2013. In addition, only 1.3 million TEU of new capacity will be added to the global fleet next year, equating to approximately 19% drop in capacity growth as compared to 1.6 million TEU this year. As a result, we believe that the pressure from the capacity of over-supply will be relieved. Furthermore, as the China economy is currently undergoing a shift in output from low-value manufactured goods to higher-value goods such as machinery, automotive parts and optical electronics, such economic structural development is expected to help stimulate both trade flows and container throughput in the future. Therefore, due to expected moderate growth in demand for international and Chinese shipping services, the freight volume is expected to be relatively stable in the near future.

Despite the recent supply and demand imbalance in the industry, from revenue and profit perspectives, first-quarter industry profit was strong and second-quarter results were much better than expected. Moreover, first-half average industry profit margins were around 5.6% in China, compared with about 1.4% for the same period in 2014. It is worth mentioning that crude oil prices have plunged to historical low levels which has helped to relieve pressure on the industry in the short term. As a result, despite the slowdown of global growth in the container shipping industry, the recent downwards trend is expected to be temporary and Chinese exports are anticipated to pick up along with the cyclical recovery driven by European and US economies.

(iii) **Containership and container leasing**

(a) *Containership leasing*

In the past few years, the containership leasing market has shown significant growth, as container vessel fleet raised 11% p.a. and 7.3% p.a. during the period 2005-2010 and 2010-2015 respectively. The fleet is split between carrier owned vessels, and those owned by independents and chartered to the carriers. Around half of the fleet is in each category, with the independent owners fleet more focused on larger vessel size ranges. Independent owners are pure play asset providers to the containership operators with a different business model from the carriers. They are exposed to asset value risk, with vessels contracted to the operators under short term or long term multi-year contracts and therefore less susceptible to the fluctuations of the container freight market. The long term contracts serve the purpose of de-risking short cycles in the freight markets and securing cash flow for debt servicing, dividend payments and further asset acquisitions. In current volatile markets with slow global growth, independent owners appear to be well placed compared to the container carrying lines.

In addition, carriers have shifted their demand on vessels from independent owners for a variety of reasons, including operational flexibility, and as a source of finance. Due to expected volume growth or service changes, chartering rather than purchasing vessels is attractive for vessel sizes where future demand is uncertain. This has been mainly applied to smaller vessel sizes, particularly those used for feeder services. As a result, independents are in a position to capitalise on the carriers' determination to secure larger vessels in pursuit of economies of scale.

In recent years, the container leasing industry has been shifting towards the long-term leasing market, and the majority of container firms are leasing in the form of time charter in terms of one to ten years. Time charter agreements can be analysed according to the period or tenor of the charter. Almost all fixtures for smaller vessels are for periods of one year or less; while in the larger vessel segments, all agreements are for 5 to 10 years or even more. Rates for the smaller vessels have generally followed the cycles in the container market, driven by supply and demand fundamentals. Recently its charter rates have been declining, with rates in the last two years below the 5 and 10 year averages. However, rates for bigger vessels have shown greater stability in the less liquid market. Since the majority of the fixtures in the 8,000-11,999 TEU size range have been new vessels and on longer charters, rates have continued to hold up better than smaller vessels in the last two years. As a result, independents are slightly increasing their share of the order book with a significant shift towards the larger vessels.

The largest global container lines also feature as the largest charterers of tonnage. The top five charterers and container carriers by operated capacity are Maersk, CMA-CGM, MSC, Evergreen, Hapag Lloyd, which in total represent over 40% share of the chartered market.

(b) *Container leasing*

The container leasing industry provides an important service to the capital constrained shipping lines. Since 2010, the lessor owned share of the global fleet has grown 9.5% per year, which is faster than the line owned fleet growth of 3.4%. The global fleet totals 36.6 million TEU, having grown at 6.6% per year since 2000, slowing to 6.1% growth since 2010.

There are typically two types of leases: long-term leases and master leases. The industry norm for new build containers is to lease them for an initial period of five years (long term lease). Thereafter, the leases are usually renewed for a further two or three years followed either by further extensions of two or three years or alternatively the units are rolled into a 'Master Short Term Lease' (short term lease). In general, rental turnover and business risks associated with long-term leases are relatively lower. Master leases involve higher rental turnover and related expenses as well as greater business risks. During volatile markets, revenue from long-term leases is more stable; however, during stable and robust market conditions, master leases are expected to generate higher revenue.

The key terms of a container lease cover period, rates, permitted redelivery locations, treatment of container damage and handling charges at delivery and redelivery. The life expectancy of a container is approximately 12 years, and units are sold in the secondary market at the end of their life. The second-hand market is an important source of additional income for lessors at the end of units' life. Prices have been consistently declining since 2012 and although current prices are still in excess of depreciated book values, the end of life gain enjoyed by lessors has significantly reduced.

In general, lessors' core strategy is to place all units on long term leases. Some lessors also offer 'finance leases' allowing lessees to purchase the container at the end of the term. Their margins are under increasing pressure as slower world trade growth has weakened the lines' overall demand for new equipment, causing new build prices to fall. The lessor-owned share of the global fleet is projected to be 47.6% at the end of 2015, up from a low of 41% in 2009, reflecting the lines' increased appetite for leasing due to their capital constraints. The top five lessors in the industry are Textainer Group Holding Ltd, Triton Container International Limited, TAL International Group Inc, FCHL and Seaco Ltd, which control over 60% of the lessor-owned fleets across the globe.

(iv) **Port terminal**

Currently, the global container terminal operators can be divided into three categories (i) terminal operator with a container shipping background, with the container shipping business providing the terminals with all or part of their shipping volume; (ii) global stevedore with terminal operations being the prime focus of its business; and (iii) other investors investing into terminals businesses. Among these three categories of operators, it is generally believed that the Company, which is a global container terminal operator with container shipping background, has comparatively stronger competitive advantages in terminal investments because of its ability to integrate its strategic resources such as ports and vessels.

In recent years, the demand for terminal services in China has experienced strong growth because of the strong growth of the PRC economy and increasing foreign trades. Major ports in China have improved their global rankings in terms of throughput with, in particular, Shanghai ranking 1st in terms of throughput and therefore becoming the busiest port in the world. Driven by the rapid growth of international trade, the PRC's aggregate share of the world's container port throughput increased gradually from approximately 16% in 2000 to approximately 30% in 2014. As the Chinese economy continued to have a huge bearing on world port throughput growth, it is expected that the port container throughput growth for Greater China will remain positive.

In addition, the initiative of One Belt One Road which creates economic land infrastructure that will better connect 57 different countries on the original Silk Road through Central Asia, West Asia, the Middle East and Europe, as well as an improved maritime network, is also expected to positively impact global trade and PRC port terminal activity.

4. The Dry Bulk Disposal

The COSCO Bulk SPA

On 11 December 2015, the Company and COSCO entered into the COSCO Bulk SPA, pursuant to which the Company conditionally agreed to sell and COSCO conditionally agreed to acquire the COSCO Bulk Equity Interest, representing 100% of the equity interest in COSCO Bulk.

4.1 Principal terms and conditions of the COSCO Bulk SPA

Date	:	11 December 2015
Parties:	:	(a) the Company as the seller (b) COSCO as the purchaser
General nature	:	The Company has conditionally agreed to sell, and COSCO has conditionally agreed to acquire, all the COSCO Bulk Equity Interest in accordance with the terms of the COSCO Bulk SPA.
Consideration	:	The total consideration for the COSCO Bulk Equity Interest shall be RMB6,768.0727 million, which was based on the valuation by the Valuer as at the Valuation Date determined based on the income approach and other factors as explained in paragraph 4.4. As the valuation is subject to the filing requirements under PRC laws and regulations, the parties agreed that in the event of adjustment to the valuation under the filing procedures, the final consideration will be adjusted according to the adjusted valuation. The consideration for the COSCO Bulk Equity Interest shall be paid in cash in RMB in one lump sum within 30 business days after the conditions precedent of the COSCO Bulk SPA are fulfilled or waived by the Company and COSCO in writing. The consideration for the Dry Bulk Disposal was arrived aton an arm's length basis with reference to a number of factors, including but not limited to: (a) reference materials, including the appraised net asset value of COSCO Bulk of RMB6,768,072,700 as at the Valuation Date based on methodologies required by SASAC to meet the requirements under PRC laws and regulations; (b) various valuation multiples such as P/E ratio, P/B ratioand EV/EBITDA ratio of the comparable shipping companies as well as the historical comparable transactions;

		(c) the current situation and development prospects of the industries in which the COSCO Bulk Group operate; and (d) the historical financial performance and development potential of the COSCO Bulk Group.
Adjustment of consideration	:	The Company shall have the right to distribute a one-off dividend from COSCO Bulk's undistributed profit as at the Valuation Date. In the event such dividend is distributed prior to the payment of the consideration, the consideration payable shall be reduced by the amount of dividend. The maximum pre-closing dividend which may be declared by COSCO Bulk is nil, as the amount of distributable profits of COSCO Bulk as at 30 September 2015 is a negative amount. Any net profit incurred by the COSCO Bulk Group during the Interim Period shall accrue for the benefit of the Company, and the amount in cash shall be paid by COSCO to the Company, and any net loss incurred by the COSCO Bulk Group during the Interim Period shall be borne by the Company, and the amount in cash shall be paid by the Company to the COSCO. The net profit or loss shall be determined based on a completion audit of the COSCO Bulk Group to be conducted within 60 days from the completion date or based on the disclosed financial report or management accounts of the COSCO Bulk Group.
Conditions precedent	:	Completion of the Dry Bulk Disposal shall be conditional upon the satisfaction of, among other things, the following conditions: (i) no material adverse change having occurred to the business operations, assets, liabilities, etc. of COSCO Bulk since the Valuation Date, save as disclosed by the Company to COSCO before the signing of the COSCO Bulk SPA; (ii) no breach of the terms of the COSCO Bulk SPA having occurred, and the declaration, representations and warranties given by the parties therein remaining effective; (iii) consents of, or notifications to, all creditors and secured creditors required for the Dry Bulk Disposal having been obtained and made by COSCO Bulk;

(iv) all necessary filings, consents, authorization or approvals required for the China COSCO Asset Restructuring at current stage having been obtained or given, and no early termination or similar situation having occurred in any part of the China COSCO Asset Restructuring;

(v) all necessary filings, consents, authorization or approvals required for the CSCL Asset Restructuring at current stage having been obtained or given, and no early termination or similar situation having occurred in any part of the CSCL Asset Restructuring; and

(vi) the approvals by the Shareholders of the Company in a general meeting of the Company and shareholders of CSCL in a general meeting of CSCL in respect of the Leasing Transactions having been obtained, and the Lease Agreement having become effective.

The parties shall endeavor to ensure that all the conditions precedent as set out in the COSCO Bulk SPA are fulfilled on or before the Long Stop Date. If the conditions precedent are not fulfilled by the Long Stop Date, the parties shall negotiate on the full or partial waiver of any such conditions precedent, delay of completion date or termination of the agreement, and shall endeavor to reach an agreement within the Negotiation Period. If no agreement is reached within the Negotiation Period, the agreement shall be terminated.

4.2 Information on COSCO Bulk

COSCO Bulk is principally engaged in the business of international dry and bulk cargo shipping.

Financial highlights of COSCO Bulk

	For the year ended 31 December		For the nine months ended 30 September
	2013	**2014**	**2015**
	(RMB million)	*(RMB million)*	*(RMB million)*
	(Audited)	*(Audited)*	*(Audited)*
Net asset value	7,785	6,094	5,869
(Loss)/profit before taxation	(1,666)	(1,639)	80
(Loss)/profit attributable to equity holders	(1,678)	(1,697)	37

As shown in the table above, COSCO Bulk recorded loss before taxation of approximately RMB1,666 million and approximately RMB1,639 million for each of FY2013 and FY2014, respectively. For the nine months ended 30 September 2015, COSCO Bulk recorded a profit before taxation of approximately RMB80 million, which was mainly due to government subsidies of approximately RMB2,416 million. Excluding such government subsidies, COSCO Bulk would have still recorded a net loss of approximately RMB2,336 million for the nine months ended 30 September 2015. The net losses were mainly due to the subdued bulk shipping industry volumes and freight rates.

The net asset value of COSCO Bulk decreased from approximately RMB7,785 million as at 31 December 2013 to approximately RMB6,094 million as at 31 December 2014, which was primarily due to the net losses recorded during the year, and further to approximately RMB5,869 million as at 30 September 2015, which was primarily due to the currency translation loss during the period.

4.3 Reasons for and benefits of the Dry Bulk Disposal

As discussed in the section "Industry Overview - Dry bulk shipping" above, the dry bulk shipping market continues to be subdued with a severe imbalance between supply and demand in recent years. The BDI fell approximately 60% in 2014, and for most of 2015, it has been on a downtrend led by the slowdown in imports of raw materials from China. It is expected that the oversupply concern and weak demand from China importers will continue to place a downward pressure on the BDI in the long run.

With reference to the letter from the Board in the Circular, the Board believes that it is in the best interest of the Company to enter into the Dry Bulk Disposal and focus on the container shipping business, since the customer base, market drivers, shipping cycle and competitive landscape vary considerably between dry bulk shipping and container shipping.

Firstly, the market entry barrier for dry bulk shipping is significant lower than for container shipping. As such, after the Dry Bulk Disposal, the Company will be able to allocate its resources in areas with higher entry barriers by prioritising the development of the container shipping and terminal segments, leading to more stable returns for its business.

Secondly, with China economy moving into higher value added manufacturing and with less reliance on raw material processing, the container shipping industry will offer better opportunities than the dry bulk shipping industry.

Lastly, after the Dry Bulk Disposal, the Company will be able to maintain a comparatively simpler business structure, which will help to improve the transparency of the Company by enhancing communication with the capital markets and improve its profit-generating ability.

Therefore, we are of the view that the Dry Bulk Disposal is in the interests of the Company and the Shareholders as a whole.

4.4 Basis of determining the Dry Bulk Disposal Consideration

As stated in the Circular, the consideration for the Dry Bulk Disposal was arrived on an arm's length basis with reference to a number of factors, including but not limited to (a) the appraised net asset value of COSCO Bulk of RMB6,768,072,700 as at the Valuation Date based on methodologies required by State SASAC to meet the requirements under PRC laws and regulations; (b) various valuation multiples such as P/E ratio, P/B ratio and EV/EBITDA ratio of the comparable shipping companies as well as the historical comparable transactions; (c) the current situation and development prospects of the industries in which the COSCO Bulk Group operate; (d) the historical financial performance and development potential of the COSCO Bulk Group; (e) the current situation and development prospects of the industries in which the Company operates; and (f) the historical financial performance and development potential of the Company.

(i) **COSCO Bulk Appraisal Report**

In order to assess the basis in determining the consideration for the Dry Bulk Disposal, we have reviewed the COSCO Bulk Appraisal Report produced by the Valuer and discussed with the Valuer and the management of the Company. For our due diligence purpose, we have reviewed and enquired the Valuer's qualification and experience in relation to the performance of the valuation. The Valuer is a qualified asset appraisal firm authorised by the Ministry of Finance of the PRC to perform valuation works in the PRC. We have discussed with the Valuer in relation to their experiences and understood that Mr. Jin Dapeng ("Mr. Jin"), the director of the Valuer, is a registered professional surveyor who has many years of experience in valuing shipping assets in the PRC. Given that Mr. Jin has plenty of practical experience in the valuation of shipping assets in the PRC as stated above, we are of the view that he is qualified to provide a reliable valuation for the COSCO Bulk Equity Interest. We believe that the Valuer has sufficient qualifications and experience in valuing similar assets and transactions for a number of listed companies in the PRC and Hong Kong over the years. We further understand that the Valuer is independent from the Company and the other parties involved in Dry Bulk Disposal. In addition, we have also reviewed the terms of the engagement of the valuation and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer. Based on the above, we are of the view that the scope of work of the Valuer is appropriate and the Valuer is qualified for valuing COSCO Bulk Equity Interest.

(a) *Valuation methodologies*

We have noted and discussed with the Valuer and understand that they have adopted the income approach (essentially, a discounted cash flow approach) in valuing the COSCO Bulk Equity Interest. The Valuer considered both income approach and asset-based approach in valuing the COSCO Bulk Equity Interest. However, given the current dry bulk shipping industry condition, with most players experiencing losses and a significant drop in the market value of the dry bulk vessels, we concur with the Valuer that it would not be fair or reasonable to value the equity interest of a dry bulk shipping company at the downturn of the industry using replacement cost of its vessels. In comparison, the income approach is based on the assumption that a company will continue its operation and takes into account the dry bulk shipping industry condition in the mid to long term in a normalized operating environment. Therefore, the appraisal results of income approach are taken as the final conclusions.

The Valuer applied the discounted cash flow method ("DCF") to discount the future free cash flow of firm ("FCFF") of COSCO Bulk, by using a discount rate, which is the weighted average cost of capital ("WACC"), to reflect all business risks including intrinsic and extrinsic uncertainties in relation to COSCO Bulk.

The DCF valuation method is based on the premise that the value of a business is the net present value of its future cash flows. In the shipping industry, this approach requires assessment of expected operating profit, planned capital expenditure and working capital changes, depreciation and amortisation, and finance costs.

(b) *Discount rate*

WACC is a commonly used discount rate obtained by multiplying the cost of each capital component by its proportional weight and then adding the two components.

In estimating the required rate of return on equity ("Ke") of COSCO Bulk, the Valuer has adopted the capital assets pricing model, which is widely accepted in the investment community for the purpose of estimating a company's Ke ("Ke = Rf + β*ERP + A"), where

— "Rf" represents risk free rate in the PRC which is referred to the interest rate of 10-year PRC government bond;

— "β" measures the sensitivity of a stock price to changes in the overall stock market which is calculated by considering β of several comparable companies as selected by the Valuer and taking into account the estimated capital structure of COSCO Bulk relative to the capital structures of the comparable companies;

— "ERP" stands for equity risk premium which is the amount of return required by an equity investor above and beyond the risk free rate; and

— "A" is referred to the individual adjustment according to the size of the company being valued, which, according to the Valuer, usually ranges from 1% to 4% with 1% chosen for the purposes of the COSCO Bulk Valuation.

In respect of the required rate of return on debt ("Kd") of COSCO Bulk, the Valuer has used the 5-year loan rate as per the PBOC and taken the 25% tax impact into account.

Finally, WACC is arrived by summing Ke and Kd after factoring the weight of equity and debt.

After a separate assessment, we consider that the WACC adopted by the Valuer in the valuation of COSCO Bulk is fair and reasonable.

(c) *Cash flow forecast*

FCFF is the cash available to all investors, including both equity holders and debt holders.

With regard to FCFF, the Valuer has reviewed the past business performance of COSCO Bulk as well as the future potential of COSCO Bulk. In assessing the fairness and reasonableness of the estimate by the management of COSCO Bulk, the Valuer has considered the historical financial results of COSCO Bulk, the dry bulk shipping industry trend and prospect, relevant government policies in relation to the industry and the breakdown of the projection schedules.

The future economic benefits (including terminal value) are based on a year-by-year projection of COSCO Bulk's FCFF from October 2015 to the end of 2021. Thereafter, the Valuer assumed that COSCO Bulk's FCFF would be constant at the level of 2021.

In the COSCO Bulk Valuation Report, FCFF is calculated by deducting capital expenditure and working capital changes from the net profit, and then adding back depreciation and amortization and after-tax interest expense. We consider that the calculation method used by the Valuer is appropriate.

Particularly, we note that in the Valuer's forecast model, FCFF of COSCO Bulk is estimated to be negative for the period from 2015 to 2019 and then turn positive in 2020, 2021 and onwards. We are of the opinion that such estimate is fair and reasonable, in light of the current downturn of the dry bulk shipping industry and expected continuing supply-demand imbalances in the near future.

(d) *Other assumptions*

In conducting the valuation of the COSCO Bulk Equity Interest, the Valuer has adopted the following assumptions:

— The valuation is based on the asset condition as at the Valuation Date and is based on going concern assumptions for COSCO Bulk;

— COSCO Bulk will comply with the laws and regulations and there will not be non-compliance issues which would materially impact the development and earnings of COSCO Bulk;

— The management of COSCO Bulk, including its standards, procedures and strategic planning activities, will be maintained;

— There will be no material changes in government policies regarding interest rate, exchange rate, tax basis and tax rate; and

— The industry licenses that COSCO Bulk currently owns can be renewed at expiration.

We consider that the above assumptions are fair and reasonable.

(ii) **Comparable Dry Bulk Shipping Companies**

In order to assess the fairness and reasonableness of the consideration of the Dry Bulk Disposal, we have attempted to identify comparable dry bulk shipping companies (the "Comparable Dry Bulk Shipping Companies") that (i) are currently listed on the Main Board of the Stock Exchange; and (ii) are primarily engaged in dry bulk shipping business in Hong Kong and the PRC (i.e. generating more than 50% of their revenue from dry bulk shipping business).

The Comparable Dry Bulk Shipping Companies have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information.

In our assessment, we have considered price-to-earnings ratio (the "P/E"), enterprise value-to-earnings before interests, taxes, depreciation and amortisation, and operating lease costs ratio ("EV/EBITDAR") and price-to-book ratio (the "P/B"), which are commonly used to assess the financial valuation of a company engaged in shipping business. However, given that COSCO Bulk recorded net losses historically, the P/E of COSCO Bulk is not representative and hence, should not be used for the purpose of the Comparable Dry Bulk Shipping Companies analysis. The P/B and EV/EBITDAR analysis of the Comparable Dry Bulk Shipping Companies are shown in Table 1 below.

Table 1 - Comparable Dry Bulk Shipping Companies analysis on P/B and EV/EBITDAR

Company name	**Ticker**	**Market capitalization**	**P/B**	**EV/ EBITDAR**
		(HK$ million)	*(times)*	*(times)*
		(Note 1)	*(Note 2)*	*(Note 3)*
Sinotrans Shipping Limited	368 HK	5,948	0.37	1.78
China Shipping Development Company Limited	1138 HK	43,602	1.43	24.44
Pacific Basin Shipping Limited	2343 HK	3,368	0.44	5.19
		Average	0.75	10.47
		Maximum	1.43	24.44
		Minimum	0.37	1.78
COSCO Bulk *(Note 4)*			1.28	115.20

Source: Stock Exchange, latest financial reports of the Comparable Dry Bulk Shipping Companies

Note: *1. The market capitalisations of the Comparable Dry Bulk Shipping Companies are calculated by multiplying the share price and the number of issued shares of the respective companies as at the Latest Practicable Date.*

2. The P/Bs of the Comparable Dry Bulk Shipping Companies are calculated by dividing their market capitalization by the net asset value (the "NAV") attributable to equity holders of the respective companies according to their latest financial reports, i.e. the interim report for the period ended 30 June 2015.

3. The EV/EBITDARs of the Comparable Dry Bulk Shipping Companies were calculated by dividing their EVs by the EBITDARs. EV is based on equity market capitalisation at the Latest Practicable Date, the book values of debts, finance lease obligations and operating lease commitments, and less cash and cash equivalents at 31 December 2014. EBITDAR is based on the earnings before interests, taxes, depreciation and amortization, and operating lease costs. The calculation is based on the audited financial statements of the Comparable Dry Bulk Shipping Companies for the fiscal year ended 31 December 2014.

4. The implied P/B of COSCO Bulk is calculated by dividing the consideration of the Dry Bulk Disposal by the NAV of COSCO Bulk as at 30 September 2015. The implied EV/EBITDAR of COSCO Bulk is calculated by dividing the consideration by the earnings before interests, taxes, depreciation and amortization, and operating lease costs of COSCO Bulk which is based on the audited financial statements of COSCO Bulk for the fiscal year ended 31 December 2014.

As illustrated above, the P/Bs of the Comparable Dry Bulk Shipping Companies range from approximately 0.37 times to approximately 1.43 times (the "Comparable Dry Bulk Shipping Companies P/B Range"), with an average of approximately 0.75 times (the "Average Comparable Dry Bulk Shipping Companies P/B").

Further, the EV/EBITDARs of the Comparable Dry Bulk Shipping Companies range from approximately 1.78 times to approximately 24.44 times (the "Comparable Dry Bulk Shipping Companies EV/EBITDAR Range"), with an average of approximately 10.47 times (the "Average Comparable Dry Bulk Shipping Companies EV/EBITDAR").

We note that the implied P/B and EV/EBITDAR of COSCO Bulk is 1.28 times and 115.20 times, respectively. The implied P/B is higher than the Average Comparable Dry Bulk Shipping Companies P/B. The implied EV/EBITDAR higher than the Average Comparable Dry Bulk Shipping Companies EV/EBITDAR. As such, we are of the view that the consideration of the Dry Bulk Disposal is fair and reasonable in this regard.

(iii) **Comparable Dry Bulk Shipping Transactions**

In order to assess the fairness and reasonableness of the consideration of the Dry Bulk Disposal, to the best of our endeavours, we have reviewed transactions over the past two years which involved acquisition of 100% equity interests in dry bulk shipping business or assets (the "Comparable Dry Bulk Shipping Transactions"). We consider that two years is a reasonable period as transactions announced in earlier periods were performed in a different market environment and hence might have a different pricing basis.

The Comparable Dry Bulk Shipping Transactions are selected exhaustively based on the above criteria, which have been identified, to our best endeavour, in our research through public information.

Similarly to the Comparable Dry Bulk Shipping Companies analysis, in our assessment, we have considered EV/EBITDAR and P/B as our benchmark. As COSCO Bulk in aggregate recorded a net loss historically, the P/E of COSCO Bulk is not representative and hence, should not be used for the purpose of the Comparable Dry Bulk Shipping Transactions analysis. The P/B and EV/EBITDAR analysis on the Comparable Dry Bulk Shipping Transactions are shown in Table 2 below.

Table 2 - Comparable Dry Bulk Shipping Transactions analysis on P/B and EV/EBITDAR

Announcement date	Target name	Acquirer/vendor Name	Transaction size	P/B (times) *(Note 1)*	EV/EBITDAR (times) *(Note 2)*
07-Oct-14	Golden Ocean Group Ltd.	Knightsbridge Shipping Ltd.	7.3 billion Norwegian Krones	1.08	10.09
08-Apr-15	Baltic Trading Ltd.	Genco Shipping & Trading Ltd.	US$291 million	0.27	43.39
			Average	0.68	26.74
			Maximum	1.08	43.39
			Minimum	0.27	10.09
	COSCO Bulk			1.28	115.20

Source: Bloomberg

Note: 1. The P/Bs of the Comparable Dry Bulk Shipping Transactions are calculated by dividing the consideration by the latest NAV of the respective shipping business or assets.

2. The EV/EBITDARs of the Comparable Dry Bulk Shipping Transactions are calculated by dividing the consideration by the latest earnings before interests, taxes, depreciation and amortisation, and operating lease costs of the respective shipping business or assets.

As illustrated above, the P/Bs of the Comparable Dry Bulk Shipping Transactions range from approximately 0.27 times to approximately 1.08 times (the "Average Comparable Dry Bulk Shipping Transactions P/B"), with an average of approximately 0.68 times (the "Comparable Dry Bulk Shipping Transactions P/B Range").

The EV/EBITDARs of the Comparable Dry Bulk Shipping Transactions range from approximately 10.09 times to approximately 43.39 times (the "Average Comparable Dry Bulk Shipping Transactions EV/EBITDAR"), with an average of approximately 26.74 times (the "Comparable Dry Bulk Shipping Transactions EV/EBITDAR Range").

We note that the implied P/B and EV/EBITDAR of COSCO Bulk is 1.28 times and 115.20 times, respectively. The implied P/B is higher than the Average Comparable Dry Bulk Shipping Transactions P/B. The implied EV/EBITDAR is higher than the Average Comparable Dry Bulk Shipping Transactions EV/EBITDAR. As such, we are of the view that the consideration of the Dry Bulk Disposal is fair and reasonable is this regard.

In light of (i) the current situation and development prospects of the industries in which the COSCO Bulk Group operate and the historical financial performance and development potential of the COSCO Bulk Group; (ii) the COSCO Bulk Appraisal; (iii) the major assumptions made in connection with the income approach being reasonable; (iv) the Valuer being a qualified independent third party to conduct valuation for businesses in the same industry; and (v) the consideration of the COSCO Bulk Disposal being fair and reasonable as compared to the Comparable Dry Bulk Shipping Companies and Comparable Dry Bulk Shipping Companies Transactions, we are of the view that the COSCO Bulk Disposal is entered into on normal commercial terms, is fair and reasonable and in the interests of the Company and the Shareholders as a whole and, although not in the ordinary and usual course of business of the Company, it is consistent with the long term business strategy of the Company.

5. The Agency Companies Acquisitions

On 11 December 2015, the Group and CSCL Group entered into the Agency Companies SPAs, pursuant to which the Group conditionally agreed to acquire and the CSCL Group conditionally agreed to sell certain equity interest in the Agency Companies for a total consideration of approximately RMB1,140.8970 million, subject to adjustment.

5.1 Principal terms and conditions

Offshore Agency SPAs

Date	:	11 December 2015
Parties:	:	(a) COSCON, COSCON HK and PanAsia as the purchasers; (b) CSHK and CSCL as the sellers.
General nature	:	PanAsia and COSCON HK have conditionally agree to purchase, and CSHK has conditionally agreed to sell, 100% equity interest in each of Universal Shipping and CS Agency, respectively. COSCON has conditionally to purchase, and CSCL has conditionally agreed to sell, its 51% equity interest in Golden Sea Shipping.
Consideration	:	The total consideration for the 100% equity interest in CS Agency is RMB35.6706 million. Such consideration was determined after arm's length negotiations between CSHK and COSCON HK with reference to a number of commercial considerations, including but not limited to the valuation of RMB35.6706 million at the Valuation Date which was determined based on the asset-based approach. The total consideration for the 100% equity interests in Universal Shipping is RMB124.2913 million. Such consideration was determined after arm's length negotiations between CSCL and PanAsia with reference to a number of commercial considerations, including but not limited to the valuation of RMB124.2913 million at the Valuation Date which was determined based on the asset-based approach.

The total consideration for the 51% equity interests in Golden Sea Shipping is RMB71.0360 million. Such consideration was determined after arm's length negotiations between CSCL and COSCON with reference to a number of commercial considerations, including but not limited to the valuation of 51% equity interests in Golden Sea Shipping at an amount of RMB71.0360 million at the Valuation Date which was determined based on the asset-based approach.

In respect of CS Agency and Universal Shipping, the consideration shall be payable in the US$ equivalent amount and the exchange rate shall be determined based on the exchange rate announced by the PBOC as at the Valuation Date, whilst in respect of Golden Sea Shipping, the Consideration shall be payable in RMB.

Conditions precedent : Completion of the Offshore Agency Company Acquisitions shall be conditional upon the satisfaction of, among other things, the following conditions:

(a) resolutions of the shareholders of CSCL and the Shareholders having been passed approving the transactions under the relevant Offshore Agency SPA in accordance with Shanghai Listing Rules and the Listing Rules;

(b) the CSCL Asset Restructuring having received all necessary filings, approvals and consents, and no part of the CSCL Asset Restructuring having been terminated or similar event having occurred;

(c) the China COSCO Asset Restructuring having received all necessary filings, approvals and consents, and no part of the China COSCO Asset Restructuring having been terminated or similar event having occurred;

(d) no material adverse change to the target companies' business, operations, assets and liabilities since the Valuation Date;

(e) each of the warranties made by the purchasers and sellers shall be true and accurate in material respects as of the date of the relevant Offshore Agency SPA and as at the completion date; and

(f) CSHK and CSCL have performed or complied with, in all material respects, all of their undertakings and obligations required to be performed or complied with prior to completion.

The parties to the Offshore Agency SPAs are entitled to, in their absolute discretion, by written notice to the other party, to waive any of the conditions precedents either in whole or in part (except for those as described in (a), (b) and (c) above).

If the first business day on or by which all conditions precedent have been fulfilled (or waived in accordance with the terms of the relevant Offshore Agency SPA) has not occurred on or before the Long Stop Date (or such later date as the parties may agree in writing), the relevant Offshore Agency SPA shall be terminated automatically.

Adjustment to consideration : If, after the filing of the valuation report with the relevant state-owned assets supervision and administration authorities or their authorized bodies, there is any change or adjustment to the valuation, the parties agree to negotiate in good faith to agree on adjustments to the consideration payable by the purchaser at closing and any other consequential amendments to the provisions of the agreement that may be necessary in relation to such change or adjustment to the valuation.

In addition, the amount of net profit incurred by the target companies during the Interim Period (if any) shall be paid in cash by the respective purchaser to respective seller (in the case of Golden Sea Shipping, multiplied by 51%). The amount of net loss incurred by the target companies during the Interim Period (if any) shall be paid in cash by the respective seller to the respective purchaser (in the case of Golden Sea Shipping, multiplied by 51%). The specific amount of profits or losses shall be determined by way of a special closing audit as agreed between both parties within 60 business days of the closing date or otherwise agreed by the parties according to the disclosed financial report or management accounts of the target companies.

The sellers may, on a date that is at least 10 business days prior to the closing date, subject to applicable law, procure the target companies to declare and pay a dividend of an amount no greater than the amount of the retained earnings of the respective target companies as at 30 September 2015, provided that such pre-closing dividend may only be paid once and only be paid from cash held by the respective target company as at 30 September 2015 and shall not be funded by the proceeds from any financial indebtedness incurred after 30 September 2015. In the event of such distribution of dividend, the consideration payable by the relevant purchaser shall be reduced accordingly.

The total maximum dividend which may be declared by the Offshore Agency Companies and which may result in the adjustment of consideration is approximately RMB187 million, being the amount of distributable profits of the Offshore Agency Companies as at 30 September 2015 (in the case of Golden Sea Shipping, multiplied by 51%).

Onshore Agency SPAs

Date	:	11 December 2015
Parties:	:	(a) the Company, COSCON and PanAsia as the purchasers;
		(b) CSHK and CSCL as the sellers.
General nature	:	CSCL conditionally agreed to sell, and the relevant the Company has conditionally agreed to purchase (through their respective designated entities or subsidiaries) the following equity interest in 28 of the Onshore Agency Companies and at the following consideration, which was based on the valuation by the Valuer as at the Valuation Date determined based on the asset-based approach:

No.	**Onshore Agency Company**	**Equity interest**	**Value**	**Consideration**
			approximately RMB'000	*approximately RMB'000*
1	China Shipping Container Lines Dalian Co., Ltd. (中海集裝箱運輸大連有限公司)	100%	36,268.4	36,268.4
2	China Shipping Container Lines Tianjin Company Limited (中海集裝箱運輸天津有限公司)	100%	36,031.3	36,031.3
3	China Shipping Container Lines Qingdao Company Limited (中海集裝箱運輸青島有限公司)	100%	20,242.0	20,242.0
4	China Shipping Container Lines Qingdao Company Limited (中海集裝箱運輸青島有限公司)	100%	147,561.0	147,561.0
5	China Shipping Container Lines Xiamen Co., Ltd. (中海集裝箱運輸廈門有限公司)	100%	23,514.0	23,514.0
6	China Shipping Container Lines Guangzhou Co., Ltd. (中海集裝箱運輸廣州有限公司)	100%	27,447.5	27,447.5
7	China Shipping Container Lines Shenzhen Co., Ltd. (中海集裝箱運輸深圳有限公司)	100%	38,583.9	38,583.9

No.	Onshore Agency Company	Equity interest	Value *approximately* *RMB'000*	Consideration *approximately* *RMB'000*
8	China Shipping Container Lines Hainan Company Limited (中海集裝箱運輸海南有限公司)	100%	23,344.7	23,344.7
9	China Shipping Container Lines Yinkou Company Limited (中海集裝箱運輸營口有限公司)	10%	2,022.1	2,022.1
10	China Shipping Container Lines Qinghuangdao Company Limited (中海集裝箱運輸秦皇島有限公司)	10%	449.1	449.1
11	China Shipping Container Lines Lianyungang Company Limited (連雲港中海集裝箱運輸有限公司)	10%	0	0
12	China Shipping Container Lines Longkou Company Limited (龍口中海集裝箱運輸有限公司)	10%	100.8	100.8
13	China Shipping Container Lines Zhejiang Company Limited (中海集裝箱運輸浙江有限公司)	45%	10,700.4	10,700.4
14	China Shipping Container Lines Jiangsu Company Limited (江蘇中海集裝箱運輸有限公司)	45%	3,499.2	3,499.2
15	China Shipping Container Lines Quanzhou Company Limited (泉州中海集裝箱運輸有限公司)	10%	607.9	607.9
16	China Shipping Container Lines Fuzhou Company Limited (福州中海集裝箱運輸有限公司)	10%	671.1	671.1

No.	Onshore Agency Company	Equity interest	Value	Consideration
			approximately RMB'000	*approximately RMB'000*
17	China Shipping Container Lines Shantou City Company Limited (汕頭市中海集裝箱運輸有限公司)	10%	1,410.7	1,410.7
18	China Shipping Container Lines Zhongshan Company Limited (中山中海集裝箱運輸有限公司)	10%	281.8	281.8
19	China Shipping Container Lines Fangchenggang Company Limited (防城港中海集裝箱運輸有限公司)	10%	1,203.4	1,203.4
20	China Shipping Container Lines Zhanjiang Company Limited (湛江中海集裝箱運輸有限公司)	10%	978.7	978.7
21	China Shipping Container Lines Jiangmeng Company Limited (江門中海集裝箱運輸有限公司)	10%	314.6	314.6
22	China Shipping Container Lines Dongguan City Company Limited (東莞市中海集裝箱運輸有限公司)	10%	315.1	315.1
23	China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. (中海(洋浦)冷藏儲運有限公司)	100%	19,686.8	19,686.8
24	China Shipping Container Lines(Dalian) Data Processing Co., Ltd. (中海集運(大連)信息處理有限公司)	100%	4,872.6	4,872.6
25	Shanghai Puhai Shipping Liners Co., Ltd. (上海浦海航運有限公司)	98.2%	360,529.8	360,529.8
26	Dalian Vanguard International Logistics Co., Ltd. (大連萬捷國際物流有限公司)	50%	52,464.1	52,464.1

No.	Onshore Agency Company	Equity interest	Value *approximately RMB'000*	Consideration *approximately RMB'000*
27	Jinzhou Port Container and Railway Logistics Limited* (錦州港集鐵物流有限公司)	45%	2,331.6	2,331.6
28	Angang Vehicle Transportation Co., Ltd. (鞍鋼汽車運輸有限責任公司)	20.07%	70,241.0	70,241.0

CSHK has conditionally agreed to sell, and COSCON and PanAsia have conditionally agreed to purchase the following equity interest in two of the Onshore Agency Companies and at the following consideration which was based on the valuation by the Valuer as at the Valuation Date determined based on the asset-based approach:

No.	Onshore Agency Company	Equity interest	Value *approximately RMB'000*	Consideration *approximately RMB'000*
1	China Shipping Container Lines Agency (Shenzhen) Co., Ltd. (中海集裝箱運輸代理(深圳)有限公司)	100%	15,174.1	15,174.1
2	Universal Logistics (Shenzhen) Co., Ltd. (深圳中海五洲物流有限公司)	100%	9,051.6	9,051.6

Payment of consideration : The consideration for the equity interest in the Onshore Agency Companies shall be paid in cash within 30 business days upon fulfillment of all the conditions precedent or waived by the parties in writing.

As the valuation is subject to the filing requirements under PRC laws and regulations, the parties agreed that in the event of adjustment to the valuation under the filing procedures, the final consideration will be adjusted according to the adjusted valuation.

Adjustment of Consideration : If CSCL makes a payment or distribution of dividends between the date of the Onshore Agency SPA and the consideration payment date as stated above, the total consideration in relation to the Onshore Agency Acquisitions will be reduced by the same amount accordingly.

The total maximum dividend which may be declared by the Onshore Agency Companies and which may result in the adjustment of consideration is RMB182,329,000, being the amount of distributable profits of the Onshore Agency Companies as at 30 September 2015 multiplied by the relevant percentage thereof which the Group is acquiring.

According to the Onshore Agency SPAs, the seller shall be entitled to any gains, losses or changes in the equity interests in the Onshore Agency Companies during the Interim Period. Such gains, losses or changes in the equity interests shall be settled through cash return between the purchaser and seller.

The specific amount of gains, losses or changes in the equity interests shall be determined by way of a special closing audit as agreed between both parties after 60 days of the closing date or with reference to the published financial information or management accounts of Onshore Agency Companies prepared for the corresponding period.

Conditions precedent : Completion of the Onshore Agency Acquisitions shall be conditional upon the satisfaction of, among others, the following conditions:

(i) all necessary internal review and approval procedures having been completed in accordance with the effective articles of association of all parties under the Onshore Agency SPAs and applicable listing rules (where applicable);

(ii) all approvals from the decision-making bodies of the Onshore Agency Companies and letters of renunciation issued by the other shareholders of these entities (if any) in relation to the pre-emptive right having been obtained;

(iii) no material adverse change having occurred to the business operations, assets, liabilities etc. of the Onshore Agency Companies since the Valuation Date, save as disclosed by CSCL to the Company before the signing of the Onshore Agency SPA;

(iv) no breach of the terms of the Onshore Agency SPAs having occurred and the declarations, representations and warranties therein remaining effective;

(v) all necessary filings, approvals, consents and permits, having been obtained in relation to the China COSCO Asset Restructuring, and no part of these transactions having been terminated, nor is there any similar occurrence;

(vi) all necessary filings, approvals, consents and permits, having been obtained in relation to the CSCL Asset Restructuring, and no part of these transactions having been terminated, nor is there any similar occurrence; and

(vii) the Lease Agreement having been approved at the general meetings of CSCL and the Company and become effective.

The parties shall endeavour to ensure that all the conditions precedent as set out in the Onshore Agency SPA(s) are fulfilled on or before the Long Stop Date. If the conditions precedent are not fulfilled by the Long Stop Date, the parties shall negotiate on the full or partial waiver of any such conditions precedent, delay of completion date or termination of the agreement, and shall endeavour to reach an agreement within the Negotiation Period. If no agreement is reached within the Negotiation Period, the agreement shall be terminated automatically.

The consideration for the Onshore Agency Companies Acquisitions have been determined after arm's length negotiation between the parties with reference to a number of commercial considerations, including but not limited to the appraised value of the Onshore Agency Companies as at the Valuation Date.

Completion date shall occur on the date on which the consideration has been settled in full.

5.2 Information on the Agency Companies

Financial highlight of the Agency Companies

	RMB' million
Total revenue *(Note 1)*	5,829
Profit attributable to equity holders *(Note 2)*	103
Net asset value attributable to equity holders *(Note 3)*	1,079

Note: 1. The amount is calculated based on the sum of revenues of all the Agency Companies for the year ended 31 December 2014.

2. The amount is calculated based on the profit attributable to equity holders of the Agency Companies for the year ended 31 December 2014 which will be directly owned by the Company proportionally to the Company equity interests in the Agency Companies assuming completion of the Agency Companies Acquisitions.

3. The amount is calculated based on the net asset attributable to equity holders of the Agency Companies as at 30 September 2015 which will be directly owned by the Company proportionally to the Company equity interests in the Agency Companies assuming completion of the Agency Companies Acquisitions.

For other details of the information on the respective Agency Companies, please refer to the section headed "General Information" of the Circular.

5.3 Reasons for and benefits of the Agency Companies Acquisitions

With the economic model transition currently under way in China, in order to achieve a healthy and sustainable development, the Company will carry out a business restructuring by which the Company can reach the objective of developing into a stronger, more competitive and more sizeable business. It is noted that the Company and CSCL have many similarities in the container shipping business and also have established long-term cooperation relationship. The container business restructuring involves two separate parts: 1) the Company will lease vessels and containers from CSCL; and 2) the Company will acquire 33 agency companies from CSCL and CSHK.

Through the Leasing Transactions, the Company will be able to optimise its resource allocation in container shipping business, achieve economies of scale, and become a listed specialized container shipping services provider. Through the Agency Companies Acquisitions, CSCL and CSHK shall transfer their entire equity interests in the assets related to container services to the Company, except for the container vessels which will be leased to the Company through the Leasing Transactions. This will further enhance the Company's ability to provide customers with overall container shipping solutions by constantly improving its global network coverage, thus enhancing the Company's overall competitiveness and profitability. The main operations of the container shipping business within the scope of the Agency Companies Acquisitions include shipping agency, sea freight forwarding and fuel supply, which is dependent on and affiliated to the operation of container vessels. This can further maximise the synergy effects to provide the Company with more flexibility to integrate the container shipping business.

We consider that business streamlining and consolidation has become a common practice in the container shipping industry as it can effectively enhance business competiveness. The Directors consider that the Leasing Transactions together with the Agency Companies Acquisitions will further create synergic effects and lead to an increased value generation for the Company and increased shareholder value for the Shareholders after restructuring. As discussed with the management of the Company, the proposed restructuring is expected to achieve a number of objectives and benefits as set out below:

(a) *Raising the Company's market share and position*

Table 3: Market share of China COSCO and CSCL as of six months ended 30 June 2015

Routes	**China COSCO**	**CSCL**	**Combined**
Asia-Europe	6%	6%	12%
Europe	1%	1%	2%
Africa	1%	1%	2%
Asia	8%	7%	15%
Middle East	2%	4%	6%
Oceania	6%	4%	10%
Trans-Pacific	7%	3%	10%
Latin America	2%	1%	3%
Total	**4.4%**	**3.5%**	**7.9%**

Source: Information of the Company and CSCL as of 31 October 2015

As illustrated in Table 3 above, the total market share of the Company on routes across the globe will increase substantially from 4.4% to 7.9% after the absorption of CSCL's existing business. As the acquisition of Agency Companies will streamline the container shipping business of the two groups, it is expected that the Company's shipping routes are likely to be strengthened and the Company's market position in the industry will be significantly improved.

We understand from the management team that containers shipping business consolidation will also lead to market share gains. By seizing a larger global market share in an industry dominated by large global alliances, the Directors are of the view that the transactions will help to narrow the gap between the Company and the world's top shipping companies.

(b) *Expanding the container shipping capacity*

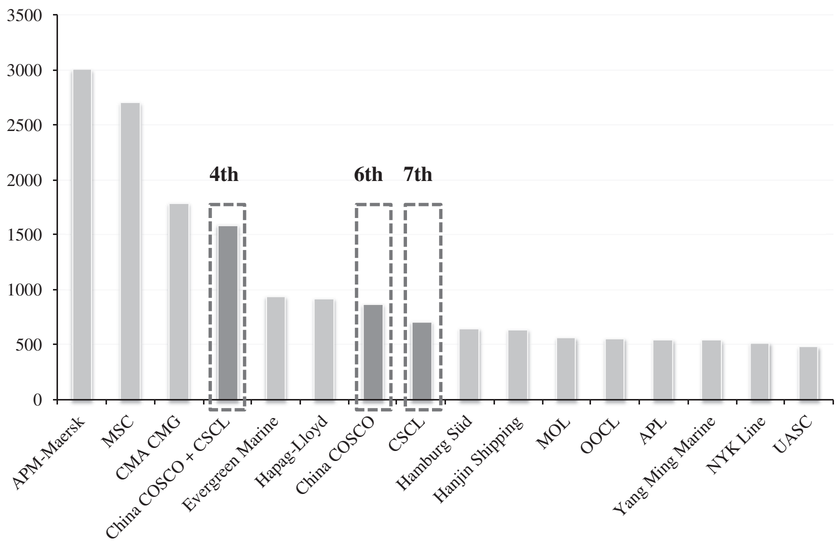
Table 4: Fleet capacity structure prior to and following completion of consolidation

		China COSCO owned	**China COSCO leased**	**CSCL owned**	**CSCL leased**	**Combined**
Above 15,000 TEU	Capacity (TEU)	—	—	94,855	—	**94,855**
	Vessels	—	—	5	—	**5**
10,000-15,000 TEU	Capacity (TEU)	187,416	104,912	172,808	13,470	**478,606**
	Vessels	16	8	14	1	**39**
8,000-10,000 TEU	Capacity (TEU)	—	167,638	44,678	138,374	**350,690**
	Vessels	—	19	5	16	**40**
6,000-8,000 TEU	Capacity (TEU)	—	6,008	—	19,464	**25,472**
	Vessels	—	1	—	3	**4**
4,000-6,000 TEU	Capacity (TEU)	188,982	101,220	158,704	30,457	**479,363**
	Vessels	40	20	35	7	**102**
2,300-4,000 TEU	Capacity (TEU)	23,800	15,031	—	25,106	**63,937**
	Vessels	7	5	—	10	**22**
Below 2,300 TEU	Capacity (TEU)	14,782	63,166	—	12,336	**90,284**
	Vessels	11	55	—	10	**76**
Total (in TEU)	Capacity (TEU)	414,980	457,975	471,045	239,207	**1,583,207**
	Vessels	74	108	59	47	**288**

Source: Information of the Company and CSCL as of 31 October 2015

As illustrated in Table 4 above, as of 31 October 2015, the total capacity of the Company and CSCL for all classes of vessel size will amount to 1,583,207 TEU, representing an increase of approximately 81% as compared to 872,955 TEU for the Company alone. Moreover, the combined fleet size of the Company and CSCL will reach 288 vessels, representing an increase of approximately 58% as compared to 182 vessels for the Company alone. As such, there will be an overall improvement of the enlarged company in terms of general capabilities and its global ranking will be significantly enhanced from 6th to 4th in terms of container shipping capacity as shown in Exhibit 2 below.

Exhibit 2: Top 15 container shipping companies (existing capacity)



Source: Information of the Company and CSCL as of 31 October 2015

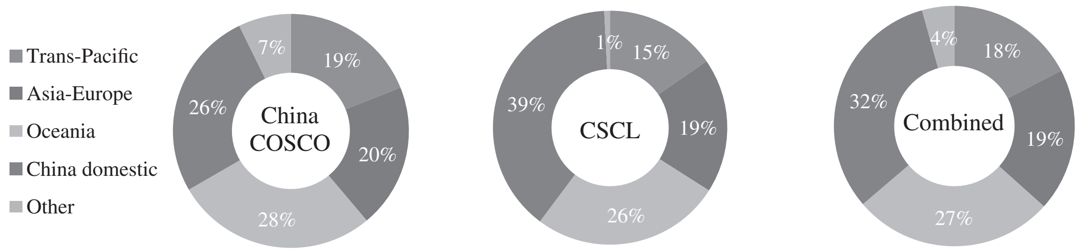
(c) *Enlarging the freight volume of container shipping*

Table 5: Freight volume breakdown by routes for the six months ended 30 June 2015

Unit: TEU	**China COSCO**	**CSCL**	**Combined**
Routes Asia and Europe	951,006	743,647	**1,694,653**
Routes across the Pacific	910,882	614,021	**1,524,903**
Routes between Asia and Pacific	1,334,381	1,045,293	**2,379,674**
Other international routes	348,237	32,190	**380,427**
Domestic routes	1.249,440	1,555,947	**2,805,387**
Total amount	4,793,946	3,991,098	**8,785,044**

Source: Information of the Company and CSCL as of 31 October 2015

Exhibit 3: Freight volume breakdown by routes for the six months ended 30 June 2015



Source: 2015 Interim Report of the Company and 2015 Interim Report of CSCL

As set out in Exhibit 3 above, the combined freight volume of the Company and CSCL across both domestic and international routes will amount to 8,785,044 TEU, representing an increase of approximately 83% compared to 4,793,946 TEU for the Company alone. As such, we anticipate that after the completion of the restructuring, the Company will be more competitive across the various routes leveraging on the enlarged container shipping fleet.

(d) *Generating cost efficiency through economies of scale with low integration risk*

As per our discussion with the management, we understand that the current container shipping businesses of the Company and CSCL are relatively similar, and we expect the integration risk to be low as both groups have expertise focusing on container shipping and have co-operated for many years. The successful implementation of the reorganization will mobilise human resources more effectively when operating container business and, at the same time, will reduce overhead costs by avoiding the duplication of administrative activities related to container vessel fleet operation.

We also note that by achieving economies of scale, the reorganization is generally believed to generate cost efficiency and reduce cost of capital. Upon completion of the restructuring, the operation will achieve a much larger scale and reduce per-TEU cost of fuel and insurance. Therefore, given the fact that the shipping industry is weathering through challenging times, the integration between the Company and CSCL shipping operation is believed to be beneficial to both the companies. With a stronger market presence and greater bargaining power, the reorganization will position the two groups strategically to cope with the challenging industry environment.

(e) *Enhancing shipping network and optimizing routes setting*

As discussed with the management of the Company, the restructuring will create a large and diversified investment platform, with interests in a wide spectrum of container shipping business. The successful implementation of the restructuring will provide the restructured businesses with enhanced financial resources to optimize resource allocation in their shipping businesses, while broadening the spectrum of available investment opportunities on a worldwide basis. In particular, the Company will add more capacity in Southeast Asia, Europe, America and other regional markets, at the same time providing feeder line services to acquire new business and boost revenues. Developing countries' shipping no longer consists solely of raw materials exports to the developed world, but indeed the last decades have seen emerging economies increased participation in global supply chains, which has led to a surge in imports of primary and intermediary products. Therefore, we concur with the management's view that there is a high growth potential in emerging markets and enhancing the shipping network will help to optimize the existing route settings and enlarge the customer base.

In light of the above, we concur with the management of the Company that the restructuring will generate a series of synergies on shipping routes, capacity and on-land operations, by optimizing the existing business model and enhancing the Company's competiveness in both domestic and international container shipping market. As such, we are of the view that the acquisition of Agency Companies is the interests of the Company and the Shareholders as a whole.

5.4 Basis of determination of the consideration of the Agency Companies Acquisitions

As stated in the Circular, the consideration for the Agency Companies Acquisitions have been determined after arm's length negotiation between the parties with reference to a number of commercial considerations, including but not limited to the appraised value of the Agency Companies as at the Valuation Date.

(i) Agency Companies Appraisal Reports

In order to assess the basis of determination of the consideration for the Agency Companies Acquisitions, we have reviewed the Agency Companies Appraisal Reports produced by the Valuer and discussed with the Valuer and the management of the Company. For our due diligence purpose, we have reviewed and enquired the Valuer's qualification and experience in relation to the performance of the valuation. The Valuer is a qualified asset appraisal firm authorised by the Ministry of Finance of the PRC to perform valuation works in the PRC. We have discussed with the Valuer in relation to their experiences and understood that Mr. Jin Dapeng ("Mr. Jin"), the Director of the Valuer, is a registered professional surveyor who has many years of experience in valuing shipping assets in the PRC. Given Mr. Jin has plenty of practical experience in the valuation of shipping assets in the PRC as stated above, we are of the view that he is qualified to provide a reliable valuation for the equity interests of the Agency Companies. We believe that the Valuer has sufficient qualifications and experience in valuing similar assets and transactions for a number of listed companies in the PRC and Hong Kong over the years. We further understand that the Valuer is independent from the Company and the other parties involved in the Agency Companies Acquisitions. In addition, we have also reviewed the terms of the engagement of the valuation and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer. Based on the above, we are of the view that the scope of work of the Valuer is appropriate and the Valuer is qualified for valuing the equity interests of Agency Companies.

As advised by the management of the Company, the Agency Companies are engaged in container ship supporting services which comprises shipping agency, freight forwarding, fuel supply and logistics management. The Valuer believes that the asset-based approach is an appropriate methodology to assess and reflect the value of the underlying assets of the appraised Agency Companies.

We understand from the Valuer that the income approach is also adopted in valuing the Agency Companies. However, the Valuer consider that the income approach focuses heavily on earnings forecast and income projections of the Agency Companies in future years, which involves a high degree of uncertainty. However, by adopting the asset-based approach, since assessments are being conducted on each individual item in the financial statements, the Valuer believes the valuations are more objective and reliable. As such, the appraisal results of the asset-based approach are taken as the final conclusions.

(a) *Valuation methodologies*

The asset-based approach refers to the concept that the earning power of a business is derived primarily from its existing set of assets and liabilities. This approach is based on the economic principle of substitution with the assumption that that each of the elements of assets and liabilities is individually valued and their sum represents the value of the entire business entity. From a valuation perspective, the Valuer will restate the values of all types of assets of a business entity from book values, with appropriate adjustment of historical cost and depreciation in order to estimate the cost of replacing the asset. After the restatement, the Valuer will be able to identify the fair market value of the business entity. In particular, as advised by the Valuer, we noted that the following calculation methods have been considered:

(i) **Current asset**: Based on our preliminary understanding, the items under this category such as other receivables, inventories and other current assets are valued using the audited figures as benchmark and an adjustment factor might be applied based on various analysis such as age of the outstanding debt and the probability of collecting outstanding debts.

(ii) **Financial assets**: We understand that the Valuer took as a reference the average closing price of the last 30 trading days for assets such as listed company's shares. For other financial assets for which market value is not immediately available, the Valuer took audited figures as reference.

(iii) **Long term investments**: The Valuer has implemented various assessment methods to verify the underlying valuation such as verifications on profits forecast provided by the management of each subsidiary. If none of the mentioned methods are applicable, the Valuer would adopt the audited figures as at the valuation date, with valuations determined solely on the basis of existing ownership interests.

(iv) **Fixed assets - properties and buildings**: The Valuer has used current market valuation for the underlying property and buildings when the properties and buildings are located within a market with active transactions. In addition, the following formula was applied for a more accurate valuation outcome:

P = P' x A x B x C x D

P - Valuer's estimates of the assessed value of buildings
P '- Reference transaction price
A - Transactions correction coefficient
B - Transaction date correction coefficient
C - Regional factors correction coefficient
D - Individual factors correction factor

Where the market approach is not applicable due to the lack of transaction record, replacement cost method would have been adopted instead.

(v) **Fixed assets — machinery equipment**: the Valuer has adopted the replacement cost method as there is limited market information and the equipments items are not capable of generating profit independently.

(vi) **Projects under constructions**: We understand that the Valuer has adopted the audited figures with various costs adjustments to exclude unrelated expenses in order to evaluate projects under constructions. In particular, the Valuer has taken into account the actual construction fees payable, upfront payment as well as financing costs.

(vii) **Intangible assets — land use rights**: Land parcel appraisal is carried out in the region where the land use right is located. Based on the actual land conditions and circumstances, the appraisal value is determined by adopting the market approach.

(viii) **Other intangible assets:** As discussed with the Valuer, the market approach has been adopted on the basis of current asset prices available in the market.

(ix) **Long-term prepaid expenses:** As part of the standard assessment procedures, the Valuer has verified the original prepaid amount and the period of amortization based on all financial statements, contracts and relevant documents where available.

(x) **Deferred tax assets:** In the valuation, the Valuer has examined the basis of the provision of deferred tax assets and arrived at the appraised asset value with adjustment of the corresponding corporate income tax rate.

(xi) **Other non-current assets:** the Valuer has conducted a thorough analysis on the relevant accounting documentation in order to evaluate the existence and financial interest of the appraised assets.

(xii) **Liabilities:** the Valuer has adopted the actual debt amount to be borne by the appraised company on the valuation date. For liabilities that will not be borne by the appraised company after the valuation date, the value will be assumed to be zero.

(b) *Assumptions*

We further note that a number of assumptions have been made in arriving at the value of the Agency Companies. As per our discussion with the Valuer and based on Agency Companies Appraisal Reports, the major assumptions applicable to the valuations are as follows:

(i) there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Agency Companies;

(ii) the valuation is based on going concern assumption for the Agency Companies;

(iii) key management will all be retained to support the ongoing operations of the Agency Companies and successfully carry out all necessary activities for development of the business;

(iv) the Agency Companies will comply with the laws and regulations and there will not be non-compliance issues which will materially impact their development and earnings;

(v) there will be no material change in the business strategy, operating structure, principal activities, etc; and

(vi) there is no force majeure or unexpected condition associated with the assets valued that might adversely affect the reported values.

We have reviewed the Agency Companies Appraisal Report and the major assumptions made in valuing the Agency Companies. These assumptions have been evaluated and validated in order to provide a reasonable basis in arriving at the valuation, and we understand that a scenario analysis was also performed to derive the valuation for the agency companies.

(ii) **Comparable Agency Companies**

In order to assess the fairness and reasonableness of the consideration of Agency Companies Acquisitions, we have attempted to identify comparable agency companies (the "Comparable Agency Companies") that (i) are currently listed on the Main Board of the Stock Exchange; and (ii) are primarily engaged in logistic agency business in Hong Kong.

The Comparable Agency Companies have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information.

In our assessment, we have considered P/E and P/B, which are commonly used to assess the financial valuation of a company engaged in shipping agency business. The P/E and P/B analysis of the Comparable Shipping Companies is shown in Table 5 below.

Table 6 - Comparable Agency Companies analysis on P/B and P/E

Company name	**Ticker**	**Market capitalization** *(HK$ million)* *(Note 1)*	**P/B** *(times)* *(Note 2)*	**P/E** *(times)* *(Note 3)*
Sinotrans Limited	598 HK	19,578	1.06	13.12
Kerry Logistics Network Limited	636 HK	18,638	1.24	11.24
SITC International Holdings Company Limited	1308 HK	10,290	1.59	11.00
		Average	1.30	11.79
		Maximum	1.59	13.12
		Minimum	1.06	11.24
Agency Companies *(Note 4)*			1.06	11.05

Source: Stock Exchange, latest financial reports of the Comparable Agency Companies

Note:
1. *The market capitalisations of the Comparable Agency Companies are calculated by multiplying the share price and the number of issued shares of the respective companies as at the Latest Practicable Date.*
2. *The P/Bs of the Comparable Agency Companies are calculated by dividing their market capitalization by the NAV attributable to the equity holders of the respective companies according to their latest financial reports.*
3. *The P/Es of the Comparable Agency Companies were calculated by dividing their market capitalization by the profit attributable to the equity holders according to their latest annual reports.*
4. *The implied P/B of Agency Companies is calculated by dividing the total consideration of the Agency Companies Acquisitions by the sum of respective shares of NAV attributable to the equity holders of Agency Companies as at 30 September 2015 which will be directly owned by the Company, proportionally to the Company's equity interests in the Agency Companies assuming completion of the Agency Companies Acquisition. The implied P/E of Agency Companies is calculated by dividing the total consideration of the Agency Companies Acquisitions by the sum of respective profit attributable to the equity holders of Agency Companies for the year ended 31 December 2014 which will be directly owned by the Company proportionally to the Company's equity interests in the Agency Companies assuming completion of the Agency Companies Acquisition.*

As illustrated above, the P/Bs of the Comparable Agency Companies range from approximately 1.06 times to approximately 1.59 times (the "Comparable Agency P/B Range"), with an average of approximately 1.30 times (the "Average Comparable Agency Companies P/B").

Further, the P/Es of the Comparable Agency Companies range from approximately 11.24 times to approximately 13.12 times (the "Comparable Agency Companies P/E Range"), with an average of approximately 11.79 times (the "Average Comparable Agency Companies P/E").

We note that the implied P/B and P/E of Agency Companies are 1.06 and 11.05 times, respectively. The Agency Companies P/B is lower than the Average Comparable Agency Companies P/B and within the Comparable Agency Companies P/B Range and the Agency Companies P/E is lower than the Average Comparable Agency Companies P/E and also within the Comparable Agency Companies P/E Range. As such, we are of the view that the Agency Companies Acquisition Consideration is fair and reasonable in this regard.

(iii) **Comparable Agency Companies Transactions**

In order to assess the fairness and reasonableness of the consideration of the Agency Companies Acquisitions, to the best of our endeavour, we have reviewed transactions announced by companies over the past two years which involved acquisition of Agency Companies (the "Comparable Agency Companies Transactions"). We consider that two years is a reasonable period as transactions announced in earlier periods were performed in a different market environment and hence might have a different pricing basis.

The Comparable Agency Companies Transactions are selected exhaustively based on the above criteria, which have been identified, to our best endeavour, in our research through public information.

In our assessment, we have considered P/B and P/E as our benchmarks as set out in Table 7 below.

Table 7 - Comparable Agency Companies Transactions analysis

Announcement date	**Acquirer**	**Target company**	**Transaction size**	**P/B** *(times)* *(Note 1)*	**P/E** *(times)* *(Note 2)*
11-Nov-14	Matson Inc	Matson Alaska Inc	US$ 557.09 million	NA *(Note 3)*	NA *(Note 4)*
25-Nov-14	Clarkson Plc	RS Platou ASA	281.20 million British Pounds	1.68	16.35
9-Oct-15	DSV A/S	UTi Worldwide Inc	US$ 1,070.35 million	1.57	NA *(Note 4)*
			Average	1.63	16.35
			Maximum	1.68	
			Minimum	1.57	
Agency Companies				1.06	11.05

Source: Stock Exchange, Bloomberg, respective announcements or circulars

Note: 1. The P/Bs of the Comparable Agency Companies Transactions are calculated by dividing the consideration by the latest NAV of the respective assets.

2. The P/Es of the Comparable Agency Companies Transactions are calculated by dividing the consideration by the profit attributable to the equity holders according to their latest annual reports.

3. The P/B of the acquisition of Matson Alaska Inc is not applicable in this case since the latest NAV was negative.

4. Matson Alaska Inc and UTi Worldwide Inc had recorded net losses in FY2014, therefore P/E is not representative and should not be used.

As illustrated above, the P/Bs of the Comparable Agency Companies Transactions range from approximately 1.57 times to approximately 1.68 times (the "Comparable Agency Companies Transactions P/B Range"), with an average of approximately 1.63 times (the "Average Comparable Agency Companies Transactions P/B"). Further, the P/E of the Comparable Agency Companies Transaction is approximately 16.35 times (the "Comparable Agency Companies Transaction P/E").

We note that the implied P/B of Agency Companies Transactions of 1.06 times is lower than the Average Comparable Agency Companies Transactions P/B and within the Comparable Agency Companies Transactions P/B Range. In addition, the implied P/E of Agency Companies Transactions of 11.05 times is lower than the Comparable Agency Companies Transaction P/E. As such, we are of the view that the consideration of Agency Companies Transactions is fair and reasonable is this regard.

Taking into account (i) the business nature, industry and financial condition of the Agency Companies; (ii) the Agency Companies Appraisal Report; (iii) the major assumptions made in connection with the asset-based approach are reasonable; (iv) the Valuer being a qualified independent third party to conduct valuation for businesses in the same industry; and (v) the consideration of the Agency Companies Acquisitions being fair and reasonable as compared to the Comparable Agency Companies and Comparable Agency Companies Transactions, we are of the view that the Agency Company Acquisitions are entered into in the ordinary and usual course of business of the Company, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. The Terminal Acquisition

The CSPD SPA

The Board announced that on 11 December 2015, COSCO Pacific, CSCL and CS Hong Kong entered into the CSPD SPA, pursuant to which CSCL and CS Hong Kong have conditionally agreed to sell, and COSCO Pacific has conditionally agreed to purchase, the CSPD Shares. Upon completion of the Terminal Acquisition, CSPD will become a wholly-owned subsidiary of COSCO Pacific and therefore a non-wholly owned subsidiary of the Company.

6.1 Principal terms and conditions of the CSPD SPA

Date	:	11 December 2015
Parties	:	(a) COSCO Pacific (a non-wholly owned subsidiary of the Company) as the purchaser (b) CSCL and CS Hong Kong as the sellers
General nature of the Terminal Acquisition	:	CSCL and CS Hong Kong have conditionally agreed to sell, and the Company has conditionally agreed to purchase, the CSPD Shares in accordance with the terms of the CSPD SPA
Consideration and payment terms	:	The initial consideration for the CSPD Shares shall be RMB7,632,455,300 (the “Initial Price”).

The Initial Price will be subject to the certain adjustments prior to completion of the Terminal Acquisition. The price payable by the Company for the CSPD Shares at completion of the Terminal Acquisition (the “Closing Price”) will be an amount equal to:

(i) the Initial Price;

(ii) minus the RMB equivalent of an amount equal to the Pre-Closing Dividend;

(iii) if the Damietta Sale is completed on or prior to the completion of the Terminal Acquisition:

(a) *minus* an amount equal to RMB216,989,700; and

(b) *plus* the RMB equivalent of an amount equal to the Net Damietta Proceeds; and

(iv) if the Damietta Sale is not completed on or prior to the completion of the Terminal Acquisition, *minus* an amount equal to RMB216,989,700.

The distributable profits of CSPD as at 30 September 2015 were approximately HK$663.8 million, which is the maximum Pre-Closing Dividend which may be declared by CSPD.

The final consideration will be determined after completion of the Terminal Acquisition by reference to customary completion accounts adjustments based on the difference in net asset value of CSPD as at 30 September 2015 and as at the Completion Accounts Date. The Terminal Acquisition will be financed by internal resources and bank borrowings.

If after the filing with competent authorities of the valuation report by the Valuer in respect of CSPD, there is any change or adjustment to the valuation of CSPD, the parties to the CSPD SPA agree to negotiate in good faith to agree on adjustments to the Closing Price that may be necessary in relation to such change or adjustment to the valuation.

The consideration for the Terminal Acquisition was determined based on normal commercial terms after arm's length negotiations between the parties to the CSPD SPA, by reference to the valuation report issued by the Valuer with the valuation, which was prepared using the asset approach.

Conditions precedent : Completion of the Terminal Acquisition is conditional upon the satisfaction of, among other things, the following conditions:

(a) the approval by the independent shareholders of COSCO Pacific in respect of the Terminal Acquisition;

(b) the approval by the shareholders of CSCL and CS Hong Kong in respect of the Terminal Acquisition;

(c) the approval by the independent shareholders of the Company in respect of the Terminal Acquisition;

(d) all necessary third party consents and regulatory approvals required in relation to the Terminal Acquisition shall have been granted;

(e) the representations and warranties given by each of CSCL and CS Hong Kong and COSCO Pacific respectively being true and accurate as at completion of the Terminal Acquisition;

(f) approval from the Anti-Monopoly Bureau of the Ministry of Commerce of the PRC in connection with the Terminal Acquisition (and the fulfilment of any conditions subject to which such approval is given);

(g) consents of, and notifications to, third parties required for the Acquisition;

(h) compliance by CSCL and CS Hong Kong, in all material respects, their respective obligations under the CSPD SPA which are required to be complied with prior to completion of the Terminal Acquisition;

(i) all regulatory approvals and shareholders' approvals (if any) in respect of the Florens Disposal in accordance with the FCHL SPA; and

		(j) all regulatory approvals and shareholders' approvals (if any) in respect of the transactions contemplated under each of the CP Agreements in accordance with its terms.
Non-compete:		CSCL and CS Hong Kong have agreed that they will not, and have agreed to procure that their respective groups will not, on or before the second anniversary of the completion of the Terminal Acquisition, engage in, or be directly or indirectly interested in any entity that engages in, the business of management and operation of terminals or ports. However, such restrictions shall not prohibit them from continuing to hold their existing interests as at the date of the CSPD SPA in any entity that engages in the business of management and operation of terminals or ports (other than CSPD and the interests held by CSPD). Such existing interests are interests in (i) No. 25, 28 and 30 terminals in Port of Seattle (in which CSPD has an interest), (ii) Berth's 100-102 terminals and Berth's 121-126 terminals in the Port of Los Angeles, (iii) Yantai Port (in which CSPD also has an interest), (iv) Qinhuangdao Port Co., Ltd., which holds 55% interest in Qinhuangdao New Harbour that has the right to operate Qinhuangdao New Harbour Container Yard, Qinhuangdao New Harbour No. 24 and No. 25 Terminals (in which CSPD also has an interest), (v) Penglai Ferry Terminal and (vi) Yantai Port Tong San Terminal (in which CSPD also has an interest).
Completion	:	Under the CSPD SPA, completion of the Terminal Acquisition shall take place on the 30th business day after the conditions precedent to the CSPD SPA have been fulfilled or waived (or such other time as the parties to the CSPD SPA may mutually agree). If the conditions precedent under the CSPD SPA are not fulfilled or waived on or before the Long Stop Date (or such later date as the parties may agree), the CSPD SPA shall automatically terminate (other than in respect of the certain surviving provisions therein). Upon completion of the Terminal Acquisition, COSCO Pacific will hold 100% of the issued shares in CSPD. It is currently expected that completion of the Terminal Acquisition will take place on the same day as completion of the Florens Disposal.

Conditional Special Cash Dividend

As disclosed in the announcement of COSCO Pacific dated 23 December 2015, the board of directors of COSCO Pacific has declared a conditional special cash dividend of HK80 cents per Share (the "Conditional Special Cash Dividend"). Payment of the Conditional Special Cash Dividend is conditional on (a) the independent shareholders of COSCO Pacific passing the resolution approving the Terminal Acquisition and the Florens Disposal at the COSCO Pacific SGM; and (b) the completion of the Terminal Acquisition and the Florens Disposal in accordance with the provisions of the CSPD SPA and the FCHL SPA.

If the above conditions are fulfilled, the Conditional Special Cash Dividend will be payable to all shareholders of COSCO Pacific whose names appear on the register of members of COSCO Paicific on a record date that will be determined by the board of directors of COSCO Pacific and announced after the COSCO Pacific SGM and before the completion of the Terminal Acquisition and the Florens Disposal.

If the resolution approving the Terminal Acquisition and the Florens Disposal is not passed by the independent shareholders of COSCO Pacific at the COSCO Pacific SGM or if the Terminal Acquisition and the Florens Disposal do not complete in accordance with the provisions of the CSPD SPA and the FCHL SPA for any reason, the Conditional Special Cash Dividend will not be paid to the shareholders of COSCO Pacific.

As at the Latest Practicable Date, the Company, through its wholly-owned subsidiaries China COSCO (Hong Kong) Limited and COSCO Investments Limited, held in aggregate 1,329,899,469 shares in COSCO Pacific (representing approximately 44.83% of the total issued share capital of COSCO Pacific). In the event of the payment of the Conditional Special Cash Dividend and assuming no change in the number of shares held by the Company up to the record date, the Company would be entitled to approximately HK$1,035,364,890 in special cash dividend from COSCO Pacific.

6.2 Information on COSCO Pacific and CSPD

COSCO Pacific

COSCO Pacific is principally engaged in the businesses of managing and operating terminals, container leasing, management and sale, and related businesses.

With reference to the 2014 Annual Report of COSCO Pacific, COSCO Pacific had terminal coverage of 17 ports, 25 terminal companies and 54,750,000 TEU annual handling capacity in the PRC and 4 ports, 4 terminal companies and 11,000,000 TEU annual handling capacity overseas as of 31 December 2014. Moreover, COSCO Pacific operated 237 container depots with container fleet capacity of 1,907,778 TEU in 2014 representing approximately 9.3% of the global total throughput market share.

Set out below is the financial highlight of COSCO Pacific's consolidated financial statements in accordance with HKFRS:

Financial highlights of COSCO Pacific

	For the year ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	(US$ million)	*(US$ million)*	*(US$ million)*	*(US$ million)*	*(US$ million)*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Revenue					
Terminals	402.2	455.1	517.0	258.1	245.0
Container leasing, management, sale and related businesses	336.2	347.7	357.1	184.1	159.7
Elimination of inter-segment	(2.9)	(4.2)	(4.0)	(2)	(2.3)
Sub-Total	735.5	798.6	870.1	440.2	402.4
Profit attributable to equity holders of COSCO Pacific *(Note 1)*	342.2	702.7	292.8	146.8	164.4
Cash and cash equivalents	848.4	1,237.4	1,116.3	929.2	1,052.9
Total assets	7,363.9	7,551.3	7,616.7	7,685.2	7,701.0

Note:

1. *On 20 May 2013, the Group announced the disposal of its 21.8% equity interest in China International Marine Containers (Group) Co., Ltd. for a cash consideration of US$1,219,789,000, which was completed on 27 June 2013, resulting in a one-off net gain of US$393,411,000 in 2013, the Group's share of profit from CIMC was US$23,059,000.*

As shown in the table above, COSCO Pacific recorded revenue of approximately US$870.1 million in FY2014, representing an increase of approximately US$71.5 million or 9.0% as compared to approximately US$798.6 in FY2013. Profit attributable to equity holders of COSCO Pacific amounted to approximately US$292.8 million in FY2014, representing an increase of approximately US$6.6 million or 2.3% as compared to profit attributable to equity holders of COSCO Pacific of approximately US$286.2 million in FY2013 (excluding the one-off gains in FY2013). The increase in revenue in FY2014 was mainly due to the optimisation of operations efficiency and volume growth. In 2014, equity throughput rose by 10.8% to 19,047,214 TEU (2013: 17,196,297 TEU). As noted from the table above, the terminals business has been the largest revenue and profit contributor of COSCO Pacific and contributed approximately 59.4% and 75.5% of the Group's revenue and net profit respectively in 2014. We also noted that total container throughput continued to demonstrate stable and strong growth in the last two financial years. In FY2014, cash and cash equivalents of COSCO Pacific decreased slightly from approximately US$1,237.4 million in FY2013 to approximately

US$1,116.3 million in FY2014. The decrease in cash was mainly due to cash outflow from investing activities and financing activities. In contrast, total assets increased from approximately US$7,551.3 million in FY2013 to approximately US$7,616.7 million in FY2014 mainly due to addition of loans to joint ventures.

In 1H2015, revenue of COSCO Pacific decreased by approximately 8.6% from approximately US$440.2 million in 1H2014 to approximately US$402.4 million. However, profit attributable to equity holders of COSCO Pacific increased by 12.0% from approximately US$146.8 million in 1H2014 to approximately US$164.4 million in 1H2015. We note that the fall in revenue was mainly attributable to the drop in revenues at the Piraeus Terminal in Greece, due to the deteriorating market conditions of the Greek economy. Taking also into account the depreciating Euro, the revenue of Piraeus Terminal for the 1H2015 was equivalent to US$78,393,000 (corresponding period of 2014: US$91,459,000), a 14.3% decrease compared with the corresponding period of 2014. Despite the drop in revenue, the terminals business for 1H2015 has maintained its volume growth, with the throughput of container terminal reaching 33,831,834 TEU (2014: 32,481,568 TEU) an increase of 11.1% compared with 1H2014. On the other hand, equity throughput rose to 9,462,720 TEU (corresponding period of 2014: 9,285,396 TEU), a 1.9% increase compared with the corresponding period of last year.

In addition, the unfavourable market condition has caused the container leasing, management and sale business to further suffer from the drop in lease rates and selling prices for aged containers. As far as the container business is concerned, it is expected that the container leasing business will still remain under pressure due to subdued demand. Notably, revenue of this sub-sector has recorded a decrease in revenue from US$184.1 million to US$159.7 million (a decrease of 13.3%).

Despite the slight drop in revenue, profit attributable to equity holders of the COSCO Pacific has increased as a result of the continued improvement in operation efficiency, leading to lower operating expenses. Furthermore, the increase in other operating income has also contributed to the increase in profit attributable to equity holders of the Company.

CSPD

CSPD is an investment holding company which holds investments in various port and port-related companies. The companies held by CSPD operate container terminals in various jurisdictions (including Hong Kong, Taiwan, Zeebrugge (Belgium), Seattle (the USA) and the PRC and mainly provide loading, storage and maintenance services.

Set out below is the financial highlight of CSPD's consolidated financial statements in accordance with HKFRS:

Financial highlights of CSPD

	For the year ended 31 December			For the nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	(HK$ '000)	*(HK$ '000)*	*(HK$ '000)*	*(HK$ '000)*	*(HK$ '000)*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Audited)*
Revenue	717,825	689,055	473,008	352,764	366,900
Profit attributable to equity holders of CSPD	114,802	292,614	152,559	70,618	316,044
Total equity	4,598,032	4,353,334	8,373,095	N/A[1]	8,419,053

Note:

1. N/A refers to not available.

As disclosed in CSCL's circular dated 27 November 2013, CSCL acquired a 49% shareholding in CSPD by way of subscription of shares at the consideration of RMB3,423,060,400, which was satisfied by the disposal to CSPD by CSCL of its 100% equity interest in China Shipping Terminal Development Co., Ltd. (中海碼頭發展有限公司, "CSTD", a limited liability company incorporated in the PRC and currently a wholly-owned subsidiary of CSPD).

In July 2001, CSHK subscribed for 2,000,000 shares in CSPD for a total subscription price of HK$2,000,000, which amounted to 20% of the shares in CSPD. In August 2005, CSHK acquired the remaining 80% shareholding in CSPD from CSTD for a consideration of HK$8,000,000, pursuant to which CSPD became a wholly owned subsidiary of CS Hong Kong. In March 2007, CS Hong Kong further subscribed for 224,000,000 shares in CSPD for a total subscription price of HK$224,000,000. In June 2014, CS Hong Kong further subscribed for 2,662,566,789 shares in CSPD for a total subscription price of HK$4,100,352,855 and CSCL subscribed for new shares in CSPD at the consideration of RMB3,423,060,400, as a result of which CSPD became an entity held by CS Hong Kong and CSCL as to 51% and 49% of its capital respectively.

As shown in the table above, CSPD recorded revenue of approximately HK$473.0 million in FY2014, representing a decrease of approximately HK$216.1 million or 31.4% as compared to approximately HK$689.1 in FY2013. Profit attributable to equity holders of CSPD amounted to approximately HK$152.6 million in FY2014, representing a decrease of approximately HK$140.0 million or 47.9% as compared to profit attributable to equity holders of CSPD of approximately HK$292.6 million in FY2013. In addition, CSPD's total equity increased from approximately HK$4,353.3 million as at 31 December 2013 to approximately HK$8,373.1 million as at 31 December 2014, representing an increase of approximately 92.3%. The significant increase in total equity was mainly contributed by the capital injection of approximately HK$4,100.4 million by CSHK in June 2014.

For the nine months ended 30 September 2015, revenue of CSPD increased by approximately 4.0% from approximately HK$352.8 million for the nine months ended 30 September 2014 to approximately HK$366.9 million. However, profit attributable to equity holders of CSPD increased by approximately 347.6% from approximately HK$70.6 million for the nine months ended 30 September 2014 to approximately HK$316.0 million for the nine months ended 30 September 2015. We note that the significant increase in profit attributable to equity holders of CSPD is primarily due to the increase in share of profits of associates from approximately HK$1.9 million for the nine months ended 30 September 2014 to approximately HK$150.2 million for the same period in 2015, which we understand was mostly attributable to the contribution of CSPD's 20% interests in Shanghai Mingdong Container Terminals Limited. In addition, total equity increased by 0.5% from HK$8,373.1 million as at 30 September 2014 to approximately HK$8,419.1 million as at 30 September 2015.

6.3 Reasons for and benefits of the Terminal Acquisition

Global economic growth continues to be subdued, at an expected rate of less than 3% in 2015, the weakest growth since 2009 according to OECD. Meanwhile, the global trade is expected to grow by 2% in 2015. Over the past five decades, there have been only five other years in which trade growth has been 2% or less, all of which coincided with a marked downturn of global growth. Whilst gradual improvement is expected, it hinges on the continuation of supportive macroeconomic policies, a pick-up in investment, continued low commodity prices and a steady improvement in labor market conditions in the advanced economies.

Navigating the New Normal

To cope with the aforementioned global economic conditions, China is moving decisively to a "new normal", a development model based on the notion of higher quality growth. This model embodies a focus on structural changes that can deliver a more sustainable but slower economic growth. In support of this new model, the PRC government continues to advance "reforms" in order to facilitate economic transition and support social development. The "new normal" does not only apply to the overall economy, but it also depicts a new age for the port terminal industry.

Despite a relatively stable growth in the PRC port throughput, the continued weakness of container freight rates and the significant imbalances of supply and demand in the dry bulk industry are likely to negatively affect the outlook of the PRC port terminal industry. As such, we are of the view that the Terminal Acquisition is beneficial to the Independent Shareholder as the Terminal Acquisition allows the Company to be more competitive when facing the challenging market conditions by consolidating existing terminals businesses.

SOE reform

The Terminal Acquisition forms parts of the China COSCO Asset Restructuring and the CSCL Asset Restructuring, being a reform of PRC SOEs. Such reform is intended to enhance the competitiveness of the SOEs in the global market by creating synergies for and improving the operating efficiency of SOEs in different positions on the same value chain. Under the China COSCO

Asset Restructuring and the CSCL Asset Restructuring, businesses of the COSCO Group and the China Shipping Group will be reorganised such that container shipping, terminal operation and financial services will become the respective core businesses of the Group, the COSCO Pacific Group and the China Shipping Group.

In light of the potential increase in operating efficiency and enhanced competitiveness, we are of the view that the terminal Acquisition will be in favour to the Independent Shareholders.

Focus on terminals business

As noted from the "Letter from the Board" contained in the Circular and the discussion with the management of the Company, it is understood that COSCO Pacific has diversified into terminals business since 1995. Ever since the entering into the terminals business, COSCO Pacific has continued to expand and grow in this sector. It can also be noted from the "Letter from the Board" that the terminals business profit contribution has continued to grow over time, as a result of a sustainable and stable business outlook. In light of the evidence of the growing profit contribution and the future business prospect as informed by the management of the Company, we concur with their view that the focus on the terminals business is in the interest of the Company and the Independent Shareholders.

Port terminal platform consolidation

As at the Latest Practicable Date, the Company's terminal portfolio operates 123 berths in 17 port clusters in Mainland China, Hong Kong and Taiwan and 4 other overseas port hubs. Out of the total 123 berths, 108 are container berths with an annual handling capacity of 65,750,000 TEU, representing approximately 9.3% global market share in terms of total container throughput. Further to the discussion with the management of the Company, we understand that the Company expects to achieve the followings operational synergies through the Terminal Acquisition and port terminal consolidation is in the Company and Independent Shareholders' interests by achieving the followings:

(i) ***Strengthen a leading position***

With reference to the "Letter from the Board" contained in the Circular, the Terminal Acquisition is expected to bring together the management expertise of CSPD and COSCO Pacific Group to improve the operational efficiency. The enlarged terminal portfolio allows COSCO Pacific Group to become well-positioned to expand and optimise its terminals network by "Going Global" and to make new investments in the future with a view to further strengthening its global competitiveness. In particular, the enlarged terminal portfolio is expected to have a larger market share and a more balanced geographic coverage which also equips the COSCO Pacific to sufficiently serve.

(ii) ***Enlarged terminal portfolio***

According to the "Letter from the Board" contained in the Circular, COSCO Pacific will become interested in a larger terminal portfolio through the Terminal Acquisition. On a pro-forma basis, the combined annual designed handling capacity of the COSCO Pacific Group and the CSPD Group would have been 103.8 million TEU in 2014, which is 33.2% higher than the annual designed handling capacity of the Group in 2014. Similarly, on a pro-forma basis, the total throughput of the Group and the CSPD Group would have been 78.7 million TEU in 2014, which is 16.8% higher than the total throughput of the COSCO Pacific Group in 2014. Lastly, on a pro-forma basis, the equity throughput of the COSCO Pacific Group and the CSPD Group would have been 24.3 million TEU in 2014, which is 27.8% higher than the total equity throughput of the COSCO Pacific Group in 2014.

(iii) ***Greater market share***

As discussed with the management of the Company, the Restructuring will allow COSCO Pacific to be the world's largest container terminal operator with a total global market share of approximately 10.3%, up 2.6%. For total throughput, COSCO Pacific would have ranked 2nd in the world's container terminal market in 2014, post the Terminal Acquisition, with market share increasing from 9.9% to 11.6% in terms of total throughput. Meanwhile its global market share in terms of equity throughput would increase from 2.8% to 3.6%, the 6th largest globally.

(iv) ***Synergies potential***

We understand from the discussion with the management of the Company that the restructuring of the container shipping business of China COSCO and China Shipping is expected to generate operational synergies between the COSCO's container shipping business and its enlarged terminal business. In particular, (i) unused containers can be transferred to other terminals to improve the throughput rate; (ii) the addition of ports and berths provides COSCO Pacific with a more competitive terminal portfolio, allowing the integration of adjacent terminals in large-scale hub ports; (iii) capabilities in handling potential future new routes tailored to the integrated terminal portfolio can be enhanced; and (iv) increase in operating efficiency such as resources coordination can be arranged by a single management team.

In light of the above, we concur with the management's view that the enlarged terminal operations should benefit from the increased operational size of COSCON container shipping business, with improved terminal efficiency of the port operations and better utilisation of the handling capacity.

(v) ***Further strengthened dominant position in Greater China***

As discussed with the management of the Company, we note that Greater China is the major geographical focus to COSCO Pacific and the Terminal Acquisition is expected to strengthen its geographical coverage and expand its presence to most Greater China port areas. According to the "Letter from the Board" contained in the Circular, the Terminal Acquisition is expected to enhance coverage in five port areas in China with its total throughput in Greater China increasing by 19.1% from 56.6 million TEU to 67.4 million TEU in 2014. On the basis of total throughput in 2014, the Terminal Acquisition would increase the market share of the COSCO Pacific Group in Greater China from 27.0% to 32.2%. Greater China remains the key focus for the enlarged COSCO Pacific Group. 85.7% of the pro-forma total throughput of the COSCO Pacific Group and the CSPD Group and 84.0% of the total throughput of the COSCO Pacific Group was attributable to Greater China in 2014.

We are of the view that the Terminal Acquisition will contribute to the increase in competitiveness of the Company's port terminals business and facilitate its overseas expansion by further consolidating the market share and securing the dominate position in Greater China. In addition, it also enhances the ability to identify and secure overseas development and acquisition opportunities in the future.

In line with corporate strategy

The Company, through its interests in COSCO Pacific, has historically grown its business through a combination of container leasing and terminal operation businesses, which has helped to establish its leading position in both business segments. Whilst recognizing the stable cash flow and net profit contribution from the container leasing business, the Company is committed to become a focused terminal operator and to focus on its strength to develop a competitive terminal platform. The Company's development strategy has the following strategic priorities:

(i) ***Sustainable growth strategy***

In recent years, containership operators have shifted a large portion of their fleet capacity toward large-scale vessels. In order to cope with the transformation of the shipping industry, the Terminal Acquisition is imperative to further strengthen the volume, handling capacity, utilization and profitability of the Company's terminals business to achieve sustainable growth and develop a comprehensive global container hub ports network, able to cope with the global trend of mega-vessels and the necessity to leverage its parents hub strategy.

(ii) ***Enhance profitability and create value to shareholders***

We noted that the Company intends to optimise its port terminal operation and management to improve the profitability of its port assets, to identify attractive investment opportunities to increase return on its ports, and to create value to shareholders by leveraging economies of scale.

(iii) ***Accelerate its overseas expansion strategy***

In light of the discussion above headed *"Capture overseas growth opportunities, particularly leveraging on the "One Belt, One Road" initiative"*, it is the Company's priority to seize the opportunity to accelerate investments in overseas terminals and expand its overseas terminal network.

(iv) ***Capture overseas growth opportunities, particularly leveraging on the "One Belt, One Road" initiative***

According to our discussion with the management of the Company, one of the key corporate strategies would be to capture the overseas growth opportunities by leveraging on the "One Belt, One Road" infrastructure projects, which are expected to gradually increase the overall demand in handling capacity and throughput rate from the expected increase in trading from the planned network that will link China's port facilities with the African coast and will open up routes through the Suez Canal into the Mediterranean.

In light of the above reasons, the Terminal Acquisition is expected to: a) enable the Company to consolidate its leadings positing in the terminals business through COSCO Pacific, which is also in line with the PRC government's objective to enhance the competitiveness of national industry leaders through SOE reforms; b) facilitate the creation of a larger port terminal platform, with significant operational improvement potential; c) be in line with the Company's strategy in relation to the terminals business, and as such, we are of the view that the Terminal Acquisition further enhances the Company's ability to catch the opportunity for further business growth in the terminals business and it is in favour of the Independent Shareholders.

6.4 Basis of determining the consideration of Terminal Acquisition

(a) **CSPD Appraisal Report**

As stated in the Circular, the total consideration for the Terminal Acquisition of RMB7,632.4553 million was determined by the Valuer with reference to the valuation assessment of 100% equity interest of CSPD as at 30 September 2015.

In order to assess the methodology adopted to determine the consideration for the Terminal Acquisition, we have reviewed the CSPD Appraisal Report produced by the Valuer and discussed with the Valuer and the management of the Company. For our due diligence purpose, we have reviewed and enquired the Valuer's qualification and experience in relation to the performance of the valuation. The Valuer is a qualified asset appraisal firm authorised by the Ministry of Finance of the PRC to perform valuation works in the PRC. We have discussed with the Valuer in relation to their experiences and understood that Mr. Jin Dapeng ("Mr. Jin"), the Director of the Valuer, is a registered professional surveyor who has many years of experience in valuing shipping assets in the PRC. Given Mr. Jin has plenty of practical experience in the valuation of shipping assets in the PRC as stated above, we are of the view that he is qualified to provide a reliable valuation for the equity interests of CSPD. We believe that the Valuer has sufficient qualifications and experience in valuing similar assets and transactions for a number of listed companies in the PRC and Hong Kong over the years. We further understand that the Valuer is independent from the Company and the other parties involved in the

Terminal Acquisitions. In addition, we have also reviewed the terms of the engagement of the valuation and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer. Based on the above, we are of the view that the scope of work of the Valuer is appropriate and the Valuer is qualified for valuing the equity interests of CSPD.

Valuation methodologies

We have reviewed the CSPD Appraisal Report prepared by the Valuer and discussed with the Valuer and the management of the Company in relation to their approach and methodologies in arriving at the Headline Price. Notably, we understand, from the discussion, that the Valuer have adopted the asset-based approach in valuing the 100% equity interest of CSPD as at 30 September 2015. The Valuer defined the asset-based approach as a valuation method whereby asset and liabilities are valued at book value, market value or replacement value depending on the asset or liabilities category, as further elaborated below. CSPD mainly operates port container terminal and multi-purpose port terminal via investment in associates or in form of joint ventures, while CSPD itself does not directly carry out the aforementioned business activities. Therefore, the Valuer has chosen to apply the asset-based approach for the appraisal of CSPD.

Furthermore, we noted that the following major assumptions and approaches were taken based on the preliminary discussion with the Valuer:

(a) **Current asset**: based on preliminary understanding, the items under this category such as other receivables, inventories and other current assets are valued using the audited figures as benchmark and an adjustment factor might be applied based on various analysis such as age of the outstanding debt and the probability of collecting outstanding debts.

(b) **Financial assets**: we understand that the Valuer took as a reference the average closing price of the last 30 trading day for assets such as listed company's shares. For the other financial assets, for which market value is not immediately available, the Valuer took the audited figures as reference.

(c) **Long term investments**: the Valuer has implemented various methods to verify the underlying valuation such as verifications of profits forecast provided by the management of each subsidiary. If no profit information was available, the Valuer has resorted to adopt the audited figure.

(d) **Fixed assets - properties and buildings**: the Valuer has used current market valuation for the underlying property and buildings when the properties and buildings are located within a market with active transactions. In addition, the following formula was applied for a more accurate valuation outcome:

$P = P' \times A \times B \times C \times D$

P - Valuer's estimates of the assessed value of buildings
P '- Reference transaction price

A - Transactions correction coefficient
B - Transaction date correction coefficient
C - Regional factors correction coefficient
D - Individual factors correction factor

Whereby market valuation is not available due to the lack of transaction records, replacement cost method would have been adopted instead.

Fixed assets — machinery equipment: the Valuer has adopted replacement cost method as equipment items are not capable of generating profit independently.

(e) **Projects under constructions**: to avoid duplication in asset price calculation and omission of valuing the asset prices, after taking into account the characteristics of each project under construction, we understand that the Valuer has categorised construction projects into (i) projects under constructions commenced within 6 months; (ii) projects under constructions for more than 6 months; and (iii) other projects. For (i), the Valuer adopted the audited figures as the basis for the valuation. For (ii), the valuation was based on the audited figures, subject to adjustments which took into account price volatility and expected cost inflation, such as for labour and raw materials, into considerations. For (iii), after verifying the authenticity and reasonableness of the relevant project expenses, the appraisal value is determined by the assets expected residual value.

(f) **Intangible assets — land use rights**: land parcels use rights are carried out according to the region where the land use right is located and the information available to the appraisers. The appraisal value is determined by adopting the cost approximation method, market comparison method and benchmark land price coefficient modification method. For land acquired by way of appropriation, the appraisal value is determined by the normal appraised transfer value of land use rights less the land grant premium.

In our review of the above assumptions and approaches adopted by the Valuer, we are of the view that the assumptions used by the Valuer are reasonable.

(b) **Comparable analysis**

In order to assess the fairness and reasonableness of the consideration for the Terminal Acquisition, we have conducted the comparable companies analysis for the Terminal Acquisition as follows:

Comparable companies

For comparable company analysis, we have selected a list of comparable companies which:

(i) are listed on the Stock Exchange;

(ii) operate and/or invest in container terminals in the PRC; and

(iii) generate revenue from terminal-related businesses contributing not less than one-third of their respective total revenues for the latest financial year.

Table 8: Hong Kong-listed terminal companies analysis

Stock code	Company	Market capitalization *(HK$ million)* *(Note 1)*	Closing share price *(HK$)*	Latest twelve month period ("LTM") P/E *(times)* *(Note 2)*	P/B *(times)* *(Note 3)*
144 HK	China Merchants Holdings International Co., Ltd.	64,185	24.70	14.79	0.89
2880 HK	Dalian Port PDA Co., Ltd.	28,351	3.84	28.85	1.01
3369 HK	Qinhuangdao Port Co., Ltd.	18,056	3.59	7.61	1.31
6198 HK	Qingdao Port International Co., Ltd.	16,294	3.41	7.42	1.15
3378 HK	Xiamen International Port Co., Ltd.	5,016	1.84	12.05 *(Note 4)*	0.87
			Average	**14.14**	**1.05**
			Median	**12.05**	**1.01**
			Maximum	**28.85**	**1.31**
			Minimum	**7.42**	**0.87**
	CSPD			**23.21**	**1.17**

Source: Stock exchange, financial reports of the respective companies and Bloomberg

Notes:

1. The market capitalisations are calculated by multiplying the share price and number of issued shares of the respective companies as at the Latest Practicable Date.

2. LTM P/Es are calculated based on the respective closing share prices of the respective comparable companies as at the Latest Practicable Date divided by their respective earnings per share for the latest twelve-month period.

3. The P/Bs are calculated based on the respective closing share prices of the respective comparable companies as at the Latest Practicable Date divided by their respective consolidated net assets attributable to shareholders per share as of the latest published financial period.

4. It is calculated based on the closing share prices as at the Latest Practicable Date divided by the consolidated net profit attributable to shareholders per share for the latest twelve-month period.

We are of the view that business, operation and prospect of our exhaustive list of comparable companies are not exactly the same as that of CSPD. However, we consider that the selection based on companies listed on the Stock Exchange which generate one-third of their revenue from the terminal related business is fair and reasonable, in the absence of a representative peer set that focuses purely on the terminals business.

Table 9: Overseas-listed terminal companies analysis

Stock code (Exchange)	**Company**	**Market capitalization** *(US$ million) (Note 1)*	**LTM P/E** *(times) (Note 2)*	**P/B** *(times) (Note 3)*
DPW DU (NASDAQ Dubai)	DP World Ltd.	16,600	22.99	1.95
ADSEZ IN (National India)	Adani Ports & Special Economic Zone Ltd.	8,073	21.56	4.47
AIO AU (ASE)	Asciano Ltd.	6,177	23.62	2.16
HPHT SP (Singapore)	Hutchison Port Holdings Trust	4,617	N/M	0.85
WPRTS MK (Bursa Malays)	Westports Holdings Bhd.	3,196	26.87	7.79
ICT PM (Philippines)	International Container Terminal Services Inc.	3,011	21.14	1.70
POT NZ (NZX)	Port of Tauranga Ltd.	1,754	32.66	2.90
HHFA GR (Xetra)	Hamburger Hafen und Logistik AG	1,156	15.55	1.97
GLPR LI (London International)	Global Ports Investments PLC	688	N/M	1.69
ESRS IN (National India)	Essar Ports Ltd.	845	13.77	1.54
BPH MK (Bursa Malays)	Bintulu Port Holdings Bhd.	770	26.67	3.00
STBP11 BZ (BM&F BOVESPA)	Santos Brasil Participacoes SA	426	59.95	1.17
NCB MK (Bursa Malays)	NCB Holdings Bhd.	480	54.88	1.46
NYT TB (Bangkok)	Namyong Terminal PCL	267	22.14	2.72
		Average	**28.48**	**2.53**
		Median	**23.31**	**1.96**
		Max	**59.95**	**7.79**
		Min	**13.77**	**0.85**
	CSPD		**23.21**	**1.17**

Source: Respective stock exchange, financial reports of the respective companies and Bloomberg

Notes:

1. The market capitalisations are calculated by multiplying the share price by the number of issued shares of the respective companies as at the Latest Practicable Date.

2. LTM P/Es are calculated based on the respective closing share prices of the respective comparable companies as at the Latest Practicable Date divided by their respective earnings per share for the latest twelve-month period.

3. The P/Bs are calculated based on the respective closing share prices of the respective comparable companies as at the Latest Practicable Date divided by their respective consolidated net assets attributable to shareholders per share as of the latest published financial period.

4 N/M refers to not meaningful.

Secondly, we have further identified a second set of comparable companies based in different geographical jurisdictions. Although, the removal of the geographical restriction raises concern of inconsistent trading metrics and business environment, we are of the view that the approach is appropriate based on the diversified portfolio and the global presence of CSPD, and the selected comparable companies give a fair and a more comprehensive comparison to the independent shareholders.

As illustrated above, the implied LTM P/E and P/B ratios of the CSPD Acquisition are above the LTM P/E and P/B ratios of the Hong Kong listed comparable companies but below the LTM P/E and P/B ratios of the oversea listed comparable companies. As such, we are of the view that the CSPD Acquisition Consideration is fair and reasonable in this regard.

Comparable transactions

For the comparable transactions analysis, we have selected a list of comparable transactions which:

(i) were announced during 2008 to 30 October 2015;

(ii) were related to port and/or terminal assets; and

(iii) were entered into by the COSCO Pacific, CSCL or companies included in the comparable companies analysis (including their respective group companies) above as one of the parties to the transactions based on available public information

Given the above selection criteria, we have identified total of 11 completed transactions worldwide based on a best effort basis.

Table 10: Comparable transactions analysis

Announcement Date	Acquirer	Target	Target Nationality	Implied Equity Value *(RMB million)*	P/E *(times)*	P/B *(times)*
11-Oct-13	China Shipping Ports Development Co., Ltd.	China Shipping Terminal Development Co., Ltd.	China	3,423	24.45	1.35
7-Mar-13	Hutchison Port Holdings Trust	Asia Container Terminals Holdings Limited	Hong Kong	3,237	34.45	N/A
24-Jan-13	COSCO Pacific (China) Investments Co., Ltd.	Taicang International Container Terminal Co., Ltd.	China	827	14.33	1.69
25-Jan-13	China Merchants Holdings (International) Co., Ltd.	Terminal Link SAS	France	5,788	34.50	3.94
30-Oct-12	Dalian Port Corporation Ltd.	Dalian Port Petrochemical Co., Ltd.	China	596	N/A	1.11
5-Dec-11	Xiamen International Port Co., Ltd.	Xiamen Songyu Container Terminal Co., Ltd.	China	2,120	N/M	1.17
5-Nov-10	China Merchants Holdings (International) Co., Ltd.	Tin-Can Island Container Terminal Ltd.	Nigeria	2,101	N/A	8.31
29-Apr-10	COSCO Pacific Ltd.	Sigma Enterprises Ltd.	BVI	20,108	11.32	5.29
30-Sep-09	Dalian Port PDA Company Limited	Multiple terminal related assets	China	2,805	40.79	1.15
16-Mar-09	Tianjin Port Development Holdings Ltd.	Tianjin Port Holdings Co., Ltd.	China	15,946	17.27	1.78
6-Aug-08	China Shipping Container Lines Co., Ltd.	China Shipping Terminal Development Ltd.	China	2,601	198.87	0.88
				Average	**47.00**	**2.67**
				Median	**29.45**	**1.52**
				Max	**198.87**	**8.31**
				Min	**11.32**	**0.88**
		CSPD			**23.21**	**1.17**

Source: Bloomberg and respective companies' announcements

Notes:

1. P/Es were calculated based on the respective implied enterprise value of the respective comparable transactions divided by the respective consolidated net profit attributable to shareholders or profit after tax of the target for the latest completed financial year prior to the announcement date.

2. P/Bs were calculated based on the respective implied enterprise value of the respective comparable transaction divided by the respective consolidated net assets attributable to shareholders or total net assets of the target as of the latest published financial period prior to the announcement date.

3. N/A refers to not available (i.e. information is not publicly available).

4. N/M refers to not meaningful.

It is our view that the comparable transactions are a reasonable and representative sample for comparison as the principal business of the targets and the size of deals involved in the comparable transactions are similar to that of Terminal Acquisition, and all comparable transactions involved a change of control.

Furthermore, we noted the following comparison outcomes as follows:

The implied P/E multiples of the CSPD's comparable transactions range between 11.32 times and 198.87 times with average and median being 47.00 times and 29.45 times, respectively. As such, the Acquisition Implied Prospective P/E multiple is lower than the average and median of the implied P/E multiples of the CSPD's comparable transactions.

The implied P/B multiples of the CSPD's comparable transactions range between 0.88 times and 8.31 times with average and median being 2.67 times and 1.52 times, respectively. As such, the Acquisition Implied P/B multiple is lower than the average and median of the implied P/B multiples of the CSPD's Comparable Transactions.

In addition, we noted that the disposal of 100% equity interest in CSTD by CSCL to CSPD (formerly known as "China Shipping Terminal Development (H.K.) Co., Ltd.") was included as one of the comparable transactions. In comparison to the implied P/E multiple and P/B multiple of the Terminal Acquisition, the Terminal Acquisition implied P/E multiple is lower than the implied P/E multiple of CSTD Disposal and the Terminal Acquisition P/B multiple is lower than the implied P/B multiple of the CSTD Disposal. We consider that the comparison is reasonable and the lower valuation metrics in the most recent transactions reflect the deteriorating economic condition of the shipping and post industry.

In summary, we are of the view that the Terminal Acquisition is entered into in the ordinary and usual course of business of the Company, is on normal commercial terms and is fair and reasonable and in the interests of the Company and the shareholder as a whole.

7. The Florens Disposal

As stated in the Circular, on 11 December 2015, COSCO Pacific and CSHK entered into the FCHL SPA, pursuant to which COSCO Pacific conditionally agreed to sell the FCHL Shares and assign the FCHL Shareholder's Loans, and CSHK has conditionally agreed to purchase the FCHL shares and take the assignment of the FCHL Shareholder's Loans in accordance with the terms of the FCHL SPA. Upon completion of the Florens Disposal, FCHL will cease to be a subsidiary of COSCO Pacific.

7.1 Principal terms and conditions of the FCHL SPA

Date	:	11 December 2015
Parties:	:	(a) COSCO Pacific (a non-wholly owned subsidiary of the Company) as the seller (b) CSHK as the purchaser
General nature of the Florens Disposal	:	COSCO Pacific has conditionally agreed to sell the FCHL Shares and assign the FCHL Shareholder's Loans and CSHK has conditionally agreed to purchase the FCHL Shares and take assignment of the FCHL Shareholder's Loans in accordance with the terms of the FCHL SPA.
Consideration	:	The initial consideration for the FCHL Shares is RMB7,784,483,300, less any Pre-Closing Dividend. The consideration for the FCHL Shareholders' Loans is US$285,000,000, The initial consideration for the FCHL Shares and the consideration for the FCHL Shareholder's Loans shall be payable by CSHK upon completion of the Florens Disposal. The distributable profits of FCHL as at 30 September 2015 were approximately US$1,161.0 million, which is the maximum Pre-Closing Dividend which may be declared by FCHL. The final consideration for the FCHL Shares will be determined after completion of the Florens Disposal by reference to customary completion accounts adjustments based on the difference in net asset value of FCHL as at 30 September 2015 and as at the Completion Accounts Date. The consideration for the Florens Disposal was determined after arm's length negotiation between the parties taking into account a number of commercial considerations, including but not limited to the appraised value of FCHL as at the Valuation Date. If after the filing with competent authorities of the valuation report by the Valuer in respect of FCHL, there is any change or adjustment to the valuation of FCHL, the parties to the FCHL SPA agree to negotiate in good faith to agree on adjustments to the initial consideration for the FCHL Shares that may be necessary in relation to such change or adjustment to the valuation.
Conditions precedent	:	Completion of the Florens Disposal shall be conditional upon the satisfaction of, among other things, the following conditions: (i) the approval by the independent shareholders of COSCO Pacific in the COSCO Pacific SGM in respect of the Florens Disposal;

(ii) the approval by the independent shareholders of CSCL in respect of the Florens Disposal;

(iii) the approval by the Independent Shareholders in respect of the Florens Disposal;

(iv) all necessary third party consents and approvals from the regulatory authorities in relation to the Florens Disposal shall have been granted;

(v) the representations and warranties given by COSCO Pacific and CSHK respectively being true and accurate as at completion of the Florens Disposal;

(vi) approval from the Anti-Monopoly Bureau of the Ministry of Commerce of the PRC in connection with the Florens Disposal (and the fulfilment of any conditions subject to which such approval is given);

(vii) consents of, and notifications to, third parties required for the Florens Disposal;

(viii) compliance by COSCO Pacific, in all material respects, its obligations under the FCHL SPA which are required to be complied with prior to completion of the Florens Disposal;

(ix) all regulatory approvals and shareholders' approvals (if any) in respect of the Terminal Acquisition having been obtained in accordance with the CSPD SPA; and

(x) all regulatory approvals and shareholders' approvals (if any) in respect of the transactions contemplated under each of the CP Agreements having been obtained in accordance with its terms.

Completion : Under the FCHL SPA, completion of the Florens Disposal shall take place on the 30th business day after the conditions precedent to the FCHL SPA have been fulfilled or waived (or such other time as the parties may mutually agree).

If the conditions precedent under the FCHL SPA have not been fulfilled or waived on or before the Long Stop Date (or such later date as the parties may agree in writing), the FCHL SPA shall automatically terminate (other than in respect of the certain surviving provisions therein).

It is currently expected that completion of the Terminal Acquisition and the Florens Disposal will take place on the same day.

Conditional Special Cash Dividend

As disclosed in the announcement of COSCO Pacific dated 23 December 2015, the board of directors of COSCO Pacific has declared a conditional special cash dividend of HK80 cents per Share (the "Conditional Special Cash Dividend"). Payment of the Conditional Special Cash Dividend is conditional on (a) the independent shareholders of COSCO Pacific passing the resolution approving the Terminal Acquisition and the Florens Disposal at the COSCO Pacific SGM; and (b) the completion of the Terminal Acquisition and the Florens Disposal in accordance with the provisions of the CSPD SPA and the FCHL SPA.

If the above conditions are fulfilled, the Conditional Special Cash Dividend will be payable to all shareholders of COSCO Pacific whose names appear on the register of members of COSCO Paicific on a record date that will be determined by the board of directors of COSCO Pacific and announced after the COSCO Pacific SGM and before the completion of the Terminal Acquisition and the Florens Disposal.

If the resolution approving the Terminal Acquisition and the Florens Disposal is not passed by the independent shareholders of COSCO Pacific at the COSCO Pacific SGM or if the Terminal Acquisition and the Florens Disposal do not complete in accordance with the provisions of the CSPD SPA and the FCHL SPA for any reason, the Conditional Special Cash Dividend will not be paid to the shareholders of COSCO Pacific.

As at the Latest Practicable Date, the Company, through its wholly-owned subsidiaries China COSCO (Hong Kong) Limited and COSCO Investments Limited, held in aggregate 1,329,899,469 shares in COSCO Pacific (representing approximately 44.83% of the total issued share capital of COSCO Pacific). In the event of the payment of the Conditional Special Cash Dividend and assuming no change in the number of shares held by the Company up to the record date, the Company would be entitled to approximately HK$1,035,364,890 in special cash dividend from COSCO Pacific.

7.2 Information on FCHL

FCHL is an investment holding company incorporated in the BVI. FCHL and its subsidiaries are principally engaged in the businesses of container leasing, management and sale and related businesses. As of 30 June 2015, FCHL owned, sale and lease back and managed fleet size reached 1,969,196 TEU providing long-term and short-term leasing services to its customers.

Financial highlights of FCHL

	For the year ended 31 December		For the nine months ended 30 September
	2013	2014	2015
	(RMB million)	*(RMB million)*	*(RMB million)*
	(Audited)	*(Audited)*	*(Audited)*
Net asset value	6,119	6,737	7,434
Revenue — container leasing	2,170	2,199	1,506
Profit before taxation	807	617	462
Profit attributable to equity holders	774	589	440

The revenue of FCHL slightly increased from approximately HK$2,170 million for the year ended 31 December 2013 to approximately HK$2,199 million for the year ended 31 December 2014, representing an increase of approximately 1.3%, which primarily included container leasing income and revenue from the disposal of returned containers. As at 31 December 2014, the fleet capacity of owned containers and sale-and-leaseback containers reached 1,083,756 TEU and 286,568 TEU respectively (31 December 2013: 1,085,507 TEU and 250,290 TEU respectively). Profit attributable to equity holders of FCHL decreased from approximately HK$774 million for the year ended 31 December 2013 to approximately HK$589 million for the year ended 31 December 2014, representing a decrease of approximately 23.9%. The decrease was mainly due to higher impairment loss on vessel assets made for the year ended 31 December 2014. The revenue for the nine months ended 30 September 2015 is approximately RMB1,506 million and profit attributable to equity holders of FCHL for the nine months ended 30 September 2015 is approximately RMB440 million.

The net asset value of FCHL increased from approximately HK$6,119 million as at 31 December 2013 to approximately HK$6,737 million as at 31 December 2014, representing an increase of approximately 10.1%. The increase in net asset value was mainly attributable to the net profit for the year ended 31 December 2014. The net asset value as at 30 September 2015 is RMB7,434 million.

7.3 Reasons for and benefits of the Florens Disposal

Re-focus on core business

In order to focus on the operation and development of its port operations, COSCO Pacific has put forward to the Board the proposal for the disposal of its wholly-owned subsidiary, FCHL, which is engaged in container leasing business, to CSCL.

COSCO Pacific was listed on the Stock Exchange in 1994 with its sole business of container leasing business, which has been continuously generating stable cash flow and net profit contribution for the past 20 years. In 2014, FCHL managed and operated the world's 5th largest container leasing fleet with a total fleet capacity of 1.96m TEU. However, in FY 2014, the container leasing net profit amounted to US$95.8 million representing only 32.7% of COSCO Pacific's profit attributable to equity holders. As its port operations have grown to represent the largest part of its business, COSCO Pacific has suffered from a conglomerate valuation discount, given the very different nature of the two businesses and lack of any synergies between them. This discount has been widening since 2012. Therefore, COSCO Pacific has been receiving strong feedback from its institutional investors to transform its business model to a terminal only business.

COSCO Pacific captured the opportunity of China's entry into the WTO in 2003 to grow its port terminal business. Since then, its terminals business has grown with a 10-year CAGR of 8.5% in terms of net profit. FY 2014 Terminal net profit amounted to US$221 million representing 75.5% of its profit attributable to equity holders in 2014. COSCO Pacific management believe it is the right timing for COSCO Pacific to transform into a pure terminal operator unlocking COSCO Pacific's intrinsic value and removing the valuation gap versus its terminal peers.

The Florens Disposal offers a good opportunity for COSCO Pacific Group to redeploy its resources into its terminal operation business and is expected to create value and enhance profitability for the shareholders of COSCO Pacific.

Given that (i) it is part of the strategy of COSCO Pacific Group to continue to strengthen and develop its terminal operation business; and (ii) there is limited operational synergy between the terminals business and the container leasing business, we are of the view that the Florens Disposal is in the interests of the Company and the Independent Shareholders as a whole.

7.4 Basis of determining the Consideration of the Florens Disposal

As stated in the Circular, the consideration for the Florens Disposal was determined after arm's length negotiations between the parties to the FCHL SPA, taking into account a number of commercial considerations, including but not limited to the appraised value of FCHL as at the Valuation Date.

(i) **FCHL Appraisal Report**

As stated in the Circular, the consideration for the Florens Disposal of RMB7,784,483,300 was determined by the valuation of 100% equity interest of FCHL as at 30 September 2015 as assessed by the Valuer based on the market approach.

In order to assess the methodology adopted to determine the consideration for the Florens Disposal, we have reviewed the FCHL Appraisal Report produced by the Valuer and discussed with the Valuer and the management of the Company. For our due diligence purpose, we have reviewed and enquired the Valuer's qualification and experience in relation to the performance of the valuation. The Valuer is a qualified asset appraisal firm authorised by the Ministry of Finance of the PRC to perform valuation works in the PRC. We have discussed with the Valuer in relation to their experiences and understood that Mr. Jin Dapeng ("Mr. Jin"), the Director of the Valuer, is a registered professional surveyor who has many years of experience in valuing shipping assets in the PRC. Given Mr. Jin has plenty of practical experience in the valuation of shipping assets in the PRC as stated above, we are of the view that he is qualified to provide a reliable valuation for the equity interests of FCHL. We believe that the Valuer has sufficient qualifications and experience in valuing similar assets and transactions for a number of listed companies in the PRC and Hong Kong over the years. We further understand that the Valuer is independent from the Company and the other parties involved in Florens Disposal. In addition, we have also reviewed the terms of the engagement of the valuation and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer. Based on the above, we are of the view that the scope of work of the Valuer is appropriate and the Valuer is qualified for valuing the equity interests of FCHL.

(a) *Valuation methodologies*

We have discussed with the Valuer in respect of the valuation methodology and related assumptions and adjustments made to arrive at the valuation of FCHL. We understand that the Valuer has considered three valuation approaches for valuing FCHL, including the asset based approach (as defined in previous paragraphs), the income approach (essentially an approach to estimate the future economic benefits and discount these benefits to its present value using a discount rate) and the market approach (an approach based on market prices at which other similar companies or equity interest in companies were recently sold). The market approach is applied in valuing FCHL, as the Valuer is of the view that FCHL is a sizable company, and there are a few publicly traded companies engaged in the same or similar business. The income approach is also considered by the Valuer,but the appraisal result of the market approach is taken as the final appraisal value of FCHL.

(b) *Valuation assumptions*

We have discussed with the Valuer and reviewed the asset appraisal report in relation to the following major assumptions made in valuing FCHL:

— There will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of FCHL.

— The valuation is based on going concerns assumption for FCHL;

— The key management will all be retained to support the ongoing operations of FCHL and successfully carry out all necessary activities for development of the business;

— FCHL will comply with the laws and regulations and there will not be non-compliance issues which may materially impact the development and earnings of FCHL;

— There will be no material changes in the business strategy, operating structure, principal activities, etc.; and

— There are no force majeure factors or unexpected conditions associated with the assets valued that might adversely affect the reported values.

We believe these assumptions are standard assumptions commonly adopted in valuation and we consider that these assumptions are fair and reasonable.

(c) *Valuation multiples*

We noted that the Valuer used P/B as the main valuation metric in valuing FCHL. P/E, EV to earnings before interest and taxes ("EV/EBIT") and EV to net operating income after tax ("EV/NOIAT") are also adopted as supplementary valuation multiples for analysis and comparison purpose. We consider that the abovementioned valuation multiples are commonly employed for valuing leasing businesses.

We also discussed with the Valuer regarding the criteria in the selection of the market comparables for the valuation. We understand that the publicly traded companies engaging in container leasing business are mainly listed in New York Stock Exchange ("NYSE"). The Valuer has, based on a best effort basis, selected three public companies which are (i) Textainer Group Holdings limited (Stock code: TGH, NYSE); (ii) TAL International Group Inc (Stock code: TAL, NYSE); and (iii) CAI International Inc (Stock code: CAI, NYSE). We note that all three comparables are sizable company and engaged in container leasing business.

(d) *Valuation adjustments*

As advised by the Valuer, certain adjustments are made in valuing FCHL, including (i) accounting adjustments, such as adjusting for the differences in financial reporting standards in different jurisdictions; (ii) application of control premium as the purchaser will have controlling power over FCHL as a result of the Florens Disposal; and (iii) application of discount for lack of marketability as FCHL is not listed. After reviewing the basis and detailed calculation, we consider the adjustments made in the valuation are reasonable.

Having considered (i) the independence, qualification and experience of the Valuer; and (ii) the relevant application of the valuation methodology, there is no reason for us to believe any of the information in the valuation is not reasonable or omits a material fact.

(ii) **Comparable analysis**

We conducted the comparable companies and comparable transactions analysis to assess the fairness of the valuation of the Florens Disposal.

Comparable companies

For the comparable companies analysis, we have selected a list of comparable companies which are primarily engaged in container leasing. The comparables selected are publicly traded companies listed in NYSE, which are (i) Textainer Group Holdings limited (Stock code: TGH, NYSE); (ii) TAL International Group Inc (Stock code: TAL, NYSE); and (iii) CAI International Inc (Stock code: CAI, NYSE). The comparables selected are the same as the comparables selected by the Valuer. All three comparables are sizable company and engaging in container leasing business. We consider that all the comparable companies are engaged in purchasing, managing and leasing of the vessels and containers, and the financial performance of these comparable companies are highly dependent on the global economic outlook and the financing conditions available on the capital markets. We consider that the selection of the comparable companies is reasonable and representative for comparison as the principal business of the comparable companies have similar business dynamics to that of FCHL.

We have employed two commonly used multiples as valuation metrics, namely, (i) P/E ratio, which is defined as the ratio of the market capitalization of a comparable company (using the respective share price as at the last trading date prior to the Announcement date ("Last Trading Date")) to the respective consolidated profit attributable to shareholders for the 12-month period ended 31 December 2014; and (ii) P/B ratio, which is calculated based on the market capitalization of a comparable company (using the respective share price as at the Last Trading Date), divided by the respective latest published shareholders' equity.

Table 11: Comparable companies analysis

	Market capitalisation *(US$ million)* *(Note 1)*	2014 P/E *(times)* *(Note 2)*	P/B *(times)* *(Note 3)*
TAL International Group Inc	559	4.5	0.8
Textainer Group Holdings Ltd	884	4.7	0.7
CAI International Inc	199	3.3	0.4
	Average	**4.2**	**0.6**
	Maximum	**4.7**	**0.7**
	Minimum	**3.3**	**0.4**
FCHL		12.6	1.0

Sources: Bloomberg and respective companies' announcements

Notes:

1. The market capitalisations of the comparable companies above are calculated by multiplying the share price and number of issued shares of the respective companies as at the Latest Practicable Date.

2. The 2014 P/Es of the comparable companies above are calculated by dividing their market capitalization by the profit attributable to equity holders of the respective companies for the latest twelve-month period ended 31 December 2014.

3. The P/Bs of the comparable companies above are calculated by dividing their market capitalization by the respective shareholders' equity as at 30 June 2015.

We note that the 2014 P/E multiples of the FCHL's comparable companies range between 3.3 times and 4.7 times with average being 4.2 times, while the implied P/E multiple for Florens Disposal implied by the consideration is 12.6, which is higher than both the average and maximum P/E multiples of the comparable companies. We further note that the P/B multiples of the FCHL's comparable companies range between 0.4 times and 0.7 times with average 0.6 times, while the implied P/B multiple for Florens Disposal implied by the consideration is 1.0, which is higher than both the average and maximum P/B multiples of the comparable companies.

Comparable transactions

We have conducted the comparable transaction analysis through identifying comparable transactions between 2007 and 2015, based on following criteria: (i) the transaction targets were engaged in leasing of containers; (ii) the transactions involved at least a 50% shareholding acquisition; and (iii) the deal values were at least US$100 million. We have identified a total of 5 completed transactions worldwide based on a best effort basis. It is our view that the comparable transactions are reasonable and representative samples for comparison as the principal business of the targets and the size of deals involved in the comparable transactions are similar to that of Florens Disposal, and all comparable transactions involved acquisition over 50% shareholding, with the acquirer gaining control upon completion of the transactions.

Table 12: Comparable transactions analysis

Announcement Date	**Acquiror**	**Target**	**Target Nationality**	**Implied Equity Value** *(US$ million)*	**P/E** *(times)* *(Note 1)*	**P/B** *(times)* *(Note 2)*
9-Nov-15	TAL International Group	Triton Container International	United States	723	4.3	n/a
30-Sep-13	Bohai Leasing Co Ltd	SeaCo SRL	Singapore	1,269	14.6	2.0
18-Jan-13	Ontario Teachers Pension Plan	SeaCube Container Leasing Ltd	United States	473	10.2	1.8
20-Apr-07	Fortress Investment Group LLC	Interpool Inc	United States	896	8.4	1.6
28-Feb-07	CRX Acquisition	Cronos Group	Luxembourg	134	14.5	1.6
Average					**10.4**	**1.7**
Median					**10.2**	**1.7**
FCHL					12.6	1.0

Sources: Bloomberg and respective companies' announcements

Notes:

1. P/E multiples of the comparable transactions above are calculated based on the implied market value, divided by the respective profit attributable to shareholders from continuing operations for the previous 12-month period prior to the transactions.

2. P/B multiples of the comparable transactions above are calculated based on the implied market value, divided by the respective NAV as at the previous period end prior to the transactions as extracted from Bloomberg.

Similarly, we used P/E ratio and P/B ratio as the benchmarks. We note that the implied P/E multiples of the FCHL's comparable transactions range between 8.4 times and 14.6 times with average and median being 10.4 times and 10.2 times, respectively, while the P/E multiple for Florens Disposal implied by the consideration is 12.6, which is higher than both the average and median P/E multiples of the comparable companies, and within the range of P/E multiples of the comparable companies. We further note that the implied P/B multiples of the FCHL's comparable companies range between 1.6 times and 2.0 times with average and median being 1.7 times and 1.7 times, respectively, while the P/B multiple for Florens Disposal implied by the consideration is 1.0, which is lower than both the average and median P/B multiples of the comparable transactions. However, we note that P/B ratios for comparable companies have been declining substantially over the past 2 years and a benchmark to the historical comparable transactions P/B average might not be appropriate.

As such, we are of the view that the Florens Disposal is entered into on normal commercial terms, is fair and reasonable and in the interests of the Company and the Shareholders as a whole and, although not in the ordinary and usual course of business of the Company, it is consistent with the long term business strategy of the Company.

8. Financial Effects of the China COSCO Asset Restructuring

(i) **Effect on earnings**

Based on the 2014 Annual Report of the Company, the profit attributable to equity holders of the Company amounted to approximately RMB362.5 million for the year ended 31 December 2014. Upon completion of the China COSCO Asset Restructuring, CSPD and the Agency Companies will become the subsidiaries of the Company and the results of CSPD (net profit of RMB126 million in FY2014) and the Agency Companies (net profit of RMB103 million in FY2014) will be consolidated into the consolidated financial statements of the Group. COSCO Bulk (net loss of RMB1,697 million in FY2014) and FCHL (net profit of RMB589 million in FY2014) will cease to be the subsidiaries of the Company after completion of the China COSCO Asset Restructuring. As such, the China COSCO Asset Restructuring should have a positive financial impact on the Group recurring earnings but the precise financial impact cannot be estimated at this moment in the absence of pro forma income statement.

Table 13: Financial highlights of COSCO Bulk, Agency Companies, CSPD and FCHL

	For the year ended 31 December 2014 *(RMB' million)*
(Loss)profit attributable to equity holders:	
COSCO Bulk	(1,697)
Agency Companies	103
CSPD	126
FCHL	589

The Dry Bulk Disposal is expected to generate a one-off gain on disposal of approximately RMB1,469 million, which is calculated based on the difference between the consideration of the Dry Bulk Disposal and the net asset value of COSCO Bulk under PRC GAAP financial statements as at 30 September 2015. For Florens Disposal, a one-off gain on disposal attributable to equity holders of the Company of approximately RMB171 million would be recognised. Such gain is calculated based on the difference between the consideration of Florens Disposal attributable to equity holders of the Company and the net asset value of FCHL attributable to the equity holders of the Company under PRC GAAP financial statements as at 30 September 2015. In addition, based on the financial statements as at 30 September 2015 under PRC GAAP, the amounts previously recognised in other comprehensive income in relation to COSCO Bulk and FCHL (including the cumulative exchange differences) of approximately RMB2.604 million and approximately RMB299 million respectively would be reclassified from equity to profit or loss upon the disposals, resulting in net losses of approximately RMB1,135 million and approximately RMB128 million respectively. The actual gain or loss on disposals will depend on the actual net book values of COSCO Bulk and FCHL on the date of completion of the China COSCO Asset Restructuring.

(ii) **Effect on net assets value**

Based on the 2015 Interim Report of the Company, the net asset value of the Group was approximately RMB45,364.1 million as at 30 June 2015. As stated in the Appendix III of the Circular, the Enlarged Group's total assets and total liabilities would decrease by approximately RMB30,551.7 million and approximately RMB29,196.7 million respectively, and as a result, the net assets value would decrease by approximately RMB1,355.0 million or 3.0% to approximately RMB44,009.1 million assuming the China COSCO Asset Restructuring to be completed on 30 June 2015. As such, we consider that the China COSCO Asset Restructuring will not have a material impact on the net assets value of the Group.

(iii) **Effect on gearing**

The net financial debts of the group were approximately RMB44,856.6 million and the gearing level of the Group (calculated by dividing net financial debts by total equity) was approximately 98.88% as at 30 June 2015. After the completion of the China COSCO Asset Restructuring, the net financial debts of the Group would be approximately RMB11,672.0 million and gearing ratio of the Enlarged Group would be approximately 26.52%, as COSCO Bulk and FCHL, with higher gearing levels would be disposed upon completion of the China COSCO Asset Restructuring. As such, we consider that the China COSCO Asset Restructuring would have a positive impact on gearing level of the Group.

(iv) **Effect on cash/working capital**

As disclosed in the 2015 Interim Report of the Company, the Group had current assets of RMB56,131.1 million including cash and bank balances of RMB43,941.1 million. As stated in the Appendix III of the Circular, upon completion of the China COSCO Asset Restructuring, the current assets would increase by approximately RMB674.4 million, including the decrease of cash and bank balances of approximately RMB34.1 million. As such, we consider that the China COSCO Asset Restructuring would have a positive impact on cash/working capital of the Group.

II. CONTINUING CONNECTED TRANSACTIONS

The Leasing Transactions

1. Principal terms of Lease Agreement

On 11 December 2015, the Company and CSCL entered into the Lease Agreement, pursuant to which the Company conditionally agreed to lease from CSCL, and CSCL conditionally agreed to lease to Company, vessels and containers.

The principal terms and conditions of the Lease Agreement are summarised below:

Date	:	11 December 2015
Parties	:	(a) the Company as the lessee; (b) CSCL as the lessor.
Subject matter	:	CSCL and its subsidiaries and associates shall charter and lease (excluding finance leasing) vessels and containers owned or operated by them to the Company and its subsidiaries and associates under the following principles: Vessels (i) self-owned vessels: the charter will be time charter in principle, for vessels with a capacity of more than 8,000 TEU, the charter period shall be a fixed term of five years and an option term of five years subject to negotiation between both parties; for vessels with a capacity of less than 8,000 TEU, the charter period shall be a fixed term of five years. (ii) Chartered-in vessels: CSCL shall make efforts to (1) procure an early surrender of the charter and procure the original owners to charter the vessels to the Company directly; or (2) obtain the consent of the original owner to sub-charter the vessels to the Company, with the new charter agreements or sub-charter agreements on the same terms and conditions as the original charters. For such sub-chartered vessels, upon the expiry of the charters, the Company shall return (through CSCL) the vessels to the original owner at the time and location to be determined at the discretion of the Company subject to the provisions of relevant charter agreements.

(iii) Chartered-out vessels: for the chartered-in and chartered-out vessels, when the chartered-out agreements expire: (1) if the chartered-in agreements of the same vessels expire on the same time, CSCL shall return such vessels to its original owners; (2) if such chartered-in agreement will remain effective, principle (ii) shall apply; for those self-owned vessels, principle (i) shall apply upon the expiry of the chartered-out agreement

(iv) self-owned vessels under construction: principle (i) of self-owned vessels shall apply once construction is completed.

Containers

(i) self-owned containers: terms of the lease shall be determined based on the age of the containers, for containers with an age of less than five years, six to eight years, nine to ten years and more than ten years, the corresponding terms of lease shall be five years, three years, two years and one year; for containers built between 2004 and 2005, the terms of lease shall be subject to further negotiation between both parties.

(ii) containers under sale-and-lease back arrangements: CSCL shall endeavour to obtain the consent of the owners to sub-lease the containers to the Company which will determine the new terms and conditions in connection with the lease of such containers upon the expiry of the lease term subject to the discussion between CSCL and the owners of the containers.

(iii) containers leased from third parties: CSCL shall endeavour to obtain the consent of the owners to replace the existing lease agreements with new ones entered into directly with the Company on terms and conditions substantially the same as the existing agreements.

Term : The initial term of the Lease Agreement shall be 10 years from the effective date.

The Lease Agreement shall take effect on the date of completion of the approvals by competent authorities for the Lease Agreement and the proposed annual caps in accordance with the articles of association of the Company and CSCL, applicable laws, rules and listing rules (including board approval and shareholders' approval).

The Lease Agreement shall be subject to approval of competent authorities of the Company and CSCL (including board approval and shareholders' approval, if required) of the Lease Agreement and the transaction caps at least once every three years. In the event such approval is not obtained, the Lease Agreement shall terminate automatically.

Pricing and other material terms	:	Prices of lease of vessels and containers shall be based on fair market consideration based on arm's length negotiations between the parties. In order to determine fair market consideration, CSCL and the Company have appointed an independent shipping consultant, Drewry, to prepare its advice based on the market price of vessels and container leasing for the past three years. A summary of the principles and principal calculation assumptions in determining the lease rates and tenors for vessels and containers are contained in the Appendix V to this circular.
Conditions precedent	:	The Leasing Transactions shall be conditional upon the satisfaction of, among other things, the following conditions: (1) all relevant internal approval procedures and information disclosure requirements under the effective articles of association of the Company and CSCL and applicable listing rules having been obtained in relation with the execution and implementation of the Lease Agreement; (2) no breach of the terms of the Lease Agreement having occurred, and the declaration, representations and warranties given by the parties under the Lease Agreement remaining effective; (3) all necessary filings, approvals, consents and permits having been obtained in relation with all transactions under the China COSCO Asset Restructuring, and no part of these transactions having been terminated, nor is there any similar occurrence; and (4) all necessary filings, approvals, consents and permits having been obtained in relation with all transactions under the CSCL Asset Restructuring, and no part of these transactions having been terminated, nor is there any similar occurrence. The parties shall use endeavor to ensure that the conditions precedent are fulfilled on or before the Long Stop Date. If the conditions precedent are not fulfilled by the Long Stop Date, the parties shall negotiate on the full or partial waiver of the conditions precedent, delay of completion date or termination of the agreement, and shall endeavour to reach an agreement within the Negotiation Period. If no agreement is reached within the Negotiation Period, the Lease Agreement shall terminate.
Individual Agreements	:	Subject to the terms and conditions of the Lease Agreement, the parties shall negotiate and enter into specific vessel and container leasing agreements on or before 14 March 2016.

2. Reasons for and benefits of entering into the Lease Agreement

As mentioned under section 5.3 "Reasons for and benefits of the Agency Companies Acquisitions", since the current container shipping businesses of the Company and CSCL are relatively similar and the two companies have been cooperating well in the past few years, the potential reorganization is believed to allow both companies to optimize resource allocation in their container shipping business and enhance their competiveness along with the transformation of China economy. In addition to the acquisition of the Agency Companies, the leasing arrangement between the Company and CSCL on vessels and containers is expected to optimize financial resource allocation related to containership operations and hence strengthen the overall structure of the enlarged company. As such, we concur with the management's view that after the implementation of the restructuring, the Company will be able to enhance its overall market position.

We understand that the initial terms of the Lease Agreement will be for a term of 10 years commencing from the effective date. Given that it is normal business practice to have terms of agreement longer than the 3 year period prescribed by Listing Rule 14A.52 for continuing connected transactions for leasing of vessels and leasing of containers, we consider the duration of Lease Agreement is fair and reasonable.

3. Proposed annual caps

Under the Lease Agreement, for each year ending 31 December 2016, 2017 and 2018, the proposed annual caps with respect to vessels chartering and container leasing fees under the Lease Agreement shall not exceed the amounts as follows:

	For the year ending 31 December		
	2016	**2017**	**2018**
	US$	*US$*	*US$*
Aggregate amount payable by the Group to CSCL Group in respect of leasing of vessels	945,000,000	1,013,000,000	1,107,000,000
Aggregate amount payable by the Group to CSCL Group in respect of leasing of containers	170,000,000	188,000,000	165,000,000

4. Basis of determination of annual caps

The proposed annual caps have been determined after arm's length negotiation between the parties with reference to (i) the market vessel chartering standards for other vessel chartering business of similar tonnage vessels and similar tenor; (ii) estimated market fluctuation in terms of chartering rates; and (iii) prevailing market rates determined by Drewry, an independent shipping consultant jointly engaged by CSCL and the Company. Further details of the bases and assumptions of Drewry are set out in Appendix V to this Circular.

We note that the recent amendment to the leases accounting standard by the International Accounting Standards Board, related to the definition of a lease and the accounting treatments of finance and operating leases, is expected to come into effect for the annual periods beginning on or after 1 January 2019. The accounting treatment imposed by the new accounting standard might have an impact on the accounting of the Leasing Transactions, but the Company and the reporting accountant are not in a position at the moment to estimate the financial and accounting impact of the introduction of the above mentioned accounting treatment.

(i) **Leasing of vessels**

(a) *Valuation methodology for the vessel fleet*

We note that Drewry has adopted charter free valuation and residual value methodology to assess the value of vessels. Charter free valuation is based on the transaction value of the last done deal for similar vessels in terms of age, size and specifications. In the case where comparable transactions were not available, Drewry has considered open enquiries in the sale and purchase market for similar assets and applied necessary adjustments in the asset values. We further understand that for illiquid vessel segments, especially the bigger vessels, Drewry has taken new build prices as the guide for asset value estimation.

As for the residual value methodology, the assessments of vessels are based on historical correlation between secondhand price of similar vessels between 0 and 25 years of age. We understand that Drewry has taken into consideration the current market value of these vessels, historical second-hand values and historical new build costs to arrive at a reasonable opinion on the residual vessel value till the end of economic life of these vessels. In particular, we noted from the valuation report that straight line depreciation has been adopted on the current market value for the 19,000 TEU vessels in the absence of historical time series data. As discussed with the Head of Maritime Advisor at Drewry, we are of the view that it is reasonable to project vessel residual values based on current and historical market data and we consider that the fleet values derived are consistent with present market reality.

(b) *Calculation assumptions*

We note that a number of assumptions have been made in the calculation of the time charter rate of vessels. As per our discussion with Drewry, the major assumptions applicable to the calculations are as follows:

(i) charter start date is set to be 1 January 2017, except for vessels delivering from yards or redelivering from charter-outs post this date, in which case Charter arrangements will start from the date of delivery;

(ii) charter start values are based on the current valuation of the vessels arrived at using current market conditions;

(iii) charter durations are fixed based on the container carrying capacity of the vessels, the relative liquidity of these vessels in the market and the nature of the transaction;

(iv) vessels of similar age and container carrying capacity (within a margin of below 2 years) are combined into the same class for computation of the charter rates and the maximum age in a class has been used to arrive at the maximum tenor duration for operating lease;

We consider that the above assumptions adopted in the calculation are fair and reasonable.

(c) *Basis on the proposed annual caps*

We further understand from Drewry that annual caps were determined based on the expected annual revenue during 2016 to 2019, with the combination of lease payment from self-owned vessels and time charter-in vessels. Chartering fees for self-owned vessels are calculated based on the lease rate for the respective capacity of vessels and current fleet structure of the Company, while calculation for chartered-in vessels are referenced to the existing lease agreement between ship owners and CSCL, assuming they will be sub-chartered from CSCL to the Company. We also note that there will be 14 and 5 new build vessels to be delivered to the Company in 2018 and 2019 respectively. Therefore, in addition to the existing vessels under operation, the Company strategically planned to enlarge the fleet size in 2018 and 2019 and we consider that it is fair and reasonable to increase the annual caps of leasing of vessels each year.

(ii) **Leasing of containers**

(a) *Valuation methodology for the container fleet*

We note that Drewry has used the current value of container fleet and the residual value methodology for the assessment of containers value. CSCL's owned box fleet contains various container types with different ages and prices, and since sale and purchase during the working life of containers are rare and price information is not available, Drewry has calculated the current market value of each container range by depreciating the value from projected 2017 newbuild prices to resale market prices, based on the present age of the box and the assumption that the value of used container moves along with new build prices. As for the residual value methodology, due to the availability of price information and liquidity of resale market for used containers, Drewry has adopted current resale market prices to determine end of life residual value. We consider that Drewry's method of assessing container value by using 2017 expected new build values and resale values is in line with present market reality.

(b) *Calculation assumptions*

We note that a number of assumptions have been made in the calculation of the lease rates of containers. As per our discussion with Drewry, the major assumptions applicable to the calculations are as follows:

(i) container values are calculated based on market valuation;

(ii) used container values moves with new build prices;

(iii) rates for any interim lease during 2016 are obtained based on average of current market rate and the past three year market average rate of the container fleet mixture;

(iv) lease period to be 5 years, 3 years, 2 years and 1 year for container age of less than 6 years, 6 to 8 years, 9 to 10 years and over 10 years respectively.

We consider that the above assumptions adopted in the calculation are fair and reasonable.

(c) *Basis on the proposed annual caps*

We understand from Drewry that annual caps were determined based on the expected lease payment for self-owned containers, containers under sale-and-lease back and containers leased from third parties. We note that the annual cap of 2016 is lower than that of 2017, as the lease period will commence on 14 March 2016 hence only 293 days have been counted in the calculation of lease payment in 2016. In addition, as discussed with the management of the Company, we further understand that the decreasing trend of annual caps from 2017 to 2019 is mainly due to the retirement of containers and surrender of leasing each year. As such, we concur with the Directors' view that it is fair to slightly reduce the proposed annual caps of leasing of containers in the coming years given the current global macro-economic conditions.

In order to assess the fairness and reasonableness of the above methodologies and the rationale of the annual caps, we have discussed with the Head of Drewry Maritime Advisors at Drewry and further reviewed the Drewry Container Shipping Asset Leasing Strategy Report and the major assumptions made in the calculation of the vessel time charter rates and container lease rates. Given that the calculated vessel time charter rates are in line with the average market rates over the past three years and the container lease rates are consistent with the current market situation, we are of the view that the core principles applied by Drewry and the proposed annual caps of both leasing of vessels and containers are fair and reasonable.

Taking into account the core principles applied by Drewry in the determination of charter rates, leasing rates and Annual caps we are of the view that the Leasing Transactions are entered into in the ordinary and usual course of business of the Company, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, having taken into account the following in arriving at our opinion:

(i) the dry bulk shipping market continues to be subdued with a severe imbalance between supply and demand and the Dry Bulk Disposal could provide immediate cash return to improve the Company's capital structure;

(ii) the Agency Companies Acquisitions will enhance the shipping network and optimize the route settings and existing business model;

(iii) the Terminal Acquisition will consolidate the Company's leading position in the terminals business and facilitate the creation of a larger port terminal platform with significant operational improvement potential;

(iv) the lack of synergies between Florens and terminals business have caused COSCO Pacific to suffer from a conglomerate valuation discount;

(v) the Leasing Transactions will allow the Company to operate the consolidated vessels and container fleets and achieve economies of scale and optimise its resource allocation in the container shipping business;

(vi) business streamlining will enable the Company to seize a larger global market share to compete effectively with global alliances and help to narrow its gap with the world's top shipping companies;

(vii) the container shipping business integration will generate synergies on routes and on-land operations and enhance the Company's competiveness in both domestic and international market;

(viii) we have reviewed the qualifications of the Valuer and the Appraisal Reports produced by the Valuer and we consider that the valuation methodologies and assumptions are fair and reasonable;

(ix) the core principles applied by Drewry in the calculation of lease rates and the proposed annual caps of both leasing of vessels and containers are fair and reasonable;

(x) we have assessed the fairness of the terms of (i) the Dry Bulk Disposal; (ii) the Agency Companies Acquisition; (iii) the Florens Disposal; (iv) the Terminal Acquisition; and (v) the Leasing Transactions (together with the Annual Caps) and we believe they are fair and reasonable.

Having considered the above, we are of the view that (i) the Dry Bulk Disposal; (ii) the Agency Companies Acquisitions; (iii) the Florens Disposal; (iv) the Terminal Acquisition; and (v) the Leasing Transactions (together with annual caps) are entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favour of the relevant special ordinary resolutions to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited

Liu Chee Ming	**Li Lan**
Managing Director	*Director and Co-head of Corporate Finance*

Both Mr. Liu Chee Ming and Mr. Li Lan are licensed persons registered with the Securities and Futures Commission and as responsible officers of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Liu Chee Ming and Mr. Li Lan have over thirty two years and ten years of experience in corporate finance industry, respectively.

1. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31 December 2014 (the "**2014 Financial Statements**") are set out from pages 123 to 245 in the Annual Report 2014 of the Company, which was published on 21 April 2015. The Annual Report 2014 is also posted on the Company's website http://en.chinacosco.com. Please also see below a quick link to the Annual Report 2014:

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0421/LTN20150421388.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2013 (the "**2013 Financial Statements**") are set out from pages 128 to 259 in the Annual Report 2013 of the Company, which was published on 29 April 2014. The Annual Report 2013 is also posted on the Company's website http://en.chinacosco.com. Please also see below a quick link to the Annual Report 2013:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0429/LTN20140429508.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2012 (the "**2012 Financial Statements**") are set out from pages 142 to 253 in the Annual Report 2012 of the Company, which was published on 18 April 2012. The Annual Report 2012 is also posted on the Company's website http://en.chinacosco.com. Please also see below a quick link to the Annual Report 2012:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0418/LTN20130418267.pdf

The 2014 Financial Statements, the 2013 Financial Statements and the 2012 Financial Statements (but not any other part of the annual reports of the Company in which they appear) are incorporated by reference into this circular and form part of this circular.

2. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Through the China COSCO Asset Restructuring, the Company will strengthen its competitive position as the No. 4 container liner in the world in terms of capacity.

With the enlarged fleet as a result of entering into the Leasing Transactions, the Company will be able to provide a full range of container shipping services, which is expected to generate a significant amount of synergy through network optimization, reduced costs, improved overall operating efficiency, among others.

Furthermore, the Company will continue to strengthen talent team building, improve corporate governance standards and enhance production safety control. The Company recognizes new changes and new development trends in the world economy and the shipping market, and will fully integrate with the national strategy of "One Belt One Road," in particular the building of "the 21st Century Maritime Silk Road." The Company will actively adapt to the new normal stage of economic development, refine management, pursue innovation and strive for sustainable development.

3. INDEBTEDNESS

(a) THE GROUP

As at 31 October 2015, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had total borrowings of approximately RMB86,450 million. Details of the total indebtedness are summarised below:

	The Group
	RMB million
Bank loans - secured	20,768
Bank loans - unsecured	44,116
Loans from COSCO Finance - unsecured	1,746
Notes/bonds - unsecured	17,050
Loans from non-controlling shareholders of subsidiaries - unsecured	2,455
Amounts due to joint ventures - unsecured	195
Other loans - unsecured	120
Total	86,450

Apart from notes and bonds with a total carrying amount of RMB6,272 million which were guaranteed by an irrevocable standby letter of credit issued by Bank of China Limited, Beijing Branch, all other borrowings were unguaranteed.

Pledge of assets

As at the close of business on 31 October 2015, the Group pledged its property, plant and equipment and bank accounts with total carrying amounts of approximately RMB34,879 million and RMB295 million respectively for obtaining financing arrangements from banks.

Contingent liabilities and financial guarantee

The Group was also involved in a number of claims and lawsuits, including but not limited to, the claims and lawsuits arising from damage to vessels during transportation, damage to goods, delay in delivery, collision of vessels, early termination of vessel chartering contracts and nonpayment of fees of one of its terminal. As at 31 October 2015, the Group was unable to ascertain the likelihood and amounts of the above mentioned claims. However, based on the information available to the Group, the Directors are of the opinion that the related claims amounts should not be material to the Group as a whole. For details of the claims as at the Latest Practicable Date, please refer to the paragraph headed "5. Litigation" in Appendix VI to this circular.

(b) CSPD GROUP AND THE COMPANIES COMPRISING AGENCY COMPANIES BUT EXCLUDING DALIAN VANGUARD, JINZHOU PORT AND ANGANG VEHICLE

As at 31 October 2015, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, CSPD Group and companies comprising Agency Companies but excluding Dalian Vanguard, Jinzhou Port and Angang Vehicle (collectively, the "**Acquired Companies**") had total borrowings of approximately RMB570 million. Details of the total indebtedness are summarised below:

	The Acquired Companies *RMB million*
Interest-bearing bank borrowings - secured	262
Interest-bearing bank borrowings - unsecured	180
Loans from China Shipping - unsecured	128
	570

Apart from a bank borrowing of RMB105 million which was guaranteed, all such indebtedness were unguaranteed.

Pledge of assets

As at the close of business on 31 October 2015, the Acquired Companies pledged its property, plant and equipment with a total carrying amount of approximately RMB437 million as securities for obtaining banking facilities from a bank.

(c) GENERAL

Save as disclosed above or as otherwise mentioned herein and apart from intra group liabilities, as at the close of business on 31 October 2015, the Group and the Acquired Companies did not have any debt securities issued and outstanding, and authorized or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, contingent liabilities or guarantees.

4. WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry, taking into account the expected completion of the transactions under the Transaction Agreements and the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Enlarged Group has sufficient working capital to meet its present requirements for at least the next 12 months from the date of this circular.

Set out below are the accountants' reports for the three years ended 31 December 2014 and the nine months ended 30 September 2015 for CSPD and the Agency Companies and the relevant management discussion and analysis, including:

1. Accountants' report on CSPD

2. Management discussion and analysis of CSPD

3. Accountants' reports on the Agency Companies, including

   3.1 Shanghai Puhai;
   3.2 CSCL Shenzhen;
   3.3 CSCL Shanghai;
   3.4 CSCL Xiamen;
   3.5 CSCL Qingdao;
   3.6 CSCL Dalian;
   3.7 CSCL Guangzhou;
   3.8 CSCL Tianjin;
   3.9 CSCL Hainan;
   3.10 CS Refrigeration;
   3.11 CSCL Dalian Data;
   3.12 Golden Sea Shipping;
   3.13 CS Agency;
   3.14 CS Agency Shenzhen;
   3.15 Universal Shipping;
   3.16 Universal Logistics Shenzhen
   3.17 Angang Vehicle;
   3.18 Dalian Vanguard; and
   3.19 Jinzhou Port.

4. Management discussion and analysis of the Agency Companies

As CSCL Yingkou is a subsidiary of CSCL Dailian, the below accountants' report and management discussion and analysis of CSCL Dalian have included the results of CSCL Yingkou. As CSCL Qinhuangdao is a subsidiary of CSCL Tianjin, the below accountants' report and management discussion and analysis of CSCL Tianjin have included the results of CSCL Qinhuangdao. As CSCL Lianyungang and CSCL Longkou are subsidiaries of CSCL Qingdao, the below accountants' report and management discussion and analysis of CSCL Qingdao have included the results of CSCL Lianyungang and CSCL Longkou. As CSCL Zhejiang and CSCL Jiangsu are subsidiaries of CSCL Shanghai, the below accountants' report and management discussion and analysis of CSCL Shanghai have included the results of CSCL Zhejiang and CSCL Jiangsu. As CSCL Quanzhou and CSCL Fuzhou are subsidiaries of CSCL Xiamen, the below accountants' report and management discussion and analysis of CSCL Xiamen have included the results of CSCL Quanzhou and CSCL Fuzhou. As CSCL Shantou, CSCL Zhongshan, CSCL Fangchenggang, CSCL Zhanjiang, CSCL Jiangmen and CSCL Dongguan are subsidiaries of CSCL Guangzhou, the below accountants' report and management discussion and analysis of CSCL Guangzhou have included the results of CSCL Shantou, CSCL Zhongshan, CSCL Fangchenggang, CSCL Zhanjiang, CSCL Jiangmen and CSCL Dongguan.

1. ACCOUNTANTS' REPORT ON CSPD

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Board of Directors
China COSCO Holdings Company Limited and COSCO Pacific Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping Ports Development Co., Ltd (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, together with the notes thereto (the "Financial Information"), and the comparative consolidated statement of profit or loss, consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited and COSCO Pacific Limited dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of the Target Group (the "Acquisition") by the Company.

The Target Company is a private limited company incorporated in Hong Kong on 30 July 2001.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and were audited by Deloitte Touche Tohmatsu registered in Hong Kong.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with HKFRSs, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, and of the consolidated financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss

	Notes	Year ended 31 December			Nine months ended 30 September	
		2012	**2013**	**2014**	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Revenue	5	717,825	689,055	473,008	352,764	366,900
Cost of sales		(444,801)	(468,684)	(343,235)	(243,014)	(233,571)
Gross profit		273,024	220,371	129,773	109,750	133,329
Other income and gains	5	33,588	360,397	173,162	55,678	128,696
Administrative expenses		(82,070)	(89,608)	(85,631)	(54,896)	(55,472)
Finance costs	7	(55,118)	(105,189)	(86,537)	(66,622)	(36,793)
Share of profits and losses of:						
Joint ventures		64,989	69,780	83,452	57,188	52,157
Associates		(14,369)	(44,212)	(9,554)	1,887	150,180
Profit before tax	6	220,044	411,539	204,665	102,985	372,097
Income tax expense	8	(51,142)	(94,531)	(34,059)	(21,826)	(27,029)
Profit for the year/period		168,902	317,008	170,606	81,159	345,068
Attributable to:						
Owners of the parent		114,802	292,614	152,559	70,618	316,044
Non-controlling interests:		54,100	24,394	18,047	10,541	29,024
		168,902	317,008	170,606	81,159	345,068

Consolidated statements of comprehensive income

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit for the year/period	168,902	317,008	170,606	81,159	345,068
Other comprehensive income					
Other comprehensive income/(losses) to be reclassified to profit or loss in subsequent periods:					
Available-for-sale investments:					
Changes in fair value	(8,999)	(25,243)	(1,400)	20,292	16,036
Reclassification adjustments for gains included in the consolidated statement of profit or loss	—	—	(84,471)	135	(25,782)
Reclassification adjustment of exchange differences upon disposal of a subsidiary	—	(14,341)	—	—	—
Exchange differences on translation of foreign operations	(13)	132,128	(61,892)	(41,367)	(290,683)
Share of other comprehensive income of joint ventures and associates	328	1,055	1,068	1,022	1,319
Other comprehensive income/(losses), net of tax	(8,684)	93,599	(146,695)	(19,918)	(299,110)
Total comprehensive income for the year/period	160,218	410,607	23,911	61,241	45,958
Attributable to					
Owners of the parent	106,118	360,243	7,644	50,653	38,038
Non-controlling interests	54,100	50,364	16,267	10,588	7,920
	160,218	410,607	23,911	61,241	45,958

Consolidated statements of financial position

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	10	4,796,623	1,897,379	1,818,625	1,680,966
Prepaid land lease payments	11	12,160	12,239	11,896	11,216
Intangible asset	12	3,297	3,326	3,241	3,062
Investments in associates	14	475,185	459,654	3,221,504	3,208,223
Investments in joint ventures	15	1,620,508	1,996,868	1,983,835	2,058,043
Available-for-sale investments	16	540,465	1,123,078	1,593,579	1,520,024
Deposit for acquisition of a joint venture		348,828	—	—	—
Loan to an associate	31(b)	—	—	270,000	150,000
Total non-current assets		7,797,066	5,492,544	8,902,680	8,631,534
CURRENT ASSETS					
Inventories	17	14,644	14,871	9,147	10,003
Trade and notes receivables	18	82,747	93,616	70,376	116,105
Prepayments, deposits and other receivables	19	8,434	46,722	52,317	51,427
Prepaid land lease payments	11	293	302	301	290
Amounts due from related parties	31(b)	114,219	65,937	509,868	373,076
Pledged deposits	20	—	—	10,451	1,556
Cash and cash equivalents	20	160,476	748,312	286,460	123,175
Total current assets		380,813	969,760	938,920	675,632
CURRENT LIABILITIES					
Trade payables	21	68,009	20,121	56,556	40,603
Other payables and accruals	22	65,458	205,425	158,662	131,870
Interest-bearing bank borrowings	23	302,645	99,971	103,312	231,038
Obligation under finance leases		3,172	—	—	—
Tax payable		5,126	50,128	149	3,909
Amounts due to related parties	31(b)	988,998	888,789	31,819	5,744
Loan from ultimate holding company	31(b)	—	317,973	684,523	155,942
Total current liabilities		1,433,408	1,582,407	1,035,021	569,106

					As at
		As at 31 December			**30 September**
	Notes	**2012**	**2013**	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NET CURRENT (LIABILITIES)/ASSETS		(1,052,595)	(612,647)	(96,101)	106,526
TOTAL ASSETS LESS CURRENT LIABILITIES		6,744,471	4,879,897	8,806,579	8,738,060
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	23	2,146,439	386,383	286,105	180,150
Loan from a fellow subsidiary	31(b)	—	140,180	135,384	126,862
Deferred tax liabilities	24	—	—	11,995	11,995
Total non-current liabilities		2,146,439	526,563	433,484	319,007
Net assets		4,598,032	4,353,334	8,373,095	8,419,053
EQUITY					
Equity attributable to owners of the parent					
Share capital	25	234,000	234,000	8,620,436	8,620,436
Reserves		3,224,253	3,584,496	(774,759)	(736,721)
		3,458,253	3,818,496	7,845,677	7,883,715
Non-controlling interests		1,139,779	534,838	527,418	535,338
Total equity		4,598,032	4,353,334	8,373,095	8,419,053

Consolidated statements of changes in equity

	Attributable to owners of the parent											
	Issued capital	Share premium	Capital reserves	Merger reserves	Statutory surplus reserves	Special reserves	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	234,000	300	5,461	2,554,293	30,479	—	20,128	15,734	491,740	3,352,135	1,063,592	4,415,727
Profit for the year	—	—	—	—	—	—	—	—	114,802	114,802	54,100	168,902
Other comprehensive income for the year	—	—	328	—	—	—	(8,999)	(13)	—	(8,684)	—	(8,684)
Total comprehensive income for the year	—	—	328	—	—	—	(8,999)	(13)	114,802	106,118	54,100	160,218
Transfer to PRC statutory reserves	—	—	—	—	9,236	—	—	—	(9,236)	—	—	—
Provision of special reserves	—	—	—	—	—	3,430	—	—	(3,430)	—	—	—
Utilisation of special reserves	—	—	—	—	—	(3,427)	—	—	3,427	—	—	—
Capital injection from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	55,497	55,497
Dividends paid to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	(33,410)	(33,410)
At 31 December 2012	234,000	300*	5,789*	2,554,293*	39,715*	3*	11,129*	15,721*	597,303*	3,458,253	1,139,779	4,598,032

	Attributable to owners of the parent											
	Issued capital	Share premium	Capital reserves	Merger reserves	Statutory surplus reserves	Special reserves	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	234,000	300	5,789	2,554,293	39,715	3	11,129	15,721	597,303	3,458,253	1,139,779	4,598,032
Profit for the year	—	—	—	—	—	—	—	—	292,614	292,614	24,394	317,008
Other comprehensive income for the year	—	—	1,055	—	—	—	(25,243)	91,817	—	67,629	25,970	93,599
Total comprehensive income for the year	—	—	1,055	—	—	—	(25,243)	91,817	292,614	360,243	50,364	410,607
Transfer to statutory surplus reserves	—	—	—	—	47,238	—	—	—	(47,238)	—	—	—
Provision of special reserves	—	—	—	—	—	3,616	—	—	(3,616)	—	—	—
Utilisation of special reserves	—	—	—	—	—	(3,619)	—	—	3,619	—	—	—
Capital injection from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	56,367	56,367
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(528,868)	(528,868)
Capitalisation of retained profits	—	—	—	559,687	—	—	—	—	(559,687)	—	—	—
Dividends declared to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	(182,804)	(182,804)
At 31 December 2013	234,000	300*	6,844*	3,113,980*	86,953*	—*	(14,114)*	107,538*	282,995*	3,818,496	534,838	4,353,334

	Attributable to owners of the parent											
	Issued capital	Share premium	Capital reserves	Merger reserves	Statutory surplus reserves	Special reserves	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	234,000	300	6,844	3,113,980	86,953	—	(14,114)	107,538	282,995	3,818,496	534,838	4,353,334
Profit for the year	—	—	—	—	—	—	—	—	152,559	152,559	18,047	170,606
Other comprehensive income for the year	—	—	1,068	—	—	—	(85,871)	(60,112)	—	(144,915)	(1,780)	(146,695)
Total comprehensive income for the year	—	—	1,068	—	—	—	(85,871)	(60,112)	152,559	7,644	16,267	23,911
Transfer to statutory surplus reserves	—	—	—	—	4,662	—	—	—	(4,662)	—	—	—
Provision of special reserves	—	—	—	—	—	3,352	—	—	(3,352)	—	—	—
Utilisation of special reserves	—	—	—	—	—	(1,845)	—	—	1,845	—	—	—
Issuance of Consideration Shares (as defined in note 1 of Section II)	4,285,783	—	—	(4,285,783)	—	—	—	—	—	—	—	—
Issuance of New Shares (as defined in note 1 of Section II)	4,100,353	—	—	—	—	—	—	—	—	4,100,353	—	4,100,353
Deregistration of subsidiaries	—	—	—	—	—	—	—	—	—	—	(19,669)	(19,669)
Dividends paid to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	(4,018)	(4,018)
Dividends declared in relation to the CSTD Acquisition	—	—	—	—	—	—	—	—	(80,816)	(80,816)	—	(80,816)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	300	(300)	—	—	—	—	—	—	—	—	—	—
At 31 December 2014	8,620,436	—	7,912	(1,171,803)	91,615	1,507	(99,985)	47,426	348,569	7,845,677	527,418	8,373,095

	Attributable to owners of the parent											
	Issued capital	Share premium	Capital reserves	Merger reserves	Statutory surplus reserves	Special reserves	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	8,620,436	—	7,912	(1,171,803)	91,615	1,507	(99,985)	47,426	348,569	7,845,677	527,418	8,373,095
Profit for the period	—	—	—	—	—	—	—	—	316,044	316,044	29,024	345,068
Other comprehensive income for the period	—	—	1,319	—	—	—	(9,746)	(269,579)	—	(278,006)	(21,104)	(299,110)
Total comprehensive income for the period	—	—	1,319	—	—	—	(9,746)	(269,579)	316,044	38,038	7,920	45,958
Provision of special reserves	—	—	—	—	—	1,748	—	—	(1,748)	—	—	—
Utilisation of special reserves	—	—	—	—	—	(978)	—	—	978	—	—	—
At 30 September 2015	8,620,436	—*	9,231*	(1,171,803)*	91,615*	2,277*	(109,731)*	(222,153)*	663,843*	7,883,715	535,338	8,419,053

	Attributable to owners of the parent											
	Issued capital	Share premium	Capital reserves	Merger reserves	Statutory surplus reserves	Special reserves	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	234,000	300	6,844	3,113,980	86,953	—	(14,114)	107,538	282,995	3,818,496	534,838	4,353,334
Profit for the period	—	—	—	—	—	—	—	—	70,618	70,618	10,541	81,159
Other comprehensive income for the period	—	—	1,022	—	—	—	20,427	(41,414)	—	(19,965)	47	(19,918)
Total comprehensive income for the period	—	—	1,022	—	—	20,427	(41,414)	70,618	50,653	10,588	61,241	
Provision of special reserves	—	—	—	—	—	3,352	—	—	(3,352)	—	—	
Utilisation of special reserves	—	—	—	—	(1,845)	—	—	1,845	—	—	—	
Issuance of Consideration Shares (as defined in note 1 of Section II)	4,285,783	—	—	(4,285,783)	—	—	—	—	—	—	—	—
Issuance of New Shares (as defined in note 1 of Section II)	4,100,353	—	—	—	—	—	—	—	—	4,100,353	—	4,100,353
Dividends declared to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	(4,018)	(4,018)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	300	(300)	—	—	—	—	—	—	—	—	—	—
At 30 September 2014 (unaudited)	8,620,436	—*	7,866*	(1,171,803)*	86,953*	1,507*	6,313*	66,124*	352,106*	7,969,502	541,408	8,510,910

* These reserve accounts comprise the consolidated other reserves of HK$3,224,253,000, HK$3,584,496,000, HK$(774,759,000) and HK$(736,721,000) as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, in the consolidated statement of financial position.

Consolidated statements of cash flows

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		220,044	411,539	204,665	102,985	372,097
Adjustments for:						
Finance costs	7	55,118	105,189	86,537	66,622	36,793
Share of profits and losses of joint ventures and associates		(50,620)	(25,568)	(73,898)	(59,075)	(202,337)
Interest income	5	(1,031)	(1,525)	(15,879)	(9,872)	(12,170)
(Gain)/loss on disposal of items of property, plant and equipment	5	(986)	(2,014)	12,373	12,585	(752)
Gain on disposal of a subsidiary	5	—	(314,891)	—	—	—
Loss/(Gain) on disposal of joint venture	5	—	593	—	—	(3,770)
(Gain)/loss on disposal of available-for-sale investments	5	—	—	(84,471)	135	(25,782)
Dividend income from available-for-sale investments	5	(17,212)	(21,000)	(47,036)	(44,911)	(72,105)
Depreciation and amortization	6	106,345	125,233	101,150	78,814	74,696
Net provision/(reversal) of impairment loss on trade receivables	6	475	(353)	(915)	(686)	929
Operating cash flows before movements in working capital		312,133	277,203	182,526	146,597	167,599

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
(Increase)/decrease in inventories		(2,193)	(227)	5,724	3,240	(857)
Decrease/(increase) in trade and other receivables		8,774	(21,684)	33,264	(10,056)	(49,193)
(Increase)/decrease in amounts due from related parties		(68,914)	34,227	(453,510)	10,286	283,031
(Decrease)/increase in trade and other payables		(289,289)	(1,440)	46,325	(17,446)	(3,248)
Increase/(decrease) in amounts due to related parties		66,597	(318,233)	11,080	(579)	(26,075)
Cash generated from/(used in) operations		27,108	(30,154)	(174,591)	132,042	371,257
Income tax paid	8	(51,235)	(77,672)	(86,717)	(81,811)	(19,844)
Net cash flows (used in)/from operating activities		(24,127)	(107,826)	(261,308)	50,231	351,413

	Notes	Year ended 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000	Nine months ended 30 September 2014 HK$'000 (unaudited)	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of available-for-sale investments		—	(588,300)	(633,115)	(633,114)	(267)
Dividends received from available-for-sale investments		17,212	21,000	47,036	44,911	72,105
Dividend received from associates		—	—	7,530	—	1,728
Dividends received from joint ventures		26,579	58,905	63,738	43,941	41,874
Investments in associates		(12,333)	(25,046)	(2,806,427)	(912,822)	(53,449)
Investments in joint ventures		(360,914)	(1,523)	—	—	(188,936)
Proceeds from disposal of available-for-sale investments		—	—	158,527	21,948	39,703
Interest received		1,031	1,525	15,879	9,872	12,170
(Advance to)/repayment from an associate		—	(601)	(270,000)	(270,000)	120,000
Disposal of a subsidiary, net of cash disposed of	28	—	871,894	—	—	—
Disposal of a joint venture		—	35,551	—	—	12,181
Acquisition of items of property, plant and equipment		(36,421)	(31,746)	(46,111)	3,414	(6,534)
Increase/(decrease) in pledged deposits		—	—	(10,451)	—	8,895
Proceeds from disposal of items of property, plant and equipment		3,036	3,533	5,489	6,000	2,345
Net cash flows from/(used in) investing activities		(361,810)	345,192	(3,467,905)	(1,685,850)	61,815

	Notes	Year ended 31 December 2012 HK$'000	Year ended 31 December 2013 HK$'000	Year ended 31 December 2014 HK$'000	Nine months ended 30 September 2014 HK$'000 (unaudited)	Nine months ended 30 September 2015 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		(33,410)	(42,353)	(119,018)	(22,200)	(37,360)
Advance from a joint venture		—	—	3,723	—	—
Proceeds from/(repayment to) loan from the immediate holding company		—	232,879	(885,546)	(885,546)	—
Proceeds from/(repayment to) loan from the ultimate holding company		—	317,973	366,550	366,550	(528,581)
Capital injection from non-controlling equity holders		55,497	56,367	—	—	—
Repayment of obligations under finance leases		—	(3,171)	—	—	—
Bank borrowings raised		—	356,901	—	—	86,563
Repayment of bank borrowings		(181,880)	(469,482)	(99,803)	(56,159)	(73,314)
Proceeds from issuance of shares		—	—	4,100,353	2,035,243	—
Interest paid		(166,082)	(104,115)	(85,653)	(66,622)	(36,793)
Payment of return of capital to non-controlling equity holders upon the deregistration of the subsidiaries		—	—	(19,669)	—	—
Repayment of amount due to related parties		(1,586)	(350,640)	(368,231)	(304,872)	(215,976)
Proceeds from amount due to relate parties		652,667	345,738	369,913	369,913	232,441
Net cash flows from/(used in) financing activities		325,206	340,097	3,262,619	1,436,307	(573,020)

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(60,731)	577,464	(466,594)	(199,312)	(159,792)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	20	220,476	160,476	748,312	748,312	286,460
Effect of foreign exchange rate changes		731	10,372	4,742	3,854	(3,493)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		160,476	748,312	286,460	552,854	123,175

Statements of financial position

	Notes	As at 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000	As at 30 September 2015 HK$'000
NON-CURRENT ASSETS					
Investments in subsidiaries	13	—	16	5,928,748	6,448,997
Investments in associates	14	321,664	279,987	1,208,586	1,188,236
Investments in a joint venture	15	—	349,043	319,438	304,121
Available-for-sale investments	16	244,139	451,472	329,134	310,641
Deposit for acquisition of a joint venture		348,828	—	—	—
Loan to an associate	31(b)	—	—	270,000	150,000
Total non-current assets		914,631	1,080,518	8,055,906	8,401,995
CURRENT ASSETS					
Prepayments, deposits and other receivables	19	3,302	30,516	41,796	42,067
Amounts due from related parties	31(b)	4,089	29,852	541,187	182,681
Cash and cash equivalents	20	59,730	5	54	2
Total current assets		67,121	60,373	583,037	224,750
CURRENT LIABILITIES					
Other payables and accruals	22	7	9	10	—
Amounts due to related parties	31(b)	652,667	885,561	26,697	3,736
Tax payable		—	—	—	1,746
Total current liabilities		652,674	885,570	26,707	5,482
NET CURRENT ASSETS/(LIABILITIES)		(585,553)	(825,197)	556,330	219,268
TOTAL ASSETS LESS CURRENT LIABILITIES		329,078	255,321	8,612,236	8,621,263
NON-CURRENT LIABILITIES					
Deferred tax liabilities	24	—	—	11,995	11,995
Net assets		329,078	255,321	8,600,241	8,609,268
EQUITY					
Share capital	25	234,000	234,000	8,620,436	8,620,436
Reserves	26	95,078	21,321	(20,195)	(11,168)
Total equity		329,078	255,321	8,600,241	8,609,268

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

General

China Shipping Ports Development Co., Ltd (the "Target Company") is a private limited company incorporated in Hong Kong. Its immediate holding company is China Shipping (Hong Kong) Holdings Company Limited ("CSHK"), a company incorporated in Hong Kong. Its ultimate holding company is China Shipping (Group) Company ("China Shipping Group"), a company established in the People's Republic of China (the "PRC"). The address of the registered office and principal place of business of the Target Company is at 33/F., Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The Target Company acts as an investment holding company. At the end of each of the Relevant Periods and the date of this report, the Target Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of ownership interest attributable to the Target Group				Principal activities
			2012	2013	2014	2015	
Subsidiaries:							
Hong Kong Haima Development Company Limited# ** (note i)	Hong Kong	HK$15,514	—	—	100%	100%	Inactive
China Shipping Terminal Development Co., Ltd.# ** (note ii)	PRC	RMB3,786,531,586	100%	100%	100%	100%	Operation of a container terminal
Jinzhou New Age Container Terminal Co., Ltd. (Jinzhou New Age) # ** (note ii)	PRC	RMB320,843,634	51%	51%	51%	51%	Operation of a container terminal
Lianyungang New Oriental International Terminal Co., Ltd. (Lianyungang New Oriental) # ** (note ii)	PRC	RMB470,000,000	55%	55%	55%	55%	Operation of a container terminal
Lianyungang Sea-railway Multi-modal Transportation Co., Ltd.# ** (note ii)	PRC	RMB1,000,000	51%	51%	51%	51%	Cargo and liner agency
Lianyungang Xinsanli Container Service Co., Ltd.# ** (note ii)	PRC	RMB1,000,000	40%	40%	40%	40%	Operation of a container terminal
Shanghai China Shipping Container Terminal Co., Ltd.# ** (note ii)	PRC	RMB501,000,000	50%	50%	50%	50%	Operation of a container terminal
Lianyungang New Orient Container Terminal Co., Ltd.# ** (note iii and iv)	PRC	RMB900,000,000	55%	—	—	—	Operation of a container terminal

#: Registered as domestic companies with limited liability under the laws of the PRC.

**: Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Note i: The statutory financial statements of this entity for the years ended 31 December 2012, 2013 and 2014 prepared in accordance with the relevant accounting principles applicable to Hong Kong ("HK GAAP") were audited by Deloitte Tohmatsu.

Note ii: The statutory financial statements of these entities for the years ended 31 December 2012, 2013 and 2014 prepared in accordance with the relevant accounting principles applicable to enterprises in the PRC ("PRC GAAP") were audited by Baker Tilly China Certified Public Accountants.

Note iii: The statutory financial statements for the year ended 31 December 2012 prepared in accordance with PRC GAAP were audited by Baker Tilly China Certified Public Accountants.

Note iv: During the year ended 31 December 2013, the Target Group disposed of its 55% equity interests in Lianyungang New Orient Container Terminal Co., Ltd.

2. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial information has been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. The Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousands, except when otherwise indicated.

Merger accounting

The Target Group accounts for all its business combinations involving entities under common control using the principles of merger accounting. On 11 October 2013, the Target Company (as purchaser), China Shipping Container Lines Co., Ltd. ("CSCL") (as seller), a fellow subsidiary of the Target Company, and CSHK entered into an agreement pursuant to which the Target Company conditionally agreed to acquire, and CSCL conditionally agreed to sell, CSCL's 100% equity interest in China Shipping Terminal Development Co., Ltd. ("CSTD") (CSTD and its subsidiaries, hereinafter collectively referred to as the "CSTD Group"), subject to the approval of the State-owned Assets Supervision and Administration Commission of the PRC (the "SASAC") and the Ministry of Commerce of the PRC (the "CSTD Acquisition"). The consideration was approximately HK$4,295,941,000 (equivalent to RMB3,423,060,000) which was equivalent to the valuation result of the appraised net asset value of CSTD as of 30 June 2013 approved by the SASAC. To satisfy the consideration, the Target Company issued 2,782,975,935 new shares at an issue price of HK$1.54 per share to CSCL (the "Consideration Shares"). The issue price per share was determined by the appraised net asset value of the Target Company as of 30 June 2013 approved by the SASAC. CSHK agreed to inject new capital of HK$4,100,352,855 into the Target Company, which was settled by the issuance of 2,662,566,789 new shares in the Target Company at an issue price of HK$1.54 per share to CSHK (the "New Shares"). The CSTD Acquisition was completed on 20 June 2014. Upon completion of the CSTD Acquisition, CSHK and CSCL hold 51% and 49% equity interests in the Target Company, respectively.

As stipulated in the agreement to the CSTD Acquisition, the results of the Target Company and its subsidiaries (before the completion of the CSTD Acquisition, hereinafter collectively referred to as the "Existing Group") and the CSTD Group for the period from the date of valuation result of the appraised net asset value of CSTD, 30 June 2013, to the date of completion of the CSTD Acquisition, 20 June 2014 (the "Transition Period"), would be attributed to the original shareholders, CSHK and CSCL, respectively.

During the year ended December 31, 2014, the Target Company and CSTD declared dividends with an aggregate amount of RMB63,676,819 (equivalent to HK$80,815,992) payable to the original shareholders, CSHK and CSCL, respectively.

A dividend of RMB18,111,671 (equivalent to HK$22,959,007), being the results of the Existing Group for the Transition Period, was declared to CSHK out of retained profits of the Target Company. The dividend remained payable as at 31 December 2014 and was included in the amount due to the immediate holding company in the consolidated and Target Company's statements of financial position. It was paid during the period ended 30 September 2015.

A dividend of RMB45,565,148 (equivalent to HK$57,856,985), being the results of CSTD Group for the Transition Period, was declared to CSCL out of retained profits of the Target Group. The dividend was paid in December 2014.

As the Existing Group and CSCL were under the common control of China Shipping Group before and after the CSTD Acquisition, and China Shipping Group's control of the Target Company and CSTD Group is not transitory, the CSTD Acquisition is considered as a combination of businesses under common control and is accounted for on merger basis by applying Accounting Guideline 5 *Merger Accounting for Common Control Combinations* ("AG5") issued by the HKICPA.

AG5 requires retrospective application for all periods presented. The net assets of CSTD have been recognised at their carrying amounts in the consolidated financial statements of the Target Group and the financial statements of the Target Company since its incorporation.

The effects of all transactions between the Target Group and CSTD, whether occurring before or after the CSTD Acquisition, are eliminated in preparing the consolidated financial statements. The transaction costs for the acquisition were recognised as expenses in the consolidated statement of profit or loss.

Basis of consolidation

The Financial Information includes the financial statements of the Target Group for the Relevant Periods.

The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSS

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]

Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Group

Further information about those HKFRSs that are expected to be applicable to the Target Group is as follows:

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Target Group expects to adopt HKFRS 15 on 1 January 2018.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements in five areas, including materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments further encourage entities to apply professional judgement in determining what information to disclose and how to structure the disclosure in the financial statements. The Target Group expects to adopt the amendments from 1 January 2016.

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

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) will come into operation as from the Target Company's first financial year commencing after 3 March 2014 in accordance with section 358 of that Ordinance, which will be the year ending 31 December 2015. The TargetGroup is in the process of making an assessment of the expected impact of the changes in the period of initial application of Part 9 of the Ordinance. So far it has concluded that the impact is unlikely to be significant and will primarily affect the presentation and disclosure of information in the consolidated financial statements.

4.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Target Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Target Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Target Group's share of net assets under the equity method of accounting, less any impairment losses.

The Target Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Target Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Target Group and its associates or joint ventures are eliminated to the extent of the Target Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Target Group's investments in associates or joint ventures.

Business combinations and goodwill not under common control

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Target Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Target Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Target Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	30-40 years
Leasehold improvements	5 years
Containers	8-10 years
Port and depot infrastructures	10-50 years
Machinery	8-30 years
Furniture, fixture and office equipment	2-10 years
Motor vehicles	5-8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal or retirement recognised in the statement of profit or loss in the year the assets is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investment and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in other expenses for loans and receivables.

- Available-for-sale financial investments

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Target Group evaluates whether the ability and intention to sell its available-for-sale financial investments in the near term are still appropriate. When, in rare circumstances, the Target Group is unable to trade these financial assets due to inactive markets, the Target Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income and gains in the statement of profit or loss.

- *Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

- *Available-for-sale financial investments*

For available-for-sale financial investments, the Target Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Target Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as below:

- Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices, less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event, and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries and certain associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Grants related to income are deducted in reporting the related expense. If there was no specific expense to compensate, the grants are presented as part of profit or loss under other income.

Grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the related assets.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, and the Target Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the service has been rendered;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Financial Information is presented in Hong Kong dollars, which is the Target Company's functional and presentation currency. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Target Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in future.

The preparation of the Target Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) *Impairment of non-financial assets (other than goodwill)*

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) *Useful lives and residual values of property, plant and equipment*

Management determines the estimated useful lives and residual values for the Target Group's property, plant and equipment by reference to the Target Group's business model, its assets management policy, the industry practice and the expected usage of the asset. The depreciation expense will change where the useful lives or residual values of property, plant and equipment are different from the previous estimate.

5. REVENUE, OTHER INCOME AND GAINS

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue					
Harbour services	680,855	669,474	456,602	340,100	355,345
Logistics services	17,235	14,491	14,782	11,143	10,548
Others	19,735	5,090	1,624	1,521	1,007
	717,825	689,055	473,008	352,764	366,900
Other income and gains					
Government grants	6,897	16,784	4,404	3,438	7,163
Interest income	1,031	1,525	15,879	9,872	12,170
Gain/(loss) on disposal of items of property, plant and equipment	986	2,014	(12,373)	(12,585)	752
Gain on disposal of a subsidiary	—	314,891	—	—	—
Net exchange gain/(loss)	725	(7,130)	19,642	9,883	6,645
(Gain)/loss on disposal of a joint venture	—	(593)	—	—	3,770
Gain/(loss) on disposal of available-for-sale investments	—	—	84,471	(135)	25,782
Dividend income from available-for-sale investments	17,212	21,000	47,036	44,911	72,105
Others	6,737	11,906	14,103	294	309
	33,588	360,397	173,162	55,678	128,696

6. PROFIT BEFORE TAX

The Target Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Depreciation of property, plant and equipment	10	105,980	124,862	100,774	78,533	74,420
Amortisation of prepaid land lease payments	11	293	298	302	226	222
Amortisation of other intangible asset	12	72	73	74	55	54
Auditor's remuneration		101	252	328	95	669
Salaries and other benefits		99,040	98,319	75,176	42,482	43,541
Contribution to pension schemes		13,411	13,136	8,822	5,942	5,541
Provision/(reversal) of impairment of trade receivables	18	475	(353)	(915)	(686)	929

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Interest on bank borrowings	165,795	102,541	33,685	19,729	21,381
Interest on loans from related parties	287	15,643	52,852	46,893	15,412
Less: amounts captialised in the cost of qualifying assets	(110,964)	(12,995)	—	—	—
	55,118	105,189	86,537	66,622	36,793

Borrowing costs capitalised during the years ended 31 December 2012 and 2013 arose from the general borrowing pool and are calculated by applying a capitalisation rate of 5.895% per annum to the expenditure on qualifying assets.

8. INCOME TAX

The major components of income tax expense of the Target Group are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Current income tax:					
- Mainland China	51,142	94,531	21,358	21,826	25,283
- Hong Kong	—	—	753	—	1,746
Deferred tax (note 24)	—	—	11,948	—	—
Total tax charge for the year/period	51,142	94,531	34,059	21,826	27,029

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Target Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

Year ended 31 December 2012:

	Hong Kong		**Mainland China**		**Total**
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*
Profit/(loss) before tax	(3,153)		223,197		220,044
Tax at the statutory tax rate	(520)	16.5	55,799	25	55,279
Profits and losses attributable to joint ventures and associates	1,139		(14,381)		(13,242)
Income not subject to tax	(621)		(3,431)		(4,052)
Expenses not deductible for tax	—		13,498		13,498
Tax losses not recognised	2		—		2
Tax losses utilised from previous periods	—		(343)		(343)
Tax charge at the Target Group's effective rate	—		51,142		51,142

Year ended 31 December 2013:

	Hong Kong		Mainland China		Total
	HK$'000	%	*HK$'000*	%	*HK$'000*
Profit before tax	(48,758)		460,297		411,539
Tax at the statutory tax rate	(8,045)	16.5	115,074	25	107,029
Profits and losses attributable to joint ventures and associates	6,390		(16,074)		(9,684)
Income not subject to tax	(867)		(13,915)		(14,782)
Expenses not deductible for tax	2,237		7,373		9,610
Tax losses not recognized	285		2,073		2,358
Tax charge at the Target Group's effective rate	—		94,531		94,531

Year ended 31 December 2014:

	Hong Kong		Mainland China		Total
	HK$'000	%	*HK$'000*	%	*HK$'000*
Profit before tax	95,344		109,321		204,665
Tax at the statutory tax rate	15,732	16.5	27,330	25	43,062
Adjustments in respect of current tax of previous periods	—		2,377		2,377
Profits and losses attributable to joint ventures and associates	1,732		(21,098)		(19,366)
Income not subject to tax	(20,351)		(11,995)		(32,346)
Expenses not deductible for tax	4,496		5,863		10,359
Tax losses utilised from previous periods	(856)		—		(856)
Tax losses not recognised	—		18,880		18,880
Effect of withholding tax on the distributable profits of the Target Group's PRC and oversea associates	11,948		—		11,948
Tax charge at the Target Group's effective rate	12,701		21,357		34,058

Nine months ended 30 September 2015:

	Hong Kong		Mainland China		Total
	HK$'000	%	*HK$'000*	%	*HK$'000*
Profit before tax	59,766		312,331		372,097
Tax at the statutory tax rate	9,861	16.5	78,083	25	87,944
Profits and losses attributable to joint ventures and associates	(593)		(49,686)		(50,279)
Income not subject to tax	(7,717)		(13,611)		(21,328)
Expenses not deductible for tax	195		9,161		9,356
Tax losses not recognised	—		1,336		1,336
Tax charge at the Target Group's effective rate	1,746		25,283		27,029

Nine months ended 30 September 2014:

	Hong Kong		Mainland China		Total
	HK$'000	%	*HK$'000*	%	*HK$'000*
Profit before tax	8,614		94,371		102,985
Tax at the statutory tax rate	1,421	16.5	23,593	25	25,014
Adjustments in respect of current tax of previous periods	—		2,377		2,377
Profits and losses attributable to joint ventures and associates	(176)		(14,502)		(14,678)
Income not subject to tax	(4,145)		(9,378)		(13,523)
Expenses not deductible for tax	3,505		4,397		7,902
Tax losses utilised from previous periods	(605)		—		
Tax losses not recognised	—		3,391		3,391
Effect of withholding tax on the distributable profits of the Target Group's PRC and oversea associates	11,948		—		11,948
Tax charge at the Target Group's effective rate (unaudited)	11,948		9,878		21,826

9. DIVIDENDS

Results of the Existing Group and CSTD Group for the Transaction Period were attributed to the original shareholders, CSHK and CSCL, respectively. During the year ended 31 December 2014, the Target Company and CSTD declared dividends with an aggregate amount of RMB63,676,819 (equivalent to HK$80,815,992) payable to CSHK and CSCL, at the amounts of RMB18,111,671 (equivalent to HK$22,959,007) and RMB45,565,148 (equivalent to HK$57,856,985), respectively.

The dividend declared to CSCL was settled in December 2014, and the dividend declared to CSHK was settled in January 2015.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Containers	Port and depot infrastructures	Machinery	Furniture, fixture and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012:									
Cost	70,015	21,364	514	1,313,880	1,111,391	38,654	34,951	2,757,157	5,347,926
Accumulated depreciation	(12,231)	(3,056)	(257)	(153,835)	(369,291)	(28,575)	(22,532)	—	(589,777)
Net carrying amount	57,784	18,308	257	1,160,045	742,100	10,079	12,419	2,757,157	4,758,149
At 1 January 2012, net of accumulated depreciation	57,784	18,308	257	1,160,045	742,100	10,079	12,419	2,757,157	4,758,149
Additions	—	506	—	8,375	13,099	8,265	1,390	115,750	147,385
Transfer from construction in progress	—	—	—	—	729,775	328	—	(730,103)	—
Depreciation provided during the year	(2,166)	(1,575)	(47)	(30,300)	(63,783)	(4,874)	(3,235)	—	(105,980)
Disposals	—	—	—	—	(683)	(281)	(1,088)	—	(2,052)
Exchange realignment	(10)	(4)	—	(215)	(136)	(2)	(3)	(509)	(879)
At 31 December 2012, net of accumulated depreciation and impairment	55,608	17,235	210	1,137,905	1,420,372	13,515	9,483	2,142,295	4,796,623
At 31 December 2012									
Cost	70,005	21,866	514	1,322,012	1,849,050	45,395	33,489	2,142,295	5,484,626
Accumulated depreciation	(14,397)	(4,631)	(304)	(184,107)	(428,678)	(31,880)	(24,006)	—	(688,003)
Net carrying amount	55,608	17,235	210	1,137,905	1,420,372	13,515	9,483	2,142,295	4,796,623

	Buildings	Leasehold improvements	Containers	Port and depot infrastructures	Machinery	Furniture, fixture and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013:									
Cost	70,005	21,866	514	1,322,012	1,849,050	45,395	33,489	2,142,295	5,484,626
Accumulated depreciation	(14,397)	(4,631)	(304)	(184,107)	(428,678)	(31,880)	(24,006)	—	(688,003)
Net carrying amount	55,608	17,235	210	1,137,905	1,420,372	13,515	9,483	2,142,295	4,796,623
At 1 January 2013, net of accumulated depreciation and impairment	55,608	17,235	210	1,137,905	1,420,372	13,515	9,483	2,142,295	4,796,623
Additions	—	3,597	—	2,712	4,824	1,117	629	18,868	31,747
Disposal of a subsidiary	—	—	—	—	(714,699)	(224)	(884)	(2,191,995)	(2,907,802)
Depreciation provided during the year	(2,205)	(1,843)	(47)	(32,669)	(81,450)	(4,074)	(2,574)	—	(124,862)
Disposals	—	—	—	—	(1,274)	(58)	(188)	—	(1,520)
Exchange realignment	1,708	567	6	35,163	32,068	372	250	33,059	103,193
At 31 December 2013, net of accumulated depreciation and impairment	55,111	19,556	169	1,143,111	659,841	10,648	6,716	2,227	1,897,379
At 31 December 2013									
Cost	71,711	26,030	520	1,359,887	1,166,611	45,214	28,800	2,227	2,701,000
Accumulated depreciation	(16,600)	(6,474)	(351)	(216,776)	(506,770)	(34,566)	(22,084)	—	(803,621)
Net carrying amount	55,111	19,556	169	1,143,111	659,841	10,648	6,716	2,227	1,897,379

	Buildings	Leasehold improvements	Containers	Port and depot infrastructures	Machinery	Furniture, fixture and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014:									
Cost	71,711	26,030	520	1,359,887	1,166,611	45,214	28,800	2,227	2,701,000
Accumulated depreciation	(16,600)	(6,474)	(351)	(216,776)	(506,770)	(34,566)	(22,084)	—	(803,621)
Net carrying amount	55,111	19,556	169	1,143,111	659,841	10,648	6,716	2,227	1,897,379
At 1 January 2014, net of accumulated depreciation and impairment	55,111	19,556	169	1,143,111	659,841	10,648	6,716	2,227	1,897,379
Additions	—	67	—	791	1,693	10,175	2,843	30,542	46,111
Depreciation provided during the year	(2,229)	(2,040)	(48)	(33,690)	(57,380)	(3,550)	(1,837)	—	(100,774)
Disposals	(193)	—	—	(3)	(15,712)	(423)	(1,608)	—	(17,939)
Exchange realignment	(104)	(61)	—	(3,771)	(2,088)	(47)	(22)	(59)	(6,152)
At 31 December 2014, net of accumulated depreciation and impairment	52,585	17,522	121	1,106,438	586,354	16,803	6,092	32,710	1,818,625
At 31 December 2014									
Cost	71,414	26,036	520	1,356,901	1,129,310	53,362	23,583	32,710	2,693,836
Accumulated depreciation	(18,829)	(8,514)	(399)	(250,463)	(542,956)	(36,559)	(17,491)	—	(875,211)
Net carrying amount	52,585	17,522	121	1,106,438	586,354	16,803	6,092	32,710	1,818,625

	Buildings	Leasehold improvements	Containers	Port and depot infrastructures	Machinery	Furniture, fixture and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015:									
Cost	71,414	26,036	520	1,356,901	1,129,310	53,362	23,583	32,710	2,693,836
Accumulated depreciation	(18,829)	(8,514)	(399)	(250,463)	(542,956)	(36,559)	(17,491)	—	(875,211)
Net carrying amount	52,585	17,522	121	1,106,438	586,354	16,803	6,092	32,710	1,818,625
At 1 January 2015, net of accumulated depreciation	52,585	17,522	121	1,106,438	586,354	16,803	6,092	32,710	1,818,625
Additions	7	—	—	781	5	400	776	4,316	6,285
Transfer from construction in progress	—	—	—	—	—	249	—	(249)	—
Depreciation provided during the period	(1,637)	(1,625)	(35)	(24,731)	(41,333)	(4,193)	(866)	—	(74,420)
Disposals	—	—	—	—	(63)	—	—	—	(63)
Exchange realignment	(2,014)	(649)	(5)	(42,586)	(21,998)	(620)	(235)	(1,354)	(69,461)
At 30 September 2015, net of accumulated depreciation and impairment	48,941	15,248	81	1,039,902	522,965	12,639	5,767	35,423	1,680,966
At 30 September 2015:									
Cost	69,407	25,387	515	1,315,096	1,105,744	53,372	24,124	35,423	2,629,068
Accumulated depreciation	(20,466)	(10,139)	(434)	(275,194)	(582,779)	(40,733)	(18,357)	—	(948,102)
Net carrying amount	48,941	15,248	81	1,039,902	522,965	12,639	5,767	35,423	1,680,966

As at 31 December 2012, 2013, and 2014 and 30 September 2015, certain of the Target Group's property, plant and equipment with a net carrying value of HK$638,035,318, HK$605,740,242, HK$575,210,288 and HK$532,475,725, respectively, were pledged to banks to secure the Target Group's banking facilities (note 23).

11. PREPAID LAND LEASE PAYMENTS

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying value at beginning of year/period	12,749	12,453	12,541	12,197
Recognised during the year/period	(293)	(298)	(302)	(222)
Exchange realignment	(3)	386	(42)	(469)
Carrying value at end of year/period	12,453	12,541	12,197	11,506
Current portion	(293)	(302)	(301)	(290)
Non-current portion	12,160	12,239	11,896	11,216

Prepaid lease payments are amortised over the term of the relevant rights. The land use rights relate to parcels of land located in Jinzhou and Lianyungang in the PRC, both under medium-lease term leases of 50 years since 2003.

12. INTANGIBLE ASSET

	Port line use right
	HK$'000
Cost at 1 January 2012, net of accumulated amortisation	3,369
Amortisation provided during the year	(72)
Exchange realignment	—
At 31 December 2012	3,297
At 31 December 2012:	
Cost	3,580
Accumulated amortisation	(283)
Net carrying value	3,297

	Port line use right
	HK$'000
Cost at 1 January 2013, net of accumulated amortisation	3,297
Amortisation provided during the year	(73)
Exchange realignment	102
At 31 December 2013	3,326
At 31 December 2013:	
Cost	3,692
Accumulated amortisation	(366)
Net carrying value	3,326
Cost at 1 January 2014, net of accumulated amortisation	3,326
Amortisation provided during the year	(74)
Exchange realignment	(11)
At 31 December 2014	3,241
At 31 December 2014:	
Cost	3,680
Accumulated amortisation	(439)
Net carrying value	3,241
Cost at 1 January 2015, net of accumulated amortisation	3,241
Amortisation provided during the period	(54)
Exchange realignment	(125)
At 30 September 2015	3,062
At 30 September 2015:	
Cost	3,537
Accumulated depreciation	(475)
Net carrying value	3,062

The intangible asset, which represents a port line use right, is related to the concession for operation of a container terminal berth located in Jinzhou, the PRC, for a concession period of 50 years commencing in 2008 granted by the Government of the PRC. The carrying amount of the concession represents the existing book values presented in the net assets of the combining entity, which the Target Group acquired from business combination under common control. Amortisation of the port line use right is calculated on the straight-line method over the period of the port line use right.

13. INVESTMENTS IN SUBSIDIARIES

TARGET COMPANY

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted equity investments, at cost	—	16	5,928,748	6,448,997

14. INVESTMENTS IN ASSOCIATES

The Target Group:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	465,883	450,348	2,941,221	2,927,940
Goodwill on acquisition	9,302	9,306	280,283	280,283
	475,185	459,654	3,221,504	3,208,223

The Target Company:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	312,362	270,681	928,303	907,953
Goodwill on acquisition	9,302	9,306	280,283	280,283
	321,664	279,987	1,208,586	1,188,236

Particulars of the associates are as follows:

Name	Place of incorporation	Principal place of operation	Percentage of ownership interest attributable to the Target Group 2012	2013	2014	2015	Principal activities
Damietta International Port Company S.A.E ("Damietta")	Egypt	Egypt	20%	20%	20%	20%	Operation of a container terminal
China Shipping Terminal (USA LLC)	The United States of America	The United States of America	40%	40%	40%	40%	Investment holding
Jiangsu Yangtze Petrochemical Co., Ltd ("Jiangsu Yangtze")	PRC	PRC	—	—	30.4%	30.4%	Operation of bulk liquid storage
APM Terminals Zeebrugge NV ("APM")	Belgium	Belgium	—	—	23.9999%	23.9999%	Port and terminal operation
Asia Container Terminals Holding Limited ("ACTH")	The Cayman Islands	Hong Kong	—	—	20%	20%	Investment holding and container terminal operation
Shanghai Mingdong Container Terminals Co., Ltd ("Shanghai Mingdong")	PRC	PRC	—	—	20%	20%	Operation of a container terminal
Ningbo Meishan Bonded Port New Harbour Terminal Operating Co., Ltd ("Ningbo Meishan")	PRC	PRC	20%	20%	20%	20%	Operation of a container terminal
Qinhuangdao Port New Harbour Container Terminal Co., Ltd	PRC	PRC	30%	30%	30%	30%	Operation of a container terminal

The Target Group's shareholdings in the associates all comprise equity shares held by the Target Company, except for Shanghai Mingdong and Ningbo Meishan, the shareholdings in which are held through a wholly-owned subsidiary of the Target Company.

The following tables illustrate the summarised financial information in respect of each of the Target Group's material associates adjusted for any differences in accounting policies and reconciled to the carrying amount in the Financial Information.

All of these associates are accounted for using the equity method in the Financial Information.

Financial information of significant associates:

As at 31 December 2012:

	Demiatta
	HK$'000
Non-current assets	2,368,435
Current assets	508,911
Total liabilities	(1,320,092)
Net assets	1,557,254
Reconciliation to the Target Group's interest in the associate:	
Proportion of the Target Group's interests in the associate	20%
The Target Group's share of net assets of the associate	311,451
Goodwill	9,302
Carrying amount of the investment	320,753
Revenue	—
Loss for the year	(1,938)
Other comprehensive income/(loss)	—
Total comprehensive loss	(1,938)

As at 31 December 2013:

	Demiatta
	HK$'000
Non-current assets	2,370,538
Current assets	483,538
Total liabilities	(1,500,671)
Net assets	1,353,405
Reconciliation to the Target Group's interest in the associate:	
Proportion of the Target Group's interest in the associate	20%
The Target Group's share of net assets of the associate	270,681
Goodwill	9,306
Carrying amount of the investment	279,987
Revenue	—
Loss for the year	(195,620)
Other comprehensive loss	(8,211)
Total comprehensive loss	(203,831)

As at 31 December 2014:

	Demiatta	**Jiangsu Yangtze**	**APM**	**ACTH**	**Shanghai Mingdong**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	2,375,950	803,293	857,900	3,000,474	8,245,325
Current assets	483,371	34,035	36,604	326,010	1,111,196
Total liabilities	(1,584,059)	(166,437)	(149,837)	(1,873,579)	(187,831)
Net assets	1,275,262	670,891	744,667	1,452,905	9,168,690
Reconciliation to the Target Group's interests in the associates:					
Proportion of the Target Group's interests in the associates	20%	30.4%	23.9999%	20%	20%
Target Group's share of net assets of the associates	255,052	203,951	178,719	290,581	1,833,738
Goodwill	9,308	—	—	270,975	—
Carrying amounts of the investments	264,360	203,951	178,719	561,556	1,833,738
Revenue	—	103,912	195,508	82,097	214,753
Profit/(loss) for the year	(78,555)	28,859	(43,385)	37,778	—
Other comprehensive income/(loss)	424	4,132	(104,279)	—	(15,392)
Total comprehensive income/(loss)	(78,131)	32,991	(147,664)	37,778	(15,392)
Dividends received from associate	—	7,530	—	—	—

As at 30 September 2015:

	Demiatta	Jiangsu Yangtze	APM	ACTH	Shanghai Mingdong
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	2,375,950	739,978	778,196	2,925,364	8,020,805
Current assets	483,371	49,250	51,980	390,901	1,631,415
Total liabilities	(1,584,059)	(134,554)	(177,334)	(1,830,273)	(683,924)
Net assets	1,275,262	654,674	652,842	1,485,992	8,968,296
Reconciliation to the Target Group's interests in the associates:					
Proportion of the Target Group's interests in the associates	20%	30.4%	23.9999%	20%	20%
The Target Group's share of net assets of the associates	255,052	199,021	156,681	297,198	1,793,659
Goodwill	9,308	—	—	270,975	—
Carrying amounts of the investments	264,360	199,021	156,681	568,173	1,793,659
Revenue	—	104,211	84,885	409,789	1,853,375
Profit/(loss) for the period	—	10,056	(36,023)	33,087	736,951
Other comprehensive income/(loss)	—	(26,273)	(55,802)	—	(360,014)
Total comprehensive income/(loss)	—	(16,217)	(91,825)	33,087	376,937
Dividends received from associates	—	—	—	—	115,466

The following table illustrates the aggregate financial information of the Target Group's associates that are not individually material:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of the associates' profit/(loss) for the year	(13,981)	(5,088)	240	1,761
Share of the associates' total comprehensive income/(loss)	110	4,039	(728)	(8,061)
Aggregate carrying amount of the Target Group's investments in the associates	154,432	179,667	179,180	226,329

15. INVESTMENTS IN JOINT VENTURES

Target Group:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	1,620,508	1,996,868	1,983,835	2,058,043

Target Company:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	—	349,043	319,438	304,121

Particulars of the joint ventures are as follows:

Name	Place of incorporation	Principal place of operation	Percentage of ownership interest attributable to the Target Group 2012	2013	2014	2015	Principal activities
China Shipping Zhangjianggang Container Terminal Co., Ltd	PRC	PRC	50%	—	—	—	Operation of a container terminal
Cheer Dragon Investment Limited ("Cheer Dragon")	Hong Kong	Hong Kong	—	33.33%	33.33%	33.33%	Investment holding
Dalian Dagang Container Terminal Co., Ltd	PRC	PRC	35%	35%	35%	35%	Operation of a container terminal
Dalian International Container Terminal Co., Ltd ("Dalian International Container Terminal")	PRC	PRC	40%	40%	40%	40%	Operation of a container terminal
Nansha Stevedoring Co., Ltd of Guangzhou Port ("Guangzhou Nansha Port")	PRC	PRC	40%	40%	40%	40%	Operation of a container terminal
Lianyungang Gangtie International Container Joint Transport Co., Ltd	PRC	PRC	—	30%	30%	30%	Logistics
Lianyungang Xindongrun Port Stevedoring Co., Ltd	PRC	PRC	49%	49%	49%	49%	Operation of a container terminal
Yingkou New Century Container Terminal Co., Ltd	PRC	PRC	40%	40%	30%	30%	Operation of a container terminal
Qinzhou International Container Terminal Co., Ltd	PRC	PRC	40%	40%	40%	40%	Operation of a container terminal

The Target Group's shareholdings in the joint ventures all comprise equity shares held by a wholly-owned subsidiary of the Target Company, except for Cheer Dragon, the shareholding in which is held directly by the Target Company.

The following tables illustrates the qualified information in respect of each of the target group material joint ventures adjusted for any differences in accounting policies and reconciled to the carrying amount in the Financial Information.

All of these joint ventures are accounted for using the equity method in the Financial Information.

Financial information of significant joint ventures:

As at 31 December 2012:

	Dalian International Container Terminal	Guangzhou Nansha Port
	HK$'000	*HK$'000*
Non-current assets	3,819,622	4,027,512
Current assets	112,583	164,902
Total liabilities	(2,282,272)	(2,204,798)
Net assets	1,649,933	1,987,616
Reconciliation to the Target Group's interests in the joint ventures:		
Proportion of the Target Group's interests in the joint ventures	40%	40%
The Target Group's share of net assets of the joint ventures	659,973	795,046
Carrying amounts of the investments	659,973	795,046
Revenue	360,030	885,632
Profit for the year	8,081	107,572
Other comprehensive income/(loss)	55,926	(352)
Total comprehensive income	64,007	107,220
Dividends received from joint ventures	—	8,088

As at 31 December 2013:

	Cheer Dragon	Dalian International Container Terminal	Guangzhou Nansha Port
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	1,046,871	3,840,530	3,818,413
Current assets	852	152,965	561,297
Total liabilities	(490)	(2,308,671)	(2,285,180)
Net assets	1,047,233	1,684,824	2,094,530
Reconciliation to the Target Group's interests in the joint ventures:			
Proportion of the Target Group's interests in the joint ventures	33.33%	40%	40%
The Target Group's share of net assets of the joint ventures	349,043	673,930	837,812
Carrying amounts of the investments	349,043	673,930	837,812
Revenue	12,274	342,413	932,371
Profit/(loss) for the year	9,562	(18,805)	143,579
Other comprehensive income	—	53,695	62,929
Total comprehensive income	9,562	34,890	206,508
Dividends received from joint ventures	3,101	—	39,838

As at 31 December 2014:

	Cheer Dragon	Dalian International Container Terminal	Guangzhou Nansha Port
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	951,012	3,726,179	3,972,878
Current assets	11,762	219,749	271,744
Total liabilities	(4,363)	(2,263,526)	(2,105,999)
Net assets	958,411	1,682,402	2,138,623
Reconciliation to the Target Group's interests in the joint ventures:			
Proportion of the Target Group's interests in the joint ventures	33.33%	40%	40%
The Target Group's share of net assets of the joint ventures	319,438	672,961	855,449
Carrying amounts of the investments	319,438	672,961	855,449
Revenue	—	410,182	973,104
Profit/(loss) for the year	(2,476)	1,244	155,659
Other comprehensive income/(loss)	(86,346)	(3,667)	(7,095)
Total comprehensive income/(loss)	(88,822)	(2,423)	148,564
Dividends received from joint ventures	—	—	41,788

As at 30 September 2015:

	Cheer Dragon	**Dalian International Container Terminal**	**Guangzhou Nansha Port**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	905,062	3,630,004	3,715,886
Current assets	11,752	145,380	271,690
Total liabilities	(4,359)	(2,153,411)	(1,971,885)
Net assets	912,455	1,621,973	2,015,691
Reconciliation to the Target Group's interests in the joint ventures:			
Proportion of the Target Group's interests in the joint ventures	33.33%	40%	40%
The Target Group's share of net assets of the joint ventures	304,121	648,789	806,276
Carrying amounts of the investments	304,121	648,789	806,276
Revenue	—	295,027	646,960
Profit for the period	6,555	3,785	95,718
Other comprehensive loss	(52,511)	(64,214)	(82,430)
Total comprehensive income/(loss)	(45,956)	(60,429)	13,288
Dividends received from joint ventures	—	—	54,488

The following table illustrates the aggregate financial information of the Target Group's joint ventures that are not individually material:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of the joint ventures' profit for the year/period	18,727	16,683	21,516	10,171
Share of the joint ventures' total comprehensive income/(loss)	18	4,098	(53)	(7,940)
Aggregate carrying amounts of the Target Group's investments in the joint ventures	165,489	136,083	135,987	298,857

16. AVAILABLE-FOR-SALE INVESTMENTS

TARGET GROUP

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Listed equity investments, at fair value	93,852	662,479	501,406	470,359
Unlisted equity investments, at cost	446,613	460,599	1,092,173	1,049,665
	540,465	1,123,078	1,593,579	1,520,024

TARGET COMPANY

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Listed equity investments, at fair value	93,852	301,184	178,846	160,353
Unlisted equity investments, at cost	150,287	150,288	150,288	150,288
	244,139	451,472	329,134	310,641

During the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015, a gross loss of HK$8,999,000, HK$25,243,000, HK$1,400,000 and a gross gain of HK$16,036,000 in respect of the Target Group's available-for-sale investments were recognised in other comprehensive income, respectively, of which gains of nil, nil, HK$84,471,000 and HK$25,782,000 were reclassified from other comprehensive income to the statement of profit or loss for the year/period, respectively.

The unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Target Group does not intend to dispose of these investments in the near future.

17. INVENTORIES

				As at
		As at 31 December		**30 September**
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Consumables	14,644	14,871	9,147	10,003

18. TRADE AND NOTES RECEIVABLES

				As at
		As at 31 December		**30 September**
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	59,633	57,749	32,077	61,183
Notes receivable	25,141	37,599	39,261	56,757
Less: Impairment provision	(2,027)	(1,732)	(962)	(1,835)
Total	82,747	93,616	70,376	116,105

The Target Group's trading terms with its customers are mainly on credit and the credit period is generally 30 to 45 days, extending up to 60 days for major customers. There is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 3 months	54,332	55,483	31,115	58,591
4 to 6 months	202	411	—	—
6 to 12 months	1	123	—	757
over a year	3,071	—	—	—
Total	57,606	56,017	31,115	59,348

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	1,554	2,027	1,732	962
Impairment recognised/(reversed)	475	(353)	(915)	929
Exchange realignment	(2)	58	145	(56)
	2,027	1,732	962	1,835

Before accepting any new customer, the management of the Target Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

According to the Target Group policy, a general provision on trade receivables is set up based on their aging analysis, at the rates below:

Ageing	**Rates (%)**
Less than 1 year	3
More than 1 year	10

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	54,332	55,483	31,115	58,591
1 to 3 months past due	202	411	—	—
4 to 12 months past due	1	123	—	757
Past due over a year	3,071	—	—	—
Total	57,606	56,017	31,115	59,348

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

TARGET GROUP

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	2,243	6,546	1,951	2,878
Other receivables	2,966	9,660	5,145	6,482
Tax reserve certificate	3,002	30,293	41,796	42,067
Tax recoverable	223	223	3,425	—
Total	8,434	46,722	52,317	51,427

TARGET COMPANY

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables	77	—	—	—
Tax reserve certificate	3,002	30,293	41,796	42,067
Tax recoverable	223	223	—	—
Total	3,302	30,516	41,796	42,067

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The Target Group purchased tax reserve certificate amounting to HK$3,002,015, HK$27,290,786, HK$11,503,156 and HK$270,937 upon the request of the Hong Kong Inland Revenue Department ("IRD") in respect of the years of assessment 2005/06, 2006/07, 2007/08 and 2008/09, respectively. IRD raised assessments on the profits from the partial disposal of the Hong Kong listed equity securities held by the Target Company, which were recognized as available-for-sale financial assets in the consolidated and the Target Company's financial statements. In the directors' opinion, these profits were capital in nature and should not be subject to Hong Kong profits tax. Objection was lodged and the Target Group was requested by IRD to purchase tax reserve certificates. The directors, having taken professional advice, are vigorously contesting these assessments and accordingly, no provision in respect of these assessments has been made in the consolidated and the Target Company's financial statements.

20. CASH AND CASH EQUIVALENTS

TARGET GROUP

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	160,476	748,312	296,911	124,731
Less: Pledged deposits	—	—	(10,451)	(1,556)
Cash and cash equivalents	160,476	748,312	286,460	123,175

TARGET COMPANY

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	59,730	5	54	2

At the end of each of the Relevant Periods, the cash and bank balances of the Target Group denominated in Renminbi ("RMB") amounted to HK$160,476,000, HK$748,312,000, HK$296,911,000, HK$124,731,000, respectively. The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Target Group, and earn interest at the respective short term time deposits rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate to their fair values.

Pledged deposits with a carrying value of HK$10,451,000 and HK$1,556,000 as at 31 December 2014 and 30 September 2015, respectively, were pledged to secure the issuance of notes payables.

21. TRADE PAYABLES

An aged analysis of the trade payables of the Target Group as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 3 months	67,247	13,472	49,872	34,400
3 to 6 months	—	—	—	—
Over 6 months	676	6,359	6,395	5,925
Over 12 months	86	290	289	278
	68,009	20,121	56,556	40,603

The trade payables are unsecured, non-interest-bearing and normally settled on 30 to 60 days' terms.

22. OTHER PAYABLES AND ACCRUALS

TARGET GROUP

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	16,178	38,496	55,611	45,362
Accruals	19,424	11,098	7,937	7,727
Dividends payable to non-controlling interests	3,071	145,818	88,282	73,881
Other tax payables	24,766	9,142	3,814	1,115
Advances from customers	2,019	871	3,018	3,785
	65,458	205,425	158,662	131,870

Other payables and accruals are non-interest-bearing and have an average term of three months.

TARGET COMPANY

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Other payables and accruals	7	9	10	—

23. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2012		
	Effective interest rate *(%)*	**Maturity**	*HK$'000*
Current			
Current portion of long term bank loans - secured	5.90-6.35	2013	302,645
Non-current			
Secured bank loans	5.90-6.35	2014-2021	2,146,439
			2,449,084

	As at 31 December 2013		
	Effective interest rate *(%)*	**Maturity**	*HK$'000*
Current			
Current portion of long term bank loans - secured	5.4-5.895	2014	99,971
Non-current			
Secured bank loans	5.4-5.895	2015-2025	386,383
			486,354

	As at 31 December 2014		
	Effective interest rate *(%)*	**Maturity**	*HK$'000*
Current			
Current portion of long term bank loans - secured	5.4-5.89	2015	103,312
Non-current			
Secured bank loans	5.4-5.89	2016-2025	286,105
			389,417

	As at 30 September 2015		
	Effective interest rate *(%)*	**Maturity**	*HK$'000*
Current			
Current portion of long term bank loans - secured	4.37-4.86	2016	146,196
Short term bank loans - unsecured	4.83-5.62	2016	84,842
			231,038
Non-current			
Secured bank loans	4.37-4.86	2017-2025	180,150
			411,188

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed into:				
Bank loans repayable:				
Within one year	302,645	95,175	94,790	222,516
In the second year	689,400	116,123	128,383	46,302
In the third to fifth years, inclusive	1,161,053	158,477	79,014	79,208
Beyond five years	295,986	116,579	87,230	63,162
	2,449,084	486,354	389,417	411,188

The carrying amount of the current portion of interest-bearing bank borrowings of the Target Group approximates to their fair value due to their short term maturity.

The fair value of the non-current portion of interest-bearing bank borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Target Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2012, 2013 and 2014 and 30 September 2015 was assessed to be insignificant. Management has assessed that the fair value of the non-current interest-bearing bank borrowings of the Target Group approximates to their fair value due to their floating interest rates.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Group's bank loans were secured by the pledges of the Target Group's assets with carrying values as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	638,035	605,740	575,210	532,476
Intangible asset	3,297	3,326	3,241	3,062
	641,332	609,066	578,451	535,538

24. DEFERRED TAX LIABILITIES

The deferred tax liability recognised and movement thereon during the year ended 31 December 2014 as follows:

TARGET GROUP AND TARGET COMPANY

	Undistributed earnings of PRC and overseas associates
	HK$'000
As at 31 December 2012 and 2013	—
Charged to consolidated statement of profit or loss	11,948
Exchange realignment	47
As at 31 December 2014 and 30 September 2015	11,995

According to a joint circular of the Ministry of Finance and the State Administration of Taxation, CaiShui [2008] No.1, dividends distributed out of the profits generated since 1 January 2008 held by PRC entities shall be subject to PRC enterprise income tax pursuant to Articles 3 and 27 of the Income tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises, dividends distributed by PRC associates are subject to PRC withholding tax at 10% for the Relevant Periods.

Pursuant to the agreement between the Hong Kong special administrative region of the People's Republic of China and the Kingdom of Belgium for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital, a 5% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the Kingdom of Belgium. The requirement is effective from 6 February 2004 and applies to earnings after 7 October 2004. The Target Group is therefore liable for withholding taxes on undistributed earnings by the associate established in the Kingdom of Belgium.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, deferred tax asset has not been recognised by the Target Group on cumulative tax losses amounting to approximately HK$12,562,706, HK$14,920,886, HK$31,819,926 and HK$33,155,600 respectively, as it is uncertain that taxable profits will be available against which the tax losses can be utilised.

As at 31 December 2012 and 2013, deferred tax asset has not been recognised by the Target Company on cumulative tax losses amounting to approximately HK$570,839 and HK$855,574 respectively, as it is uncertain that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2014 and 30 September 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Target Group's subsidiary established in Mainland China. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiary in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$3,576,000 and HK$32,233,000 for 31 December 2014 and 30 September 2015 respectively.

25. SHARE CAPITAL

	Number of shares			
	As at 31 December			**As at 30 September**
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$1 each	234,000	234,000	N/A (note (i))	N/A (note (i))
Issued and fully paid ordinary shares:				
At beginning of the year/period	234,000	234,000	234,000	5,679,543
Issuance of Consideration Shares (note (ii))	—	—	2,782,976	—
Issuance of New Shares (note (ii))	—	—	2,662,567	—
At end of the year/period	234,000	234,000	5,679,543	5,679,543

	Amount			
	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$1 each	234,000	234,000	N/A (note (i))	N/A (note (i))
Issued and fully paid ordinary shares:				
At beginning of the year/period	234,000	234,000	234,000	8,620,436
Issuance of Consideration Shares (note (ii))	—	—	4,285,783	—
Issuance of New Shares (note (ii))	—	—	4,100,353	—
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (note (i))	—	—	300	—
At end of the year/period	234,000	234,000	8,620,436	8,620,436

Notes:

(i) Under the Hong Kong Companies Ordinance, with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Target Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

(ii) As set out in note 1, the Target Company issued 2,782,975,935 Consideration Shares at an issue price of HK$1.54 per share to CSCL in settlement of the consideration pursuant to the CSTD Acquisition during the year ended 31 December 2014. In addition, the Target Company issued 2,662,566,789 New Shares at an issue price of HK$1.54 per share to CSHK in settlement of the injection of new capital from CSHK.

26. RESERVES OF THE TARGET COMPANY

	Share premium	Exchange reserves	Available-for-sale investment revaluation reserves	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2012	300	(1,865)	20,128	89,491	108,054
Loss for the year	—	—	—	(3,961)	(3,961)
Net loss arising on revaluation of available-for-sale investments	—	—	(8,999)	—	(8,999)
Exchange differences arising on translation	—	(16)	—	—	(16)
Total comprehensive loss for the year	—	(16)	(8,999)	(3,961)	(12,976)
As at 31 December 2012	300	(1,881)	11,129	85,530	95,078
As at 1 January 2013	300	(1,881)	11,129	85,530	95,078
Loss for the year	—	—	—	(46,872)	(46,872)
Net loss arising on revaluation of available-for-sale investments	—	—	(25,243)	—	(25,243)
Exchange differences arising on translation	—	(1,642)	—	—	(1,642)
Total comprehensive loss for the year	—	(1,642)	(25,243)	(46,872)	(73,757)
As at 31 December 2013	300	(3,523)	(14,114)	38,658	21,321

	Share premium	Exchange reserves	Investment revaluation reserves	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2014	300	(3,523)	(14,114)	38,658	21,321
Profit for the year	—	—	—	82,537	82,537
Net loss arising on revaluation of available-for-sale investments	—	—	(31,492)	—	(31,492)
Reclassification adjustments relating to available-for-sale investments disposed during the year	—	—	(16,790)	—	(16,790)
Exchange differences arising on translation	—	(52,512)	—	—	(52,512)
Total comprehensive income/ (loss) for the year	—	(52,512)	(48,282)	82,537	(18,257)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	(300)	—	—	—	(300)
Dividends declared	—	—	—	(22,959)	(22,959)
As at 31 December 2014	—	(56,035)	(62,396)	98,236	(20,195)
As at 1 January 2015	—	(56,035)	(62,396)	98,236	(20,195)
Profit for the period	—	—	—	57,654	57,654
Net gain arising on revaluation of available-for-sale investments	—	—	3,108	—	3,108
Reclassification adjustments relating to available-for-sale investments disposed during the period	—	—	(12,854)	—	(12,854)
Exchange differences arising on translation	—	(38,881)	—	—	(38,881)
Total comprehensive income/ (loss) for the period	—	(38,881)	(9,746)	57,654	9,027
As at 30 September 2015	—	(94,916)	(72,142)	155,890	(11,168)

27. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Target Group's subsidiaries that have material non-controlling interests are set out below:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
Percentage of equity interest held by non-controlling interests:				
Lianyungang Container Terminal	45%	N/A	N/A	N/A
Jingzhou New Age	49%	49%	49%	49%
Lianyungang New Oriental	45%	45%	45%	45%

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) for the year/period allocated to non-controlling interests:				
Lianyungang Container Terminal	(2,440)	(32,309)	—	—
Jingzhou New Age	(9,333)	(4,080)	61	(4,738)
Lianyungang New Oriental	56,700	61,584	22,672	31,417
Dividends paid to non-controlling interests:				
Lianyungang New Oriental	27,749	171,746	—	—
Accumulated balances of non-controlling interests at the end of each of the Relevant Periods:				
Lianyungang Container Terminal	497,036	—	—	—
Jingzhou New Age	180,794	182,334	181,786	170,235
Lianyungang New Oriental	420,597	320,397	342,740	361,050

The following tables illustrate the summarized financial information of the above subsidiaries. The amounts disclosed are before any inter-company elimination:

As at 31 December 2012:

	Lianyungang Container Terminal	**Jingzhou New Age**	**Lianyungang New Oriental**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	—	96,893	506,893
Total expenses	(5,422)	(115,939)	(380,891)
Profit/(loss) for the year	(5,422)	(19,046)	126,002
Total comprehensive income/(loss) for the year	(5,422)	(19,046)	126,002
Current assets	31,623	28,912	126,213
Non-current assets	2,868,689	711,499	1,213,789
Current liabilities	(93,267)	(186,240)	(151,877)
Non-current liabilities	(1,702,497)	(184,995)	(258,993)
Net cash flows from operating activities	—	142,863	40,959
Net cash flows from/(used in) investing activities	(10,702)	1,590	(345)
Net cash flows used in financing activities	(11,914)	(169,270)	(41,867)
Net decrease in cash and cash equivalents	(22,616)	(24,817)	(1,253)

As at 31 December 2013:

	Jingzhou New Age	**Lianyungang New Oriental**
	HK$'000	*HK$'000*
Revenue	112,471	514,287
Total expenses	(120,797)	(377,434)
Profit/(loss) for the year	(8,326)	136,853
Total comprehensive income/(loss) for the year	(8,326)	136,853
Current assets	44,907	193,331
Non-current assets	699,468	1,197,586
Current liabilities	(23,554)	(503,285)
Non-current liabilities	(348,501)	(178,066)
Net cash flows from operating activities	29,981	172,116
Net cash flows used in investing activities	(1,060)	(6,198)
Net cash flows used in financing activities	(23,715)	(108,077)
Net increase in cash and cash equivalents	5,206	57,841

As at 31 December 2014:

	Jingzhou New Age	Lianyungang New Oriental
	HK$'000	*HK$'000*
Revenue	96,243	363,386
Total expenses	(96,117)	(313,004)
Profit for the year	126	50,382
Total comprehensive income for the year	126	50,382
Current assets	62,442	85,842
Non-current assets	664,505	1,169,150
Current liabilities	(23,015)	(406,059)
Non-current liabilities	(332,745)	(88,732)
Net cash flows from operating activities	48,431	132,278
Net cash flows from/(used in) investing activities	(1,573)	5,013
Net cash flows used in financing activities	(30,391)	(183,286)
Net increase/(decrease) in cash and cash equivalents	16,467	(45,995)

As at 30 September 2015:

	Jingzhou New Age	Lianyungang New Oriental
	HK$'000	*HK$'000*
Revenue	66,870	290,948
Total expenses	(76,538)	(221,132)
Profit/(loss) for the period	(9,669)	69,816
Total comprehensive income/(loss) for the period	(9,669)	69,816
Current assets	63,503	191,356
Non-current assets	615,918	1,079,854
Current liabilities	(24,791)	(471,093)
Non-current liabilities	(307,012)	—
Net cash flows from operating activities	20,480	37,370
Net cash flows used in investing activities	(735)	(1,841)
Net cash flows from/(used in) financing activities	(21,667)	9,629
Net increase/(decrease) in cash and cash equivalents	(1,922)	45,158

28. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2013, the Target Group disposed of its 55% equity interests in a subsidiary, Lianyungang New Orient Container Terminal Co., Ltd..

	2013
	HK$'000
Net assets disposed of:	
Property, plant and equipment	2,907,802
Other receivables	94
Cash and cash equivalents	74,771
Trade and other payables	(50,303)
Interest-bearing bank borrowings	(1,757,382)
Non-controlling interests	(528,868)
	646,114
Gain on disposal of a subsidiary	314,891
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	(14,340)
	300,551
	946,665
Satisfied by:	
Cash	946,665

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

	2013
	HK$'000
Cash consideration	946,665
Cash and cash equivalents disposed of	(74,771)
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	871,894

29. OPERATING LEASE ARRANGEMENTS

As lessee

The Target Group leases certain of its office properties and port infrastructures under operating lease arrangements. Leases for properties are negotiated for terms of three years, and those for port infrastructures are for terms of 20 years.

At the end of each of the Relevant Periods, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	26,050	9,986	9,953	9,570
In the second to fifth years, inclusive	19,732	30,162	26,868	18,504
More than five years	11,511	6,783	—	—
	57,293	46,931	36,821	28,074

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Target Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted, but not provided for:				
Capital contributions payable to joint ventures	350,480	417,661	202,822	—
Capital contributions payable to associates	25,046	243,186	192,681	269,731
	375,526	660,847	395,503	269,731

31. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related party transaction

In addition to the transactions detailed elsewhere in this Financial Information, the Target Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Ultimate holding company:					
Interest expense	287	6,918	31,591	18,701	15,412
Immediate holding company:					
Interest expense	—	8,725	21,261	21,261	—
Fellow subsidiary:					
Terminal operating income (i)	260,945	218,710	150,435	111,348	109,256
Terminal operating expense (ii)	19,928	23,995	20,260	12,349	12,117
Interest income	647	1,177	4,488	2,263	245
Interest expense	—	2,315	6,466	4,850	5,296
	281,520	246,197	181,649	130,810	126,914
Associate:					
Interest income	—	—	10,529	7,014	10,805

(i) The sales to the fellow subsidiaries were made according to the published prices and conditions offered to the major customers of the Target Group.

(ii) The purchases from the associates were made according to the published prices and conditions offered by the associates to their major customers.

(b) **Outstanding balances with related parties**

TARGET GROUP

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from				
Fellow subsidiaries (i)	108,617	59,535	503,858	220,827
Associates	4,088	4,689	4,690	118,428
Joint ventures	1,514	1,713	1,320	33,821
	114,219	65,937	509,868	373,076
Amounts due to				
Immediate holding company (ii)	652,667	885,546	22,959	—
Fellow subsidiaries	336,331	3,243	5,137	2,024
A joint venture	—	—	3,723	3,720
	988,998	888,789	31,819	5,744
Loan to				
An associate (iii)	—	—	270,000	150,000
Loan from				
Ultimate holding company (iv)	—	317,973	684,523	155,942
A fellow subsidiary (v)	—	140,180	135,384	126,862

(i) The amounts due from fellow subsidiaries are unsecured, bear interest at the prevailing bank deposit interest rate and are repayable on demand.

(ii) The amount due to the immediate holding company is unsecured, bears interest at 2.5% per annum and is repayable on demand.

(iii) The loan to an associate is unsecured, interest bearing at 5% over the Hong Kong Interbank Offered Rate ("HIBOR") per annum and has no fixed repayment terms. The amount is not expected to be repaid within one year from the end of the reporting period and is therefore shown in the consolidated statements of the financial position as non-current.

(iv) The loan from ultimate holding company is unsecured, interest bearing at interest rate at the prevailing bank borrowing interest rate and is repayable according to the contracts signed between related parties.

(v) The loan from a fellow subsidiary is unsecured, interest bearing at interest rate ranging from 4.85% to 5.1% per annum and is repayable according to the contracts signed between related parties.

TARGET COMPANY

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from				
Fellow subsidiary	—	25,081	478,592	177,347
Associates	4,089	4,693	4,690	5,256
A joint venture	—	78	78	78
A subsidiary	—	—	57,827	—
	4,089	29,852	541,187	182,681
Amounts due to				
Immediate holding company	652,667	885,561	22,959	—
A ioint venture	—	—	3,722	3,720
A subsidiary	—	—	16	16
	652,667	885,561	26,697	3,736
Loan to				
An associate	—	—	270,000	150,000

Balances with the related parties (except for the loan to an associate, refer to note (iv) above) were unsecured, non-interest-bearing and had no fixed repayment terms.

(c) **Compensation of key management personnel of the Group:**

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Salaries, allowances and benefits in kind	2,734	2,667	4,087	3,065	3,603
Pension scheme contributions	514	498	897	673	570
	3,248	3,165	4,984	3,738	4,173

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

TARGET GROUP

Financial assets — loans and receivables

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and notes receivables	82,747	93,616	70,376	116,105
Financial assets included in prepayments, deposits and other receivables	2,966	9,660	5,145	6,482
Amounts due from related parties	114,219	65,937	509,868	373,076
Loan to associate	—	—	270,000	120,000
Pledged deposits	—	—	10,451	1,556
Cash and cash equivalents	160,476	748,312	286,460	123,175

Financial assets — available-for-sale financial assets

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	540,465	1,123,078	1,593,579	1,520,024

Financial liabilities — at amortised cost

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	68,009	20,121	56,556	40,603
Financial liabilities included in other payables and accruals	63,439	204,554	155,643	128,085
Interest-bearing bank borrowings	2,449,084	486,354	389,417	411,188
Amounts due to related parties	988,998	1,346,942	851,726	288,548

TARGET COMPANY

Financial assets — loans and receivables

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets included in prepayments, deposits and other receivables	78	—	—	—
Amounts due from related parties	4,089	29,852	541,187	182,681
Cash and cash equivalents	59,730	5	54	2

Financial assets — available-for-sale financial assets

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	244,139	451,472	329,134	310,641

Financial liabilities — at amortised cost

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals	7	9	10	—
Amounts due to related parties	652,667	885,561	26,697	3,736

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Target Group's and the Target Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

TARGET GROUP

Carrying amounts:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities				
Non-current interest-bearing bank and other borrowings	2,146,439	386,383	286,105	180,150

Fair value:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities				
Non-current interest-bearing bank and other borrowings	2,146,439	386,383	286,105	180,150

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from/to related party companies to their carrying amounts largely due to the short term maturities of these instruments.

The Target Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at end of each of the Relevant Periods was assessed to be insignificant.

Fair value hierarchy

The fair values of listed equity investments are based on quoted market prices.

The Group enters into derivative financial instruments with BNP Paribas. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

The following table illustrates the fair value measurement hierarchy of the Target Group and Target Company's available-for-sale investments:

TARGET GROUP

As at 31 December 2012:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observation inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments				
Equity investments	93,852	—	—	93,852

As at 31 December 2013:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observation inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments				
Equity investments	662,479	—	—	662,479

As at 31 December 2014:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observation inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments				
Equity investments	501,406	—	—	501,406

As at 30 September 2015:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observation inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments				
Equity investments	470,359	—	—	470,359

TARGET COMPANY

As at 31 December 2012:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observation inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments				
Equity investments	93,852	—	—	93,852

As at 31 December 2013:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observation inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments				
Equity investments	301,184	—	—	301,184

As at 31 December 2014:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observation inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments				
Equity investments	178,846	—	—	178,846

As at 30 September 2015:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observation inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments				
Equity investments	160,353	—	—	160,353

During the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise bank loans, cash and pledged deposits. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities, such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are interest risk, credit risk and liquidity risk. The board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Target Group's exposure to risk of changes in market interest rates relates primarily to the Target Group's interest-bearing loans and borrowings with floating interest rates. The Target Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, the Target Group's profit before tax (through the impact on floating rate borrowings) and the Target Group's equity.

	Increase/ (decrease) in interest rate	**Increase/(decrease) in profit before tax**
	%	*HK$'000*
Year ended 31 December 2012		
Increase	+1	(21,464)
Decrease	-1	21,464
Year ended 31 December 2013		
Increase	+1	(8,445)
Decrease	-1	8,445
Year ended 31 December 2014		
Increase	+1	(11,060)
Decrease	-1	11,060
Nine months ended 30 September 2015		
Increase	+1	(5,478)
Decrease	-1	5,478

Credit risk

The Target Group trades only with related parties and recognised and creditworthy third parties. It is the Target Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Target Group's exposure to bad debts is not significant.

The credit risk of the Target Group's other financial assets, which comprise cash and cash equivalents, amounts due from associate and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Target Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Target Group as the customer bases of the Target Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Target Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

Liquidity risk

The Target Group's policy is to monitor regularly the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The maturity profile of the Target Group's financial liabilities as at the end of the each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

TARGET GROUP

As at 31 December 2012

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank borrowings	—	—	302,645	1,850,453	295,986	2,449,084
Obligation under finance leases	—	3,172	—	—	3,172	34,288
Trade payables	—	67,248	675	86	—	68,009
Other payables and accruals	—	63,119	69	251	—	63,439
Amounts due to related parties	988,998	—	—	—	—	988,998
	988,998	130,367	306,561	1,850,790	295,986	3,572,702

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank borrowings	—	—	95,175	274,600	116,579	486,354
Trade payables	—	13,471	6,359	290	—	20,120
Other payables and accruals	—	167,324	36,191	1,039	—	204,554
Amounts due to related parties	1,206,762	—	4,796	34,088	101,296	1,346,942
	1,206,762	180,795	142,521	310,017	217,875	2,057,970

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank borrowings	—	—	94,790	207,397	87,230	389,417
Trade payables	—	49,872	6,395	289	—	56,556
Other payables and accruals	—	154,167	327	1,149	—	155,643
Amounts due to related parties	716,342	—	8,522	34,088	92,774	851,726
	716,342	204,039	110,034	242,923	180,004	1,453,342

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank borrowings	—	—	222,516	125,510	63,162	411,118
Trade payables	—	34,400	5,925	278	—	40,603
Other payables and accruals	—	127,091	767	227	—	128,085
Amounts due to related parties	161,686	—	8,522	34,088	84,252	288,548
	161,686	161,491	237,730	160,103	147,414	868,424

TARGET COMPANY

31 December 2012

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	—	7	—	—	—	7
Amounts due to related parties	652,667	—	—	—	—	652,667
	652,667	7	—	—	—	652,674

31 December 2013

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	—	9	—	—	—	9
Amounts due to related parties	885,561	—	—	—	—	885,561
	885,561	9	—	—	—	885,570

31 December 2014

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	—	10	—	—	—	10
Amounts due to related parties	26,697	—	—	—	—	26,697
	26,697	10	—	—	—	26,707

30 September 2015

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	—	—	—	—	—	—
Amounts due to related parties	3,736	—	—	—	—	3,736
	3,736	—	—	—	—	3,736

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total equity attributable to owners of the parent plus net debt. The Target Group includes, within net debt, trade payables, other payables and accruals, interest-bearing bank borrowings, and amounts due to related parties, less cash and cash equivalents. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	68,009	20,121	56,556	40,603
Other payables and accruals	65,458	205,425	158,662	131,870
Interest-bearing bank borrowings	2,449,084	486,354	389,417	411,188
Obligation under finance lease	3,172	—	—	—
Amounts due to related parties	988,998	1,346,942	851,726	288,548
Less: Cash and cash equivalents	160,476	748,312	286,460	123,175
Net debt	3,414,245	1,310,530	1,169,901	749,034
Equity attributable to owners of the parent	4,598,033	4,353,334	8,373,095	8,419,053
Capital and net debt	8,012,278	5,663,864	9,542,996	9,168,087
Gearing ratio	43%	23%	12%	8%

35. EVENTS AFTER THE RELEVANT PERIODS

There is no material subsequent event undertaken by the Target Company or the Target Group after 30 September 2015.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group or any of its subsidiaries in respect of any period subsequent to 30 September 2015.

Yours faithfully,

Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS OF CSPD

Set out below is the management discussion and analysis on CSPD for the three financial years ended 31 December 2012, 2013 and 2014 and for the nine months ended 30 September 2015. The discussion and analysis relate to the consolidated results and financial position of CSPD.

The following discussion and analysis should be read in conjunction with the accountants' report set out in headed "1. Accountants' Report on CSPD" in this Appendix.

REVENUE

For the three years ended 31 December 2012, 2013 and 2014, the revenue of CSPD was HK$717,825,000, HK$689,055,000 and HK$473,008,000, respectively. For the nine months ended 30 September 2014 and 2015, the revenue of CSPD was HK$352,764,000 and HK$366,900,000, respectively.

The revenue of CSPD comprised revenue from harbour services, logistics services and other services. The decrease in revenue for the year ended 31 December 2013 against 2012 was principally due to the adjustment of sailing routes of container ships to support the development target of the Dalian government which led to a lower rate of usage of our ports and the second phase of Jinzhou Port was put into use, which resulted in the decrease of the number of containers. The decrease in revenue for the year ended 31 December 2014 against 2013 was principally due to the disposal of Lianyungang New Orient Container Terminal Co., Ltd which led to a decrease in sales volume. The slight increase in revenue for the nine months ended 30 September 2015 against the nine months ended 30 September 2014 was principally due to increase in the sales volume, mainly relating to the increased use of our harbour services.

GROSS PROFIT

For the three years ended 31 December 2012, 2013 and 2014, the gross profit of CSPD was HK$273,024,000, HK$220,371,000 and HK$129,773,000, respectively. For the nine months ended 30 September 2014 and 2015, the gross profit of CSPD was HK$109,750,000 and HK$133,329,000, respectively. The decrease in gross profit for the year ended 31 December 2013 against 2012 was principally due to decreased sales revenue while at the same time depreciation charges were increased due to new port and depot machines purchased in that year. The decrease in gross profit for the year ended 31 December 2014 against 2013 was principally due to decreased sales revenue and a relatively stable cost of sales during 2014 as most of these cost were fixed costs. An increase in sales volume and a decrease in operating costs due to lower oil prices were the principal reasons for the increase in gross profit between the nine months ended 30 September 2014 and 2015.

NET PROFIT

For the three years ended 31 December 2012, 2013 and 2014, the net profit of CSPD was HK$168,902,000, HK$317,008,000 and HK$170,606,000, respectively. For the nine months ended 30 September 2014 and 2015, the net profit of CSPD was HK$81,159,000 and HK$345,068,000, respectively. The increase in net profit for the year ended 31 December 2013 against 2012 was principally due to an increase in other income and gains from the disposal of a subsidiary, being Lianyungang New Orient Container Terminal Co., Ltd. The decrease in net profit for the year ended 31 December 2014 against 2013 was principally due to the fact that there was no similar gain on disposal of any subsidiary in 2014. The realized gain of the disposal of available-for-sale investment in Xiamen Port and share of profit of investment in newly acquired associate, Shanghai Mingdong Container Terminals Co., Ltd, were the principal reasons for the increase in net profit between the nine months ended 30 September 2014 and 2015.

BORROWINGS AND FINANCING

CSPD's sources of funding comprise mainly external borrowings, loans from related parties, and issuance of shares.

The external borrowings of CSPD comprise unsecured short term bank loans, secured long term bank loans and finance lease obligations. The maturity profile of these borrowings is set out in Note 23 in the Accountant's Report on CSPD in this Appendix.

As at 31 December 2012, CSPD had a net debt (being its debts less cash and cash equivalents) of HK$2,288,608,000 and the net debt-to-equity ratio (being net debt as a percentage of total equity) of 50%. The amount of debts consisted of bank borrowings of HK$2,449,084,000. The cash and cash equivalents amounted to HK$160,476,000.

As at 31 December 2013, CSPD had a net cash of HK$261,958,000. The amount of debts consisted of bank borrowings of HK$486,354,000. The cash and cash equivalents amounted to HK$748,312,000.

As at 31 December 2014, CSPD had a net debt of HK$102,957,000 and the net debt-to-equity ratio of 1%. The amount of debts consisted of bank borrowings of HK$389,417,000. The cash and cash equivalents amounted to HK$286,460,000.

As at 30 September 2015, CSPD had a net debt of HK$288,013,000 and the net debt-to-equity ratio of 3%. The amount of debts consisted of bank borrowings of HK$411,188,000. The cash and cash equivalents amounted to HK$123,175,000.

The overall decrease in net debt during the above periods was primarily due to the disposal of Lianyungang New Orient Container Terminal Co., Ltd and the repayment of loans that were funded from: (i) the issue of new shares; and (ii) cash generated from operating activities. The decrease in the net debt-to-equity ratio from 50% as at 31 December 2012 to net cash as at 31 December 2013 was due to the disposal of Lianyungang New Orient Container Terminal Co., Ltd, which had a high level of debt. The increase in net debt-to-equity ratio from net cash to 1% as at 31 December 2014 was due to the issue of 2,782,975,935 shares in CSPD to CSCL and 2,662,566,789 shares in CSPD to CS Hong Kong in 2014 and a slight increase in net debt. The increase in the net debt-to-equity ratio from 1% as at 31 December 2014 to 3% as at 30 September 2015 was due to the increase in loans by CSPD.

For the years ended 31 December 2012, 2013 and 2014, the range of effective interest rates per annum on CSPD's secured long term bank borrowings were 5.9% — 6.35%, 5.4% — 5.895% and 5.4% — 5.89% respectively. For the nine months ended 30 September 2015, the range of effective interest rates on secured long term bank borrowings and unsecured short term bank borrowings were 4.37% — 4.86% and 4.83% — 5.62% respectively. Interest rates on CSPD's bank borrowings were mainly floating interest rates.

FINANCIAL POSITION

The consolidated total assets of CSPD were HK$8,177,879,000 as at 31 December 2012, HK$6,462,304,000 as at 31 December 2013, HK$9,841,600,000 as at 31 December 2014 and HK$9,307,166,000 as at 30 September 2015. The decrease in consolidated total assets from 2012 to 2013 principally reflected a decrease in property, plant and equipment due to the disposal of Lianyungang New Orient Container Terminal Co., Ltd, which was partially offset by an increase in cash and cash equivalents. The increase in consolidated total assets from 2013 to 2014 principally reflected increases in investments in associates as a result of the completion of the acquisition of CSTD in 2014. The decrease in consolidated total assets from 31 December 2014 to 30 September 2015 was due to the repayment of loans that were funded from: (i) the issue of new shares; and (ii) cash generated from normal operating activities.

The consolidated total liabilities of CSPD were HK$3,579,847,000 as at 31 December 2012, HK$2,108,970,000 as at 31 December 2013, HK$1,468,505,000 as at 31 December 2014 and HK$888,113,000 at 30 September 2015. The decrease in consolidated total liabilities in 2013 from 2012 was largely attributable to the disposal of Lianyungang New Orient Container Terminal Co., Ltd, which had a high level of debt amount. The decrease in consolidated total liabilities in 2014 from 2013 was due to the repayment of loans that were funded from the issue of new shares and cash generated from operating activities. The decrease in consolidated total liabilities as at 30 September 2015 from 31 December 2014 was a result of the repayment of loans.

MATERIAL FINANCIAL INVESTMENTS

There were no material financial investments held by CSPD during the financial years ended 31 December 2012, 2013 and 2014 or the nine months ended 30 September 2015.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

(1) On 11 October 2013, CSPD (as purchaser), CSCL (as seller), and CS Hong Kong entered into an agreement pursuant to which CSPD conditionally agreed to acquire, and CSCL conditionally agreed to sell, CSCL's 100% equity interest in CSTD. The consideration was approximately HK$4,295,941,000 (equivalent to RMB3,423,060,000) which was equivalent to the valuation result of the appraised net asset value of CSTD as of 30 June 2013 approved by SASAC. To satisfy the consideration, CSPD issued 2,782,975,935 new shares at an issue price of HK$1.54 per share to CSCL. The issue price per share was determined by the appraised net asset value of CSPD as of 30 June 2013 approved by SASAC. CS Hong Kong agreed to inject new capital of HK$4,100,352,855 into CSPD, which was settled by the issuance of 2,662,566,789 new shares in CSPD at an issue price of HK$1.54 per share to CS Hong Kong. The transaction was completed on 20 June 2014. Upon completion of the transaction, CS Hong Kong and CSCL held 51% and 49% equity interests in CSPD, respectively.

(2) During the period from April 2014 to May 2014, CSPD and China Shipping (Group) Company entered into an agreement pursuant to which CSPD conditionally agreed to acquire and China Shipping (Group) Company conditionally agreed to sell China Shipping (Group) Company's 8% equity interests in Jiangsu Yangtze Petrochemical Co., Ltd, and CSPD and Singapore Taicang Terminals entered into an agreement pursuant to which CSPD conditionally agreed to acquire and Singapore Taicang Terminals conditionally agreed to sell Singapore Taicang Terminals' 22.4% equity interests in Jiangsu Yangtze Petrochemical Co., Ltd. The transactions were settled with a payment of RMB160,000,000 by CSPD.

(3) In March 2014, CSPD completed the acquisition of 20% equity interest of Asia Container Terminals Holdings Ltd. The transaction and additional shareholder loan were settled with a payment of HK$824,000,000 by CSPD.

(4) In December 2012, CSPD, COSCO Ports (Taiwan Kaohsiung) Limited, and Acenet Development Limited, established Cheer Dragon Investment Limited. Cheer Dragon Investment Limited (as purchaser), and Yang Ming Marine Transport Corporation (as seller), entered into an agreement pursuant to which Cheer Dragon Investment Limited conditionally agreed to acquire, and Yang Ming Marine Transport Corporation conditionally agreed to sell, Kao Ming Container Terminal Corporation's 30% equity interest. The transaction was settled with a payment of USD135,000,000 (each of three companies paid USD45,000,000 respectively).

(5) In January 2014, CSPD completed the acquisition of equity interest of APM Terminals Zeebrugge N.V. with a payment of EUR 20,000,000.

(6) At the end of December 2014, CSTD (as purchaser), and Shanghai International Port (Group) Co., Ltd. (as seller), entered into an agreement pursuant to which CSTD conditionally agreed to acquire, and Shanghai International Port (Group) Co., Ltd. conditionally agreed to sell, Shanghai International Port (Group) Co., Ltd.'s 20% equity interest in Shanghai Mingdong Container Terminals Co., Ltd. The transaction was settled with a payment of RMB1,446,280,000 by CSTD.

(7) In October 2013, CSTD established Qingdao Port International Co., Ltd. by injecting new capital of RMB284,060,785.97. Upon completion of the transaction, CSTD held 2.4% equity interest in Qingdao Port International Co., Ltd. Qingdao Port International Co., Ltd is a public company listed in Hong Kong. According to the listed state-owned company equity interest allocation policy, CSTD currently holds 2.01% equity interest in Qingdao Port International Co., Ltd.

(8) In December 2014, CSTD transferred its 49% equity interest in Lianyungang New Dongrun Port Co., Ltd. to Lianyungang Port Group Company Limited. The transaction was initiated on 31 July 2014 with a payment of RMB9,820,000 was made by Lianyungang Port Group Company Limited.

(9) In November 2013, CSTD, PSA Lianyungang PTE. Ltd, and Lianyungang Port Group Company Limited entered into an Asset and Equity Exchange agreement. CSTD transferred its 55% equity interest in Lianyungang New Oriental International Container Terminal Co., Ltd. The transaction was settled with a payment of RMB756,250,000.

(10) In May 2014, CSTD Shanghai, a wholly owned subsidiary of CSTD, has entered into an agreement to inject new capital of RMB499,445,000 into Guangzhou Port Company Limited in exchange of 4.5% equity interest.

(11) In April 2015, CSTD Shanghai, a wholly owned subsidiary of CSTD, has entered into an agreement to establish the Qingdao Qianwan Intelligent Container Terminal Co., Ltd. CSTD Shanghai holds 20% equity interest of Qingdao Qianwan Intelligent Container Terminal Co, Ltd. The transaction will be settled with a total payment of RMB260,000,000. A payment of RMB43,000,000 has been made as of 30 September 2015.

CAPITAL COMMITMENTS, CHARGES ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSPD had total capital commitments (excluding operating lease commitments) of HK$375,526,000, HK$660,847,000, HK$395,503,000 and HK$269,731,000 respectively. The amount of capital commitments consisted of capital contributions payable to joint ventures and capital contributions payable to associates.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSPD's bank borrowings were secured by pledges of CSPD's property, plant and equipment and intangible assets with aggregate carrying values of HK$641,332,000, HK$609,066,000, HK$578,451,000 and HK$535,538,000, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSPD did not have any material contingent liabilities.

FOREIGN EXCHANGE RISK MANAGEMENT

The income of CSPD was primarily in RMB and was largely matched by expenditure in the same currency. CSPD was not exposed to any significant foreign exchange exposure and carried out no foreign exchange hedging activities.

EMPLOYEES AND REMUNERATION POLICY

CSPD Group had 717, 665, 488 and 494 employees at 31 December 2012, 2013 and 2014 and 30 September 2015 respectively. The remuneration policy of CSPD Group reflected prevailing market practice. There is a performance related bonus plan for employees of CSPD Group.

The total staff costs of CSPD Group for the three years ended 31 December 2012, 2013 and 2014 were HK$156,663,000, HK$155,884,000, and HK$114,787,000 respectively and for the nine months ended 30 September 2014 and 30 September 2015 were HK$77,696,000 and HK$73,722,000 respectively.

The aggregate remuneration payable to and benefits in kind receivable by the Directors will not be varied in any material respect as a consequence of the Acquisition.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Please refer to the section headed "Reasons for and Benefits of the Florens Disposal and the Terminal Acquisition" in the "Letter from the Board" in this Circular for the future plans of CSPD.

3. ACCOUNTANTS' REPORT ON THE AGENCY COMPANIES

3.1 Shanghai Puhai Shipping Liners Co., Ltd. (上海浦海航運有限公司)

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of Shanghai Puhai Shipping Lines Co., Ltd. (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of the Target Group (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 19 November 1992.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Accounting Standards for Business Enterprises and were audited by Baker Tilly China Certified Public Accountants (天職國際會計師事務所(特殊普通合夥)) registered in the PRC.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies in the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies in the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been

consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, and of the consolidated financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
REVENUE	4	1,761,806	1,983,630	2,163,990	1,519,601	1,563,533
Cost of sales		(1,738,217)	(1,928,213)	(2,121,653)	(1,498,733)	(1,528,192)
Gross profit		23,589	55,417	42,337	20,868	35,341
Other income and gains	4	48,602	42,008	55,560	28,898	30,523
Administrative expenses		(70,315)	(75,424)	(77,534)	(57,569)	(55,120)
Other expenses		(21,176)	(8,956)	(17,568)	(4,997)	(152,783)
Finance costs		(3)	(18)	—	—	—
(Loss)/profit before tax	5	(19,303)	13,027	2,795	(12,800)	(142,039)
Income tax expense	6	(8,014)	(8,996)	(13,469)	(8,184)	(5,329)
(Loss)/profit for the year/period		(27,317)	4,031	(10,674)	(20,984)	(147,368)
Attributable to:						
Owners of the parent		(32,266)	(2,213)	(19,404)	(27,437)	(151,284)
Non-controlling interests		4,949	6,244	8,730	6,453	3,916
		(27,317)	4,031	(10,674)	(20,984)	(147,368)

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		(662)	(8,442)	1,070	1,221	12,812
Reclassification adjustment of exchange differences upon disposal of a subsidiary		—	—	489	489	—
Other comprehensive income/(losses), net of tax		(662)	(8,442)	1,559	1,710	12,812
Total comprehensive loss for the year/period		(27,979)	(4,411)	(9,115)	(19,274)	(134,556)
Attributable to:						
Owners of the parent		(32,928)	(10,655)	(17,845)	(25,727)	(138,472)
Non-controlling interests		4,949	6,244	8,730	6,453	3,916
		(27,979)	(4,411)	(9,115)	(19,274)	(134,556)

Consolidated statements of financial position

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	7	317,405	283,522	245,543	64,137
Intangible assets	8	7,731	4,978	3,069	1,753
Deferred tax assets	16	151	146	147	153
Total non-current assets		325,287	288,646	248,759	66,043
CURRENT ASSETS					
Inventories	10	26,580	25,438	24,942	15,195
Trade and bill receivables	11	41,345	71,114	33,051	44,416
Prepayments and other receivables	12	26,185	43,717	8,721	44,787
Amounts due from related parties	22(b)	168,947	162,785	249,613	229,046
Assets held for sale		—	—	—	6,552
Cash and cash equivalents	13	294,845	328,758	357,409	409,128
Total current assets		557,902	631,812	673,736	749,124
CURRENT LIABILITIES					
Trade payables	14	189,051	238,636	271,998	308,237
Other payables and accruals	15	19,316	4,710	7,941	8,843
Tax payable		1,402	3,606	5,286	3,644
Amounts due to related parties	22(b)	129,762	138,425	117,195	117,066
Finance lease obligations		—	147	—	—
Total current liabilities		339,531	385,524	402,420	437,790
NET CURRENT ASSETS		218,371	246,288	271,316	311,334
TOTAL ASSETS LESS CURRENT LIABILITIES		543,658	534,934	520,075	377,377

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		543,658	534,934	520,075	377,377
NON-CURRENT LIABILITIES					
Finance lease obligations		948	607	—	—
Total non-current liabilities		948	607	—	—
Net assets		542,710	534,327	520,075	377,377
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	17	682,911	682,911	682,911	682,911
Reserves		(158,396)	(171,293)	(189,603)	(328,542)
Non-controlling interests		18,195	22,709	26,767	23,008
Total equity		542,710	534,327	520,075	377,377

Consolidated statements of changes in equity

	Attributable to owners of parent							
	Paid-in capital	Special reserves	Statutory surplus reserves*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	682,911	—	18,888	(12,831)	(131,049)	557,919	14,942	572,861
(Loss)/profit for the year	—	—	—	—	(32,266)	(32,266)	4,949	(27,317)
Other comprehensive income for the year	—	—	—	(662)	—	(662)	—	(662)
Total comprehensive (loss)/income for the year	—	—	—	(662)	(32,266)	(32,928)	4,949	(27,979)
Dividends paid to a non-controlling shareholder	—	—	—	—	—	—	(1,542)	(1,542)
Provision of special reserves	—	13,273	—	—	(13,273)	—	—	—
Utilisation of special reserves	—	(11,501)	—	—	11,501	—	—	—
Others	—	—	—	—	(476)	(476)	(154)	(630)
At 31 December 2012	682,911	1,772	18,888	(13,493)	(165,563)	524,515	18,195	542,710

	Attributable to owners of parent							
	Paid-in capital	**Special reserves**	**Statutory surplus reserves***	**Exchange fluctuation reserve***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	682,911	1,772	18,888	(13,493)	(165,563)	524,515	18,195	542,710
(Loss)/profit for the year	—	—	—	—	(2,213)	(2,213)	6,244	4,031
Other comprehensive income for the year	—	—	—	(8,442)	—	(8,442)	—	(8,442)
Total comprehensive (loss)/income for the year	—	—	—	(8,442)	(2,213)	(10,655)	6,244	(4,411)
Dividends paid to a non-controlling shareholder	—	—	—	—	—	—	(1,577)	(1,577)
Provision of special reserves	—	12,725	—	—	(12,725)	—	—	—
Utilisation of special reserves	—	(11,050)	—	—	11,050	—	—	—
Others	—	—	—	—	(2,242)	(2,242)	(153)	(2,395)
At 31 December 2013	682,911	3,447	18,888	(21,935)	(171,693)	511,618	22,709	534,327

	Attributable to owners of parent							
	Paid-in capital	**Special reserves**	**Statutory surplus reserves***	**Exchange fluctuation reserve***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	682,911	3,447	18,888	(21,935)	(171,693)	511,618	22,709	534,327
Loss/(profit) for the year	—	—	—	—	(19,404)	(19,404)	8,730	(10,674)
Other comprehensive income for the year	—	—	—	1,559	—	1,559	—	1,559
Total comprehensive income/(loss) for the year	—	—	—	1,559	(19,404)	(17,845)	8,730	(9,115)
Dividends paid to a non-controlling shareholder	—	—	—	—	—	—	(4,521)	(4,521)
Provision of special reserves	—	12,550	—	—	(12,550)	—	—	
Utilisation of special reserves	—	(10,750)	—	—	10,750	—	—	—
Others	—	—	—	—	(465)	(465)	(151)	(616)
At 31 December 2014	682,911	5,247	18,888	(20,376)	(193,362)	493,308	26,767	520,075

	Attributable to owners of parent							
	Paid-in capital	**Special reserves**	**Statutory surplus reserves***	**Exchange fluctuation reserve***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	682,911	5,247	18,888	(20,376)	(193,362)	493,308	26,767	520,075
(Loss)/profit for the period	—	—	—	—	(151,284)	(151,284)	3,916	(147,368)
Other comprehensive income for the period	—	—	—	12,812	—	12,812	—	12,812
Total comprehensive income/(loss) for the period	—	—	—	12,812	(151,284)	(138,472)	3,916	(134,556)
Dividends paid to a non-controlling shareholder	—	—	—	—	—	—	(7,525)	(7,525)
Provision of special reserves	—	14,813	—	—	(14,813)	—	—	—
Utilisation of special reserves	—	(707)	—	—	707	—	—	—
Others	—	—	—	—	(467)	(467)	(150)	(617)
At 30 September 2015	682,911	19,353	18,888	(7,564)	(359,219)	354,369	23,008	377,377

	Attributable to owners of parent							
	Paid-in capital	**Special reserves**	**Statutory surplus reserves***	**Exchange fluctuation reserve***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	682,911	3,447	18,888	(21,935)	(171,693)	511,618	22,709	534,327
(Loss)/profit for the period	—	—	—	—	(27,437)	(27,437)	6,453	(20,984)
Other comprehensive income for the period	—	—	—	1,710	—	1,710	—	1,710
Total comprehensive (loss)/income for the period	—	—	—	1,710	(27,437)	(25,727)	6,453	(19,274)
Dividends paid to a non-controlling shareholder	—	—	—	—	—	—	(4,521)	(4,521)
Provision of special reserves	—	9,264	—	—	(9,264)	—	—	—
Utilisation of special reserves	—	(1,369)	—	—	1,369	—	—	—
Others	—	—	—	—	(464)	(464)	(151)	(615)
At 30 September 2014 (unaudited)	682,911	11,342	18,888	(20,225)	(207,489)	485,427	24,490	509,917

* These reserve accounts comprise the consolidated reserves of RMB(7,167,000), RMB(400,000), RMB(3,759,000) and RMB(30,677,000) as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, in the consolidated statements of financial position.

Consolidated statements of cash flows

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax		(19,303)	13,027	2,795	(12,800)	(142,039)
Adjustments for:						
Impairment/(reversal) for trade receivables and other receivables		1,063	579	(205)	—	908
Impairment for inventory	5	—	—	—	—	3,759
Depreciation	5	30,849	31,063	30,544	22,908	20,018
Amortisation of intangible assets	5	2,873	2,753	1,909	1,432	1,316
Impairment for property, plant and equipment	5	—	—	—	—	80,955
Loss/(gain) on disposal of property, plant and equipment	4,5	17,646	8,377	(14,260)	8	70,920
Gain on disposal of a subsidiary	4	—	—	506	506	—
Interest income	4	(3,586)	(3,606)	(6,124)	(3,725)	(6,297)
		29,542	52,193	15,165	8,329	29,540
Decrease/(increase) in inventories		11,307	1,142	(8,658)	(12,865)	5,988
(Increase)/decrease in trade receivables		(36,234)	(31,022)	2,771	52,605	(12,714)
(Increase)/decrease in prepayments and other receivables		(4,510)	(17,532)	5,286	(55,980)	(36,066)
Decrease/(increase) in amount due from related parties		1,043	6,257	(119,418)	124,366	21,008
Increase in assets held for sale		—	—	—	—	(6,552)
Increase in trade payables		41,254	49,585	59,824	42,086	36,239
Increase/(decrease) in other payables and accruals		17,108	(17,185)	1,861	29,257	12,248
Increase/(decrease) in amounts due to related parties		—	8,663	63,687	(60,533)	(129)
Increase/(decrease) in finance lease obligations		—	147	607	(147)	—
Income tax paid		(7,590)	(6,787)	(11,790)	(8,227)	(9,827)
Net cash flows from operating activities		51,920	45,461	9,335	118,891	39,735

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		3,586	3,606	6,124	3,725	6,297
Proceeds from disposal of property, plant and equipment		14,880	6,452	32,442	—	14,285
Disposal of a subsidiary	20	—	—	(3,711)	(3,711)	—
Purchases of property, plant and equipment		(3,819)	(16,513)	(11,836)	(3,905)	(2,289)
Net cash flows from/(used in) investing activities		14,647	(6,455)	23,019	(3,891)	18,293
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		(1,542)	(1,577)	(4,521)	(4,521)	(7,525)
Net cash flows used in financing activities		(1,542)	(1,577)	(4,521)	(4,521)	(7,525)
NET INCREASE IN CASH AND CASH EQUIVALENTS		65,025	37,429	27,833	110,479	50,503
Cash and cash equivalents at beginning of year/period	13	230,299	294,845	328,758	328,758	357,409
Effect of foreign exchange rate changes, net		(479)	(3,516)	818	1,325	1,216
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	13	294,845	328,758	357,409	440,562	409,128

Statements of financial position

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	7	169,777	232,360	219,027	61,987
Investments in subsidiaries	9	390,659	390,659	390,659	390,659
Intangible assets	8	7,176	4,824	3,069	1,753
Total non-current assets		567,612	627,843	612,755	454,399
CURRENT ASSETS					
Inventories	10	18,506	13,579	22,650	12,881
Trade receivables	11	18,852	26,967	31,977	44,019
Prepayments and other receivables	12	15,958	12,019	4,010	21,340
Amounts due from subsidiaries	22(b)	81,875	23,150	28,348	735,080
Amounts due from related parties	22(b)	112,082	121,700	206,300	216,925
Assets held for sale		—	—	—	6,552
Cash and cash equivalents	13	124,588	157,795	217,497	252,069
Total current assets		371,861	355,210	510,782	1,288,866
CURRENT LIABILITIES					
Trade payables	14	139,400	183,278	253,555	273,003
Other payables and accruals	15	14,511	3,325	6,013	6,750
Amounts due to subsidiaries	22(b)	26,705	114,955	183,619	903,800
Amounts due to related parties	22(b)	92,994	49,366	85,375	71,868
Total current liabilities		273,610	350,894	528,562	1,255,421
NET CURRENT ASSETS (LIABILITIES)		98,251	4,316	(17,780)	33,445
TOTAL ASSETS LESS CURRENT LIABILITIES		665,863	632,159	594,975	487,844
Net assets		665,863	632,159	594,975	487,844

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	17	682,911	682,911	682,911	682,911
Special reserves	18	—	—	—	12,533
Other reserves	18	23,891	23,891	23,891	23,891
Accumulated losses	18	(40,939)	(74,643)	(111,827)	(231,491)
Total equity		665,863	632,159	594,975	487,844

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

Shanghai Puhai Shipping Lines Co., Ltd. (the "Target Company") was established in the People's Republic of China (the "PRC") as a company with limited liability on 19 November 1992. The registered office of the Target Company is located at A-540, International Trade Building, No. 188 Ye Sheng Road, Yangshan Free Trade Zone, Shanghai, the PRC.

The Target Company and its subsidiaries (hereinafter collectively referred to as the "Target Group") are principally engaged in chartering and operating container vessels for the provision of domestic and international container marine transportation services.

In the opinion of the Directors, the ultimate holding company of the Target Group is China Shipping (Group) Company, which is incorporated in the PRC.

At the end of each of the Relevant Periods and the date of this report, the Target Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies and the particulars of which are set out below:

Name	Place of incorporation	Principal place of operation	Issued ordinary share capital	Percentage of ownership interest attributable to the Target Group				Principal activities
				2012	2013	2014	2015	
Shanghai Inchon International Ferry Co., Ltd. #** (note i)	PRC	PRC	USD2,000,000	75.50%	75.50%	75.50%	75.50%	International container shipping and liner agency
Shanghai Puhai Shipping (Hong Kong) Co., Ltd. (note ii)	Hong Kong	Hong Kong	USD52,550,000	100%	100%	100%	100%	International container shipping and liner agency
Golden Sea Shipping Ptd. Ltd. (note iii and note iv)	Singapore	Singapore	USD818.303	100%	100%	—	—	International container shipping and liner agency
PH. Xiang Xiu Shipping S.A. (note v)	Cayman	Cayman	USD2	100%	100%	100%	100%	Ownership of vessels

#: Registered as domestic companies with limited liability under the laws of the PRC.

**: Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Note i: The statutory financial statements of this entity for the years ended 31 December 2012, 2013 and 2014 prepared in accordance with the relevant accounting principles applicable to enterprises in the PRC ("PRC GAAP") were audited by Baker Tilly China Certified Public Accountants.

Note ii: The statutory financial statements of this entity for the years ended 31 December 2012, 2013 and 2014 prepared in accordance HKFRS were audited by Ernst & Young.

Note iii: The statutory financial statements of this entity for the years ended 31 December 2012, 2013 and 2014 prepared in accordance with the relevant accounting principles applicable to enterprises in Singapore were audited by Ernst & Young.

Note iv: During the year ended 31 December 2014, the Target Group disposed of its 100 equity interests in Golden Sea Shipping Ptd. Ltd.

Note v: No statutory financial statements of this entity for the Relevant Periods were prepared.

2.1 **Basis of preparation**

The Financial Information has been prepared in accordance with HKFRSs, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial information has been prepared under the historical cost convention. Non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. The Financial Information is presented in RMB and all values are rounded to the nearest thousands, except when otherwise indicated.

Basis of consolidation

The Financial Information includes the financial statements of the Target Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 **Impact of issued but not yet effective HKFRSs**

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Group

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Group's operation and may result in changes in the Target Group's accounting policies and changes in presentation and measurement of certain items in the Target Group's Financial Information.

2.3 **Summary of significant accounting policies**

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company and/or its other subsidiaries. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Category	Annual depreciation rate
Container vessels	5.71%-5.87%
Motor vehicles	11.88%-15.83%
Computer, office equipment and furniture	11.88%-31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plants under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Target Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms. Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group' consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income and gains in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade payables, other payables and accruals, and amounts due to related parties.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated and company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on the estimated selling price less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the regions in which the Target Group operates.

Deferred income tax

Deferred income tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) Liner services, freight revenues from the operation of the international and domestic containerised transportation business are recognised on a percentage of completion basis, which is determined using the time proportion method for each individual vessel voyage;

(b) from the chartering of vessels under operating leases, over the periods of the respective leases on the straight-line basis; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

(a) *Pension obligations*

The full-time employees of the Target Group employed in Mainland China are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulae. The relevant government agencies are responsible for the pension liability to these retired employees. The Target Group contributes on a monthly basis to these pension plans based on percentages of the total salary of employees, subject to a certain ceiling. The Target Group's liability in respect of these funds is limited to the contributions payable in each year.

The Target Group also operates a defined contribution Mandatory Provident Fund ("MPF") scheme for its employees employed in Hong Kong. The Group and the employees both contribute 5% of the employees' relevant income per month as required by the Hong Kong MPF Scheme Ordinance subject to a maximum of HKD1,500 per person.

The Target Group's contributions to the above defined contribution schemes are charged to the consolidated statement of profit or loss as incurred.

(b) *Housing benefits*

All full-time employees of the Target Group employed in Mainland China are entitled to participate in various government-sponsored housing funds. The Target Group contributes to these funds based on certain percentages of the salaries of the employees on a monthly basis, subject to a certain ceiling. The Target Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the funds are expensed as incurred.

Dividends

Dividends are simultaneously proposed and declared, because the Target Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Financial Information is presented in RMB. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

The functional currency of certain overseas subsidiaries is the US dollar and HK dollar. As at the end of the reporting period, the assets and liabilities of the entities are translated into the presentation currency of the Group (RMB) at the exchange rates prevailing at the end of the reporting period, and their statements of profit or loss and other comprehensive income are translated at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. **Significant accounting judgements, estimates and assumptions**

Judgements

The preparation of the Target Group's Financial Information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

In the process of applying the Target Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Lease accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases and, in respect of finance leases, determining the appropriate discount rate implicit in the lease to discount minimum lease payments. In respect of certain leases classified as finance leases, it has not been possible to reliably estimate lessors' residual values and management has been required to independently estimate an appropriate discount rate. Judgement is also required in respect of the treatment of gains and losses arising on the sale and leaseback of assets.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Income tax

The Target Group is subject to income taxes in various regions. As a result, certain matters relating to the income taxes have not been confirmed by the local tax bureau, and objective estimates and judgments based on currently enacted tax laws, regulations and other related policies are required in determining the provision for corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the corporate income tax and tax provisions over the period in which the differences are realised.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade receivables amounted to RMB1,354,000, RMB3,777,000, RMB1,367,000 and RMB764,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Useful lives of property, plant and equipment

The Target Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete or non-strategic assets that have been abandoned.

4. **Revenue, other income and gains**

Revenue, which is also the Group's turnover, represents the value of services rendered during the Relevant Period.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue:					
Container lines services	1,740,577	1,928,929	2,116,057	1,420,187	1,547,180
Container vessels leases	21,229	54,701	47,933	99,414	16,353
	1,761,806	1,983,630	2,163,990	1,519,601	1,563,533
Other income and gains:					
Interest income	3,586	3,606	6,124	3,725	6,297
Government grant related to income*	44,511	34,999	33,455	23,640	20,009
Gain on disposal of items of property, plant and equipment	58	—	14,453	12	—
Gain on disposal of a subsidiary	—	—	506	506	—
Foreign exchange gains	—	3,315	—	—	2,596
Others	447	88	1,022	1,015	1,621
	48,602	42,008	55,560	28,898	30,523

* There are no unfulfilled conditions or contingencies relating to these grants.

5. **(Loss)/profit before tax**

The Target Company's profit before tax is arrived at after charging/(crediting):

					Nine months ended	
		Year ended 31 December			**30 September**	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Container repositioning and management expense		539,993	604,486	727,804	509,839	597,108
Sub-route expense		285,980	320,136	450,378	319,530	359,631
Bunkers consumed		433,226	385,637	327,963	232,680	159,921
Leases of container		233,355	266,010	217,339	150,290	196,160
Depreciation of property, plant and equipment	7	30,849	31,063	30,544	22,908	20,018
Amortisation of intangible assets	8	2,873	2,753	1,909	1,432	1,316
Auditor's remuneration		137	225	65	59	88
Salaries and other benefits		89,718	80,873	65,940	51,827	41,571
Impairment/(reversal) of trade receivable and other receivables		1,063	579	(205)	—	908
Impairment of inventories to net realiable value		—	—	—	—	3,759
Impairment for property, plant and equipment	7	—	—	—	—	80,955
Loss on disposal of property, plant and equipment		17,704	8,377	193	20	70,920

6. **Income tax expense**

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Target Company and its PRC subsidiary is 25% from 1 January 2008 onwards.

Hong Kong and Singapore profits tax have been provided at the rate of 16.5% and 17% on the estimated assessable profits arising in Hong Kong and Singapore respectively during the Relevant Periods.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax	8,013	8,991	13,470	8,185	5,335
Deferred tax (note 16)	1	5	(1)	(1)	(6)
Total tax charge for the year/period	8,014	8,996	13,469	8,184	5,329

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Target Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Loss)/profit before tax	(19,303)	13,027	2,795	(12,800)	(142,039)
Tax at the statutory tax rate	(4,826)	3,257	699	(3,200)	(35,510)
Effect of different tax rate or tax base of subsidiaries	(3,315)	(1,516)	(729)	(399)	1,764
Tax losses for which no deferred tax asset was recognized	19,258	11,129	12,283	11,158	3,215
Temporary differences for which no deferred tax asset was recognized	—	—	—	—	21,179
Income not subject to income tax	(13,714)	(11,697)	(22,159)	(14,351)	(14,633)
Expense not deductible for tax	10,611	7,823	23,375	14,976	29,314
Tax charge at the Target Group's effective rate	8,014	8,996	13,469	8,184	5,329

7. **Property, plant and equipment**

Target Group

	Container vessels	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012				
Cost	499,154	1,908	8,510	509,572
Accumulated depreciation and impairment losses	(125,536)	(1,177)	(5,504)	(132,217)
Net carrying amount	373,618	731	3,006	377,355
At 31 December 2012				
Opening net carrying amount	373,618	731	3,006	377,355
Exchange difference	(392)	(1)	(1)	(394)
Additions	—	2,320	1,499	3,819
Disposals	(32,500)	(15)	(11)	(32,526)
Depreciation	(29,725)	(295)	(829)	(30,849)
Closing net carrying amount	311,001	2,740	3,664	317,405

	Container vessels	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2012				
Cost	451,536	3,902	9,778	465,216
Accumulated depreciation and impairment losses	(140,535)	(1,162)	(6,114)	(147,811)
Net carrying amount	311,001	2,740	3,664	317,405
Year ended 31 December 2013				
Opening net carrying amount	311,001	2,740	3,664	317,405
Exchange difference	(4,451)	(32)	(21)	(4,504)
Additions	16,376	—	137	16,513
Disposals	(14,795)	—	(34)	(14,829)
Depreciation	(29,493)	(518)	(1,052)	(31,063)
Closing net carrying amount	278,638	2,190	2,694	283,522
At 31 December 2013				
Cost	438,053	3,868	9,187	451,108
Accumulated depreciation and impairment losses	(159,415)	(1,678)	(6,493)	(167,586)
Net carrying amount	278,638	2,190	2,694	283,522
At 1 January 2014				
Cost	438,053	3,868	9,187	451,108
Accumulated depreciation and impairment losses	(159,415)	(1,678)	(6,493)	(167,586)
Net carrying amount	278,638	2,190	2,694	283,522

	Container vessels	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2014				
Opening net carrying amount	278,638	2,190	2,694	283,522
Exchange difference	432	2	—	434
Additions	—	355	11,481	11,836
Disposals	(17,973)	(16)	(193)	(18,182)
Disposal of a subsidiary (note 20)	—	(913)	(610)	(1,523)
Depreciation	(28,209)	(317)	(2,018)	(30,544)
Closing net carrying amount	232,888	1,301	11,354	245,543
At 31 December 2014				
Cost	417,167	2,985	15,851	436,003
Accumulated depreciation and impairment losses	(184,279)	(1,684)	(4,497)	(190,460)
Net carrying amount	232,888	1,301	11,354	245,543
Year ended 30 September 2015				
Opening net carrying amount	232,888	1,301	11,354	245,543
Exchange difference	9,035	—	—	9,035
Additions	1,642	291	356	2,289
Disposals	(85,187)	(9)	(9)	(85,205)
Transfer to assets held for sale	(6,552)	—	—	(6,552)
Impairment	(80,955)	—	—	(80,955)
Depreciation	(17,490)	(217)	(2,311)	(20,018)
Closing net carrying amount	53,381	1,366	9,390	64,137
At 30 September 2015				
Cost	151,152	3,091	15,106	169,349
Accumulated depreciation and impairment losses	(97,771)	(1,725)	(5,716)	(105,212)
Net carrying amount	53,381	1,366	9,390	64,137

Target Company

	Container vessels	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012				
Cost	242,732	1,442	7,490	251,664
Accumulated depreciation and impairment losses	(59,565)	(864)	(5,243)	(65,672)
Net carrying amount	183,167	578	2,247	185,992
Year ended 31 December 2012				
Opening net carrying amount	183,167	578	2,247	185,992
Additions	26,794	935	584	28,313
Disposals	(32,500)	(11)	(10)	(32,521)
Depreciation	(11,149)	(216)	(642)	(12,007)
Closing net carrying amount	166,312	1,286	2,179	169,777
At 31 December 2012				
Cost	222,484	2,161	7,866	232,511
Accumulated depreciation and impairment losses	(56,172)	(875)	(5,687)	(62,734)
Net carrying amount	166,312	1,286	2,179	169,777
Year ended 31 December 2013				
Opening net carrying amount	166,312	1,286	2,179	169,777
Additions	96,255	—	83	96,338
Disposals	(14,795)	—	(31)	(14,826)
Depreciation	(18,061)	(291)	(577)	(18,929)
Closing net carrying amount	229,711	995	1,654	232,360

	Container vessels	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2013				
Cost	295,904	2,161	7,342	305,407
Accumulated depreciation and impairment losses	(66,193)	(1,166)	(5,688)	(73,047)
Net carrying amount	229,711	995	1,654	232,360
At 1 January 2014				
Cost	295,904	2,161	7,342	305,407
Accumulated depreciation and impairment losses	(66,193)	(1,166)	(5,688)	(73,047)
Net carrying amount	229,711	995	1,654	232,360
Year ended 31 December 2014				
Opening net carrying amount	229,711	995	1,654	232,360
Additions	—	355	9,261	9,616
Disposals	—	(14)	(189)	(203)
Depreciation	(20,701)	(260)	(1,785)	(22,746)
Closing net carrying amount	209,010	1,076	8,941	219,027
At 31 December 2014				
Cost	295,904	2,322	12,727	310,953
Accumulated depreciation and impairment losses	(86,894)	(1,246)	(3,786)	(91,926)
Net carrying amount	209,010	1,076	8,941	219,027

	Container vessels	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 30 September 2015				
Opening net carrying amount	209,010	1,076	8,941	219,027
Additions	1,642	291	137	2,070
Disposals	(55,712)	(10)	—	(55,722)
Transfer to assets held for sale	(6,552)	—	—	(6,552)
Impairment	(80,955)	—	—	(80,955)
Depreciation	(14,060)	(189)	(1,632)	(15,881)
Closing net carrying amount	53,373	1,168	7,446	61,987
At 30 September 2015				
Cost	151,145	2,428	11,664	165,237
Accumulated depreciation and impairment losses	(97,772)	(1,260)	(4,218)	(103,250)
Net carrying amount	53,373	1,168	7,446	61,987

8. **Intangible assets**

Target Group

	Software
	RMB'000
31 December 2012	
Cost at 1 January 2012, net of accumulated amortisation	10,604
Amortisation provided during the year	(2,873)
At 31 December 2012	7,731
At 31 December 2012:	
Cost	19,085
Accumulated amortisation	(11,354)
Net carrying amount	7,731
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	7,731
Amortisation provided during the year	(2,753)
At 31 December 2013	4,978
At 31 December 2013:	
Cost	19,085
Accumulated amortisation	(14,107)
Net carrying amount	4,978

	Software
	RMB'000
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	4,978
Amortisation provided during the year	(1,909)
At 31 December 2014	3,069
At 31 December 2014:	
Cost	19,085
Accumulated amortisation	(16,016)
Net carrying amount	3,069
30 September 2015	
Cost at 1 January 2015, net of accumulated amortisation	3,069
Amortisation provided during the period	(1,316)
At 30 September 2015	1,753
At 30 September 2015:	
Cost	17,079
Accumulated amortisation	(15,326)
Net carrying amount	1,753

Target Company

	Software
	RMB'000
31 December 2012	
Cost at 1 January 2012, net of accumulated amortisation	9,648
Amortisation provided during the year	(2,472)
At 31 December 2012	7,176
At 31 December 2012:	
Cost	17,079
Accumulated amortisation	(9,903)
Net carrying amount	7,176
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	7,176
Amortisation provided during the year	(2,352)
At 31 December 2013	4,824
At 31 December 2013:	
Cost	17,079
Accumulated amortisation	(12,255)
Net carrying amount	4,824

	Software
	RMB'000
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	4,824
Amortisation provided during the year	(1,755)
At 31 December 2014	3,069
At 31 December 2014:	
Cost	17,079
Accumulated amortisation	(14,010)
Net carrying amount	3,069
30 September 2015	
Cost at 1 January 2015, net of accumulated amortisation	3,069
Amortisation provided during the period	(1,316)
At 30 September 2015	1,753
At 30 September 2015:	
Cost	17,079
Accumulated amortisation	(15,326)
Net carrying amount	1,753

9. **Investment in subsidiaries**

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost:	390,659	390,659	390,659	390,659

10. **Inventories**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bunkers	26,580	25,438	24,942	15,195

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bunkers	18,506	13,579	22,650	12,881

11. **Trade receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	41,954	68,536	30,879	40,134
Impairment	(1,259)	(2,056)	(926)	(1,204)
	40,695	66,480	29,953	38,930
Bill receivables	650	4,634	3,098	5,486
	41,345	71,114	33,051	44,416

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	19,193	23,984	29,772	39,725
Impairment	(991)	(1,651)	(893)	(1,192)
	18,202	22,333	28,879	38,533
Bill receivables	650	4,634	3,098	5,486
	18,852	26,967	31,977	44,019

An aged analysis of the trade receivables as at the end of each of Relevant Periods, based on the invoice date, is as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	41,195	71,114	33,051	44,416
Between 4 to 6 months	150	—	—	—
	41,345	71,114	33,051	44,416

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	18,852	26,967	31,977	44,019

The Target Group's trading terms with its customers are mainly on credit. Credit terms in a range within three months are granted to those customers with a good payment history. There is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Movements in the provision for impairment of trade receivables were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	(1,049)	(1,259)	(2,056)	(926)
Provision for impairment of trade receivables	(210)	(797)	(1,280)	(1,335)
Disposal of a subsidiary	—	—	1,472	—
Write off	—	—	938	1,057
	(1,259)	(2,056)	(926)	(1,204)

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	(1,485)	(991)	(1,651)	(893)
(Provision for)/reversal of impairment of trade receivables	494	(660)	758	(299)
	(991)	(1,651)	(893)	(1,192)

Before accepting any new customer, the management of the Target Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

12. **Prepayments and other receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	11,991	13,556	5,814	19,588
Prepayments	14,194	30,161	2,907	25,199
	26,185	43,717	8,721	44,787

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	9,250	11,731	4,007	19,182
Prepayments	6,708	288	3	2,158
	15,958	12,019	4,010	21,340

13. **Cash and cash equivalents**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	294,845	328,758	357,409	409,128

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	124,588	157,795	217,497	252,069

Cash and cash equivalents are denominated in the following currencies:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	162,932	225,627	315,774	388,557
USD	128,584	102,595	41,632	20,570
HKD	271	3	3	1
SGD	3,058	533	—	—
	294,845	328,758	357,409	409,128

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	87,712	129,380	183,325	252,030
USD	36,876	28,415	34,172	39
	124,588	157,795	217,497	252,069

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of each of the Relevant Periods.

14. **Trade payables**

Target Group

	As at 31 December			**As at 30 September**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	189,051	238,636	271,998	308,237

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			**As at 30 September**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	189,051	238,636	271,998	308,237

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

Target Company

	As at 31 December			**As at 30 September**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	139,400	183,278	253,555	273,003

An aged analysis of the trade payables as at the end of each of the Relevant Period, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	139,400	183,278	253,555	273,003

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

15. **Other payables and accruals**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	2,206	12	606	18
Payroll payables	12,297	3,291	3,909	4,874
Other tax payables	4,759	1,156	2,911	3,863
Other payables	54	251	515	88
	19,316	4,710	7,941	8,843

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	34	13	527	166
Payroll payables	9,777	1,981	2,587	2,880
Other tax payables	4,667	1,114	2,781	3,006
Other payables	33	217	118	698
	14,511	3,325	6,013	6,750

16. **Deferred tax**

Target Group

The movements in deferred tax assets during the Relevant Periods are as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	151	146	147	153

	Depreciation allowance in excess of related depreciation
	RMB'000
At 1 January 2012	152
Deferred tax credited to the statement of profit and loss during the year	(1)
At 31 December 2012	151
At 1 January 2013	151
Deferred tax credited to the statement of profit and loss during the year	(5)
At 31 December 2013	146
At 1 January 2014	146
Deferred tax credited to the statement of profit and loss during the year	1
At 31 December 2014	147
At 1 January 2015	147
Deferred tax credited to the statement of profit and loss during the period	6
At 30 September 2015	153

As at 31 December 2012, 2013 and 2014 and 30 September 2015, deferred tax assets have not been recognised by the Target Group on cumulative tax losses and temporary timing difference amounting to approximately RMB172,963,000, RMB217,477,000, RMB222,427,000 and RMB293,457,000 respectively, as it is uncertain whether taxable profits will be available against which the tax losses can be utilised.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, deferred tax assets have not been recognised by the Target Company on cumulative tax losses and temporary timing difference amounting to approximately RMB172,963,000, RMB217,477,000, RMB222,427,000, and RMB273,022,000 respectively, as it is uncertain whether taxable profits will be available against which the tax losses can be utilised.

17. **Paid-in capital**

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in cpaital	682,911	682,911	682,911	682,911

18. **Reserves**

Target Group

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on pages 6 to 10 of the financial statements.

Target Company

(a) *Special reserves*

	Year ended 31 December			Nine months ended 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	—	—	—	—
Provision during the year/period	11,501	11,501	10,750	13,239
Utilisation during the year/period	(11,501)	(11,501)	(10,750)	(706)
At the end of year/period	—	—	—	12,533

According to "Circular on Printing and Distributing the Administrative Measures for the Withdrawal and Use of Expenses for Safety Production of Enterprises" issued by the Ministry of Finance and the Safety Production General Bureau on 14 February 2012, the Target Company is required to accrue a "Safety Fund" to improve the production safety. The Target Company should accrue the Safety Fund from 1 January 2012. The accrual standard rate is 1% of the revenue from transportation services of the PRC entities of the Target Company. The fund is accrued monthly according to revenue and in a progressive way.

Target Company

(b) *Reserves*

	Statutory surplus reserve	**Retained profits/ (Accumulated loss)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2012	23,891	38,234	62,125
Loss for the year	—	(79,173)	(79,173)
Balance at 31 December 2012	23,891	(40,939)	(17,048)
Balance at 1 January 2013	23,891	(40,939)	(17,048)
Loss for the year	—	(33,704)	(33,704)
Balance at 31 December 2013	23,891	(74,643)	(50,752)
Balance at 1 January 2014	23,891	(74,643)	(50,752)
Loss for the year	—	(37,184)	(37,184)
Balance at 31 December 2014	23,891	(111,827)	(87,936)
Balance at 1 January 2015	23,891	(111,827)	(87,936)
Loss for the period	—	(119,664)	(119,664)
Balance at 30 September 2015	23,891	(231,491)	(207,600)
Balance at 1 January 2014	23,891	(74,643)	(50,752)
Loss for the period	—	(22,772)	(22,772)
Balance at 30 September 2014	23,891	(97,415)	(73,524)

19. **Partly-owned subsidiary with material non-controlling interests**

Details of the Target Group's subsidiary that have material non-controlling interests are set out below:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Percentage of equity interest held by non-controlling shareholder:				
Shanghai Inchon International Ferry Co., Ltd.	24.50%	24.50%	24.50%	24.50%
Profit for the year/period allocated to non-controlling shareholder:				
Shanghai Inchon International Ferry Co., Ltd.	4,949	6,244	8,730	3,916
Dividends paid to non-controlling shareholder:				
Shanghai Inchon International Ferry Co., Ltd.	1,542	1,577	4,521	7,525
Accumulated balances of non-controlling shareholder at the end of each of the Relevant Periods:				
Shanghai Inchon International Ferry Co., Ltd.	18,195	22,709	26,767	23,008

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company elimination:

As at 31 December 2012:

	RMB'000
Revenue	221,833
Total expenses	(201,633)
Profit for the year	20,200
Total comprehensive income for the year	20,200
Current assets	83,439
Non-current assets	21,999
Current liabilities	(31,172)
Non-current liabilities	—
Net cash flows from operating activities	15,083
Net cash flows used in investing activities	(316)
Net cash flows used in financing activities	(4,710)
Net increase in cash and cash equivalents	10,057

As at 31 December 2013:

	RMB'000
Revenue	238,452
Total expenses	(212,966)
Profit for the year	25,486
Total comprehensive income for the year	25,486
Current assets	121,238
Non-current assets	19,835
Current liabilities	(48,382)
Non-current liabilities	—
Net cash flows from operating activities	25,847
Net cash flows from investing activities	1
Net cash flows used in financing activities	(4,819)
Net increase in cash and cash equivalents	21,029

As at 31 December 2014:

	RMB'000
Revenue	277,858
Total expenses	(242,225)
Profit for the year	35,633
Total comprehensive income for the year	35,633
Current assets	161,116
Non-current assets	2,637
Current liabilities	(54,502)
Non-current liabilities	—
Net cash flows from operating activities	38,542
Net cash flows from investing activities	15,835
Net cash flows used in financing activities	(18,175)
Net increase in cash and cash equivalents	36,202

As at 30 September 2015:

	RMB'000
Revenue	181,727
Total expenses	(165,743)
Profit for the period	15,984
Total comprehensive income for the period	15,984
Current assets	161,251
Non-current assets	2,149
Current liabilities	(69,490)
Non-current liabilities	—
Net cash flows from operating activities	34,957
Net cash flows used in investing activities	(348)
Net cash flows used in financing activities	(30,566)
Net increase in cash and cash equivalents	4,043

20. **Disposal of a subsidiary**

On 1 January 2014, the Target Group disposed of its 60% equity interest in Golden Sea Shipping Pte. Ltd. to China Shipping Container Lines Company Limited and 40% equity interest to China Shipping Regional Holdings Pte. Ltd.

Details of the net assets disposed of and gain on disposal are as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment (note 7)	1,523
Trade receivables	33,777
Prepayments and other receivables	29,710
Amounts due from the immediate holding company	3,610
Amounts due from fellow subsidiaries	30,701
Inventories	9,154
Cash and cash equivalents	20,978
Trade payables	(26,462)
Amounts due to the immediate holding company	(6,872)
Amounts due to the intermediate holding company	(21,482)
Amounts due to fellow subsidiaries	(49,538)
Obligations under finance leases	(754)
Tax payable	(1,048)
Dividend payable	(7,025)
	16,272
Gain on disposal of a subsidiary	506
Cumulative exchange loss in respect of the net assets of the subsidiary reclassified form equity to profit or loss on loss of control of the subsidiary	489
	995
Satisfied by:	
Cash	17,267

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	17,267
Cash and cash equivalents disposed of	(20,978)
Net outlow of cash and cash equivalents in respect of the disposal of a subsidiary	(3,711)

21. **Operating lease commitments**

The Target Group leases certain of its container vessels, office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years, and those for office equipment are for terms ranging between two and five years.

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	20,814	40,747	53,451	75,085
In the second to fifth years, inclusive	81	—	62,478	49,485
	20,895	40,747	115,929	124,570

22. **Related party transactions**

(a) ***Transactions with related parties***

In addition to the related party transactions set out in the respective notes to the consolidated financial statements, the Target Group entered into the following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Transactions with immediate holding company and fellow subsidiaries:					
Revenue:					
Transportation fee	789,499	483,761	1,478,922	1,109,192	1,072,642
Lease of container vessels	1,436	41,261	22,347	16,760	82,114
Interest income	2,705	3,606	6,124	4,593	5,779
Container management services	—	—	3,972	2,979	1,325
Miscellaneous management services	—	—	495	371	—
Loading and unloading services	—	152	—	—	—
	793,640	528,780	1,511,860	1,133,895	1,161,860

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Transactions with immediate holding company and fellow subsidiaries					
Expenditure:					
Crew member and shipping services	30,427	90,326	390,086	292,565	202,906
Material supply	103,031	82,731	137,315	102,986	82,798
Lease of containers	20,067	8,191	8,409	6,307	45,872
Sale of ship	—	—	3,124	2,343	18,659
Miscellaneous management services	360	377	7,199	5,399	6,319
Transportation fee	—	117	1,441	1,081	5,338
Lease of office properties	—	—	6,309	4,732	4,731
Container management services	17,330	1,368	51,417	38,563	1,841
IT services	479	1,373	3,235	2,426	1,158
Ship repair service	4,795	7,484	4,073	3,055	529
Cargo agency service	4,219	9,656	16,453	12,340	279
Loading and unloading services	283	—	71,817	53,863	—
	180,991	201,623	700,878	525,660	370,430

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

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with Immediate holding Company				
Trade receivables	75,503	64,780	92,544	87,476
Trade payables	12,362	5,669	393	9,205
Balances with fellow subsidiaries				
Trade receivables	76,300	97,583	137,839	118,657
Prepayments	8,908	—	—	18,283
Other receivables	8,236	422	19,230	4,630
Trade payables	105,999	111,272	111,873	107,712
Advance from customers	11,380	21,482	—	118
Other payables	21	2	4,929	31
Balances with CS Finance				
Deposits	162,679	225,409	315,632	388,386

The Target Group placed a certain portion of its cash at China Shipping Finance Co., Ltd. ("CS Finance"), a fellow subsidiary. All of deposits at each of the end of Relevant Periods were demand deposits, therefore, presented in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with subsidiaries				
Trade receivables	58,940	23,150	28,348	735,080
Other receivables	22,935	—	—	—
Trade payables	26,705	—	—	—
Other payables	—	114,955	183,619	903,800
Balances with immediate holding company				
Trade receivables	58,822	69,224	92,544	87,476
Prepayments	—	—	—	573
Other receivables	—	—	3,657	3,657
Balances with fellow subsidiaries				
Trade receivables	36,063	52,055	108,577	92,564
Prepayments	8,908	—	—	27,316
Other receivables	8,289	421	1,522	5,339
Trade payables	92,975	45,567	80,446	71,750
Advances from customers	—	—	—	118
Other payables	19	3,769	4,929	—
Balances with CS Finance				
Deposits	87,467	129,167	183,187	251,898

The Target Company placed a certain portion of its cash at China Shipping Finance Co., Ltd. ("CS Finance"), a fellow subsidiary. All deposits at each of the end of Relevant Periods were demand deposits and were included in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

(b) ***Key management compensation***

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries	1,650	4,187	2,968	2,582
Social welfare	434	361	269	246
Housing fund	441	324	268	84
	2,525	4,872	3,505	2,912

23. **Financial instruments by category**

Target Group

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2012

Financial assets

	RMB'000
Trade receivables	41,345
Financial assets included in prepayments and other receivables	11,991
Amounts due from related parties	160,039
Cash and cash equivalents	294,845
	508,220

Financial liabilities

	RMB'000
Trade payables	189,051
Financial liabilities included in accrued liabilities and other payables	54
Amounts due to related parties	118,382
	307,487

As at 31 December 2013

Financial assets

	Total
	RMB'000
Trade receivables	71,114
Financial assets included in prepayments and other receivables	13,556
Amounts due from related parties	162,785
Cash and cash equivalents	328,758
	576,213

Financial liabilities

	Total
	RMB'000
Trade payables	238,636
Financial liabilities included in accrued liabilities and other payables	251
Amounts due to related parties	116,943
	355,830

As at 31 December 2014

Financial assets

	Total
	RMB'000
Trade receivables	33,051
Financial assets included in prepayments and other receivables	5,814
Amounts due from related parties	249,613
Cash and cash equivalents	357,409
	645,887

Financial liabilities

	Total
	RMB'000
Trade payables	271,998
Financial liabilities included in accrued liabilities and other payables	515
Amounts due to related parties	117,195
	389,708

As at 30 September 2015

Financial assets

	Total
	RMB'000
Trade receivables	44,416
Financial assets included in prepayments and other receivables	19,588
Amounts due from related parties	210,763
Cash and cash equivalents	409,128
	683,895

Financial liabilities

	Total
	RMB'000
Trade payables	308,237
Financial liabilities included in accrued liabilities and other payables	88
Amounts due to related parties	116,948
	425,273

Target Company

As at 31 December 2012

Financial assets

	Total
	RMB'000
Trade receivables	18,852
Financial assets included in prepayments, and other receivables	9,250
Amounts due from subsidiaries	81,875
Amounts due from related parties	103,174
Cash and cash equivalents	124,588
	337,739

Financial liabilities

	Total
	RMB'000
Trade payables	139,400
Financial liabilities included in accrued liabilities and other payables	33
Amounts due to subsidiaries	26,705
Amounts due to related parties	92,994
	259,132

As at 31 December 2013

Financial assets

	Total
	RMB'000
Trade receivables	26,967
Financial assets included in prepayments, and other receivables	11,731
Amounts due from subsidiaries	23,150
Amounts due from related parties	121,700
Cash and cash equivalents	157,795
	341,343

Financial liabilities

	Total
	RMB'000
Trade payables	183,278
Financial liabilities included in accrued liabilities and other payables	217
Amounts due to subsidiaries	114,955
Amounts due to related parties	49,336
	347,786

As at 31 December 2014

Financial assets

	Total
	RMB'000
Trade receivables	31,977
Financial assets included in prepayments and other receivables	4,007
Amounts due from subsidiaries	28,348
Amounts due from related parties	206,300
Cash and cash equivalents	217,497
	488,129

Financial liabilities

	Total
	RMB'000
Trade payables	253,555
Financial liabilities included in accrued liabilities and other payables	118
Amounts due to subsidiaries	183,619
Amounts due to related parties	85,375
	522,667

As at 30 September 2015

Financial assets

	Total
	RMB'000
Trade receivables	44,019
Financial assets included in prepayments and other receivables	19,182
Amounts due from subsidiaries	735,080
Amounts due from related parties	189,036
Cash and cash equivalents	252,069
	1,239,386

Financial liabilities

	Total
	RMB'000
Trade payables	273,003
Financial liabilities included in accrued liabilities and other payables	698
Amounts due to subsidiaries	903,800
Amounts due to related parties	71,750
	1,249,251

24. **Financial risk management objectives and policies**

The Target Group's financial instruments mainly comprise cash. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar ("US$") exchange rates, with all other variables held constant, of the Target Group's profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2012		
If RMB weakens against US$	5	(4,226)
If RMB strengthens against US$	(5)	4,226
Year ended 31 December 2013		
If RMB weakens against US$	5	(6,476)
If RMB strengthens against US$	(5)	6,476
Year ended 31 December 2014		
If RMB weakens against US$	5	(12,020)
If RMB strengthens against US$	(5)	12,020
Nine months ended 30 September 2015		
If RMB weakens against US$	5	(6,243)
If RMB strengthens against US$	(5)	6,243

Credit risk

The Target Group has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. The Target Group has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade receivables, prepayments and other receivables and cash and cash equivalents represents the maximum credit exposure of the Target Group. The Target Group has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Group performs periodic credit evaluations of its customers.

Further quantitative data in respect of the Target Group exposure to credit risk arising from trade receivables are disclosed in note 11 to the Financial Information.

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Target Group maintains a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The maturity profile of the Target Group's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Group

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	189,051	—	189,051
Other payables	54	—	—	54
Amounts due to related parties	118,382	—	—	118,382
	118,436	189,051	—	307,487

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	238,636	—	238,636
Other payables	251	—	—	251
Amounts due to related parties	116,943	—	—	116,943
	117,194	238,636	—	355,830

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	271,998	—	271,998
Other payables	515	—	—	515
Amounts due to related parties	117,195	—	—	117,195
	117,710	271,998	—	389,708

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	308,237	—	308,237
Other payables	88	—	—	88
Amounts due to related parties	116,948	—	—	116,948
	117,036	308,237	—	425,273

Target Company

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	139,400	—	139,400
Other payables	33	—	—	33
Amounts due to subsidiaries	26,705	—	—	26,705
Amounts due to related parties	92,994	—	—	92,994
	119,732	139,400	—	259,132

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	183,278	—	183,278
Other payables	217	—	—	217
Amounts due to subsidiaries	114,955	—	—	114,955
Amounts due to related parties	49,336	—	—	49,336
	164,508	183,278	—	347,786

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	253,555	—	253,555
Other payables	118	—	—	118
Amounts due to subsidiaries	183,619	—	—	183,619
Amounts due to related parties	85,375	—	—	85,375
	269,112	253,555	—	522,667

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	273,003	—	273,003
Other payables	698	—	—	698
Amounts due to subsidiaries	903,800	—	—	903,800
Amounts due to related parties	71,750	—	—	71,750
	976,248	273,003	—	1,249,251

Capital management

The primary objectives of the Target Group' capital management are to safeguard the Target Group' ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade payables, other payables and accruals and amounts due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the Relevant Periods were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	189,051	238,636	271,998	308,237
Other payables and accruals	54	251	515	88
Amounts due to related parties	118,382	116,943	117,195	116,948
Less: Cash and cash equivalents	(294,845)	(328,758)	(357,409)	(409,128)
Net debt	12,642	27,072	32,299	16,145
Total capital	542,710	534,327	520,075	377,377
Total capital and net debt	555,352	561,399	552,374	393,522
Gearing ratio	2%	5%	6%	4%

25. **Fair value hierarchy**

Management has assessed that the fair values of cash and cash equivalents, trade receivable, trade payables, financial assets included in prepayments and other receivables, due from related parties, financial liabilities included in other payables and accruals, due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

26. **Events after the reporting period**

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

27. **Subsequent financial statements**

No audited financial statements have been prepared by the Target Group or any of the companies comprising the Target Group in respect of any period subsequent to 30 September 2015.

Yours faithfully
Certified Public Accountants
Hong Kong

3.2 **China Shipping Container Lines Shenzhen Co., Ltd. (中海集裝箱運輸深圳有限公司)**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

December 31 2015

The Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping Container Lines Shenzhen Co., Ltd. (the "Target Company") comprising the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, together with the notes thereto (the "Financial Information"), and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the Target Company for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 17 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of the Target Company (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 15 January 2003.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Accounting Standards for Business Enterprises and were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)") registered in the PRC.

As at the date of this report, the Target Company has adopted 31 December as their financial year end date.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the financial statements of the Target Company (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") , which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting

Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Statements of profit or loss and other comprehensive income

		Year ended 31 December			**Nine months ended 30 September**	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	4	63,122	88,137	84,917	67,342	149,907
Cost of sales		(42,000)	(70,136)	(64,080)	(53,340)	(104,380)
Gross profit		21,122	18,001	20,837	14,002	45,527
Other income and gains	4	1,831	346	3,918	3,770	2,294
Administrative expenses		(15,190)	(13,665)	(17,318)	(12,087)	(29,358)
Other expenses		(1,330)	(1,326)	(4)	—	(14)
Profit before tax	5	6,433	3,356	7,433	5,685	18,449
Income tax expense	6	(2,095)	(913)	(2,353)	(1,439)	(4,938)
Profit and total comprehensive income for the year/period		4,338	2,443	5,080	4,246	13,511

Statements of financial position

	Notes	As at 31 December 2012 *RMB'000*	As at 31 December 2013 *RMB'000*	As at 31 December 2014 *RMB'000*	As at 30 September 2015 *RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	8	1,481	913	1,172	1,156
Total non-current assets		1,481	913	1,172	1,156
CURRENT ASSETS					
Trade receivables	9	27,522	7,031	32,828	39,424
Prepayments, deposits and other receivables	10	4,088	4,435	2,037	2,204
Due from related parties	17(b)	81,041	80,123	49,656	262,172
Pledged deposits		—	1,000	—	—
Cash and cash equivalents	11	37,552	27,993	33,964	35,851
Total current assets		150,203	120,582	118,485	339,651
CURRENT LIABILITIES					
Trade payables	12	65,321	74,207	50,970	72,701
Other payables and accruals	13	16,127	11,588	13,645	30,299
Tax payable		—	—	185	3,422
Due to related parties	17(b)	35,795	3,597	25,675	195,992
Total current liabilities		117,243	89,392	90,475	302,414
NET CURRENT ASSETS		32,960	31,190	28,010	37,237
TOTAL ASSETS LESS CURRENT LIABILITIES		34,441	32,103	29,182	38,393
Net assets		34,441	32,103	29,182	38,393
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	14	10,000	10,000	10,000	10,000
Reserves	15	5,316	5,316	5,316	5,316
Accumulated profits		19,125	16,787	13,866	23,077
Total equity		34,441	32,103	29,182	38,393

Statements of changes in equity

	Paid-in capital	**Other reserve**	**Retained earnings**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	10,000	4,882	20,295	35,177
Profit and total comprehensive income for the year	—	—	4,338	4,338
Transaction with owners				
Dividends paid to shareholder	—	—	(5,074)	(5,074)
Accrued reserve during the year	—	434	(434)	—
At 31 December 2012	10,000	5,316	19,125	34,441
At 1 January 2013	10,000	5,316	19,125	34,441
Profit and total comprehensive income for the year	—	—	2,443	2,443
Transaction with owners				
Dividends paid to shareholder	—	—	(4,781)	(4,781)
At 31 December 2013	10,000	5,316	16,787	32,103
At 1 January 2014	10,000	5,316	16,787	32,103
Profit and total comprehensive income for the year	—	—	5,080	5,080
Transaction with owners				
Dividends paid to shareholder	—	—	(8,001)	(8,001)
At 31 December 2014	10,000	5,316	13,866	29,182

	Paid-in capital	**Other reserve**	**Retained earnings**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	10,000	5,316	13,866	29,182
Profit and total comprehensive income for the period	—	—	13,511	13,511
Transaction with owners				
Dividends paid to shareholder	—	—	(4,300)	(4,300)
At 30 September 2015	10,000	5,316	23,077	38,393
At 1 January 2014	10,000	5,316	16,787	32,103
Profit and total comprehensive income for the period	—	—	4,246	4,246
Transaction with owners				
Dividends paid to shareholder	—	—	(8,001)	(8,001)
At 30 September 2014	10,000	5,316	13,032	28,348

Statements of cash flows

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	5	6,433	3,356	7,433	5,685	18,449
Adjustments for:						
Depreciation	5	885	701	408	300	331
Loss on disposal of items of property, plant and equipment	5	—	55	4	—	14
Interest income	4	(184)	(238)	(375)	(251)	(169)
		7,134	3,874	7,470	5,734	18,625
Decrease/(increase) in trade receivables		104,855	20,491	(25,797)	(35,398)	(6,596)
(Increase)/decrease in prepayments, deposits and other receivables		(6,471)	(347)	2,398	(42,470)	(167)
Decrease/(increase) in amounts due from related parties		—	918	30,467	80,123	(212,516)
(Increase)/decrease in pledged deposit		—	(1,000)	1,000	1,000	—
(Decrease)/increase in trade payables		(2,554)	8,886	(23,237)	16,825	21,731
(Decrease)/increase in other payables and accruals		(93,183)	(4,539)	2,057	2,590	16,654
(Decrease)/increase in amounts due to related parties		—	(32,198)	22,078	(3,597)	170,317
Income tax paid		(6,752)	(913)	(2,168)	(1,836)	(1,701)
Foreign exchange differences		(131)	540	(91)	(191)	(28)
Net cash flows from/(used in) operating activities		2,898	(4,288)	14,177	22,780	6,319

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		184	238	375	251	169
Purchases of items of property, plant and equipment	8	(652)	(513)	(671)	(276)	(331)
Proceeds from disposal of items of property, plant and equipment		7	325	—	—	2
Net cash flows (used in)/from investing activities		(461)	50	(296)	(25)	(160)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		(5,074)	(4,781)	(8,001)	(8,001)	(4,300)
Net cash flows used in financing activities		(5,074)	(4,781)	(8,001)	(8,001)	(4,300)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,637)	(9,019)	5,880	14,754	1,859
Cash and cash equivalents at beginning of year/period	11	40,058	37,552	27,993	27,993	33,964
Effect of foreign exchange rate changes, net		131	(540)	91	191	28
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	37,552	27,993	33,964	42,938	35,851

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

China Shipping Container Lines Shenzhen Co., Ltd. was incorporated in the People's Republic of China (the "PRC") as a company with limited liability on 15 January 2003. The registered office of the Target Company is located at the crossroad of Yitian Road and Fuhua third Road, Futian Zone, Shenzhen, the PRC.

The Target Company is principally engaged in shipping agency business.

In the opinion of the Directors, the ultimate holding company of the Target Company is China Shipping (Group) Company, which is incorporated in the PRC.

2.1 Basis of preparation

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

2.2 Issued But Not Yet Effective HKFRSs

The Target Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments* [2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations* [1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception* [1]
HKFRS 14	*Regulatory Deferral Accounts* [3]
HKFRS 15	*Revenue from Contracts with Customers* [2]

Amendments to HKAS 1	*Disclosure Initiative* [1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

The Target Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Company's operation and may result in changes in the Target Company's accounting policies and changes in presentation and measurement of certain items in the Target Company's Financial Information.

2.3 Summary of significant accounting policies

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) Revenue comprises shipping agent service income from related parties and third parties. The revenue is recognized when relevant services have been rendered.

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Retirement benefits

The Target Company is required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Impairment of financial assets

The Target Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade payables, other payables and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other expense in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Target Company's statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The annual depreciation rate of property, plant and equipment are as follows:

Category	**Annual depreciation rate**
Motor vehicles	11.88%-15.83%
Computer, office equipment and furniture	11.88%-31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Dividends

Dividends are simultaneously proposed and declared, because the Target Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This Financial Information is presented in RMB, which is the Target Company's functional currency. Foreign currency transactions recorded by the Target Company are initially recorded using its functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

3. **Significant accounting judgements and estimates**

The preparation of the Target Company's financial information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade receivables amounted to RMB859,162, RMB223,148, RMB1,125,615 and RMB1,430,123 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

4. **Revenue, other income and gains**

Revenue, which is also the Target Company's turnover, represents the value of services rendered during the period.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue:					
Shipping agent service income	63,122	88,137	84,917	67,342	149,907
Other income and gains					
Interest income	184	238	375	251	169
Government grant related to income	1,600	—	1,271	1,271	—
Net foreign exchange gains	—	—	1,155	1,200	1,985
Others	47	108	1,117	1,048	140
	1,831	346	3,918	3,770	2,294

5. **Profit before tax**

The Target Company's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Nine months ended 30 September	
	Note	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Employee benefit expenses		38,565	36,463	35,383	25,493	47,912
Rental expenses		2,331	2,385	2,384	1,929	5,530
Depreciation	8	885	701	408	300	331
Auditors' remuneration		20	22	27	18	27
Provision for/(reversal of) impairment of trade receivables		298	(578)	976	—	171
Loss on disposal of non-current asset		—	55	4	—	14
Net foreign exchange losses		1,330	1,271	—	—	—

6. **Income tax expense**

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax	2,095	913	2,353	1,439	4,938
Total tax charge for the year/period	2,095	913	2,353	1,439	4,938

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Target Company are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	6,433	3,356	7,433	5,685	18,449
Tax at the statutory income tax rate	1,608	839	1,858	1,421	4,612
Expense not deductible for tax	487	74	495	18	326
Tax charge at the Target Company's effective rate	2,095	913	2,353	1,439	4,938

7. **Dividends**

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Dividend declared and paid	5,074	4,781	8,001	8,001	4,300

8. **Property, plant and equipment**

	Motor vehicles	**Computer, office equipment and furniture**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012			
Cost	1,546	4,150	5,696
Accumulated depreciation	(1,313)	(2,662)	(3,975)
Net carrying amount	233	1,488	1,721
At 1 January 2012, net of accumulated depreciation	233	1,488	1,721
Additions	—	652	652
Disposals	—	(7)	(7)
Depreciation provided during the year (note 5)	(45)	(840)	(885)
At 31 December 2012, net of accumulated depreciation	188	1,293	1,481
At 31 December 2012			
Cost	1,546	4,005	5,551
Accumulated depreciation	(1,358)	(2,712)	(4,070)
Net carrying amount	188	1,293	1,481
At 1 January 2013, net of accumulated depreciation	188	1,293	1,481
Additions	—	513	513
Disposals	(56)	(324)	(380)
Depreciation provided during the year (note 5)	(28)	(673)	(701)

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2013, net of accumulated depreciation	104	809	913
At 31 December 2013			
Cost	904	3,476	4,380
Accumulated depreciation	(800)	(2,667)	(3,467)
Net carrying amount	104	809	913
At 1 January 2014			
Cost	904	3,476	4,380
Accumulated depreciation	(800)	(2,667)	(3,467)
Net carrying amount	104	809	913
At 1 January 2014, net of accumulated depreciation	104	809	913
Additions	208	463	671
Disposals	—	(4)	(4)
Depreciation provided during the year (note 5)	(30)	(378)	(408)
At 31 December 2014, net of accumulated depreciation	282	890	1,172
At 31 December 2014			
Cost	1,112	3,554	4,666
Accumulated depreciation	(830)	(2,664)	(3,494)
Net carrying amount	282	890	1,172
At 1 January 2015, net of accumulated depreciation	282	890	1,172
Additions	216	115	331
Disposals	(10)	(6)	(16)
Depreciation provided during the period (note 5)	(54)	(277)	(331)

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 30 September 2015, net of accumulated depreciation	434	722	1,156
At 30 September 2015			
Cost	1,233	3,436	4,669
Accumulated depreciation	(799)	(2,714)	(3,513)
Net carrying amount	434	722	1,156

9. **Trade receivables**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	28,373	7,248	33,844	40,643
Impairment	(851)	(217)	(1,016)	(1,219)
	27,522	7,031	32,828	39,424

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	26,982	7,031	32,828	39,424
Between 4 to 6 months	540	—	—	—
	27,522	7,031	32,828	39,424

The Target Company's trading terms with its customers are mainly on credit. Credit terms in a range within three months are granted to those customers with a good payment history.

Movements in the provision for impairment of trade receivables were as follows:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	(548)	(851)	(217)	(1,016)
(Provision for)/write back of impairment of trade receivables	(303)	642	(799)	(203)
Write off	—	(8)	—	—
	(851)	(217)	(1,016)	(1,219)

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered. The Target Company does not hold any collateral or other credit enhancements over these balances.

The trade receivables that are not individually nor collectively considered to be impaired are trade receivable within one year and not overdue.

10. **Prepayments and other receivables**

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	1,629	2,542	1,944	1,399
Prepayments	573	523	93	805
Tax recoverable	1,886	1,370	—	—
	4,088	4,435	2,037	2,204

11. **Cash and cash equivalents**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	37,552	28,993	33,964	35,851
Less: Pledged deposit	—	(1,000)	—	—
Cash and cash equivalents	37,552	27,993	33,964	35,851

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	12,944	25,627	29,906	33,675
USD	24,584	2,339	4,049	2,176
HKD	24	27	9	—
Cash and cash equivalents	37,552	27,993	33,964	35,851

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of each of the Relevant Periods.

12. **Trade payables**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	65,321	74,207	50,970	72,701

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

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	65,321	74,193	50,740	72,543
4 to 6 months	—	14	230	158
	65,321	74,207	50,970	72,701

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

13. **Other payables and accruals**

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	1,022	561	988	6,818
Payroll payables	4,560	1,367	1,763	2,539
Taxes other than income taxes	690	1,255	358	150
Other payables	9,855	8,405	10,536	20,792
	16,127	11,588	13,645	30,299

14. **Paid-in capital**

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	10,000	10,000	10,000	10,000

15. **Reserves**

The amounts of the Target Company's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity of the Financial Information.

16. **Operating lease commitments**

As lessee

The Target Company leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years, and those for office equipment are for terms ranging between two and five years.

The Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	2,689	3,149	4,554	6,364
In the second to fifth years, inclusive	1,014	7,209	2,678	905
After five years	141	—	475	—
	3,844	10,358	7,707	7,269

17. **Related party transactions**

(a) ***Transactions with related parties***

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Transactions with Immediate holding company and fellow subsidiaries					
Revenue: Shipping agent service income	5,025	6,834	6,575	4,931	75,490
Interest income	—	28	320	240	156
	5,025	6,862	6,895	5,171	75,646

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

The Target Company had the following significant balances with its related parties during the Relevant Periods:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding company				
Other receivables	377	812	1,223	195
Balances with fellow subsidiaries				
Trade receivables	72,013	68,240	47,764	71,852
Less: provision	(8)	(6)	(110)	(211)
	72,005	68,234	47,654	71,641
Other receivables	8,666	11,071	808	190,353
Less: provision	(49)	(7)	(29)	(19)
	8,617	11,064	779	190,334
Prepayments	42	13	—	2

The Target Company had the following significant balances with its related parties during the Relevant Periods:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding company				
Trade payables	4,599	2,347	2,368	17,009
Other payables	—	—	9	450
Balance with fellow subsidiaries				
Trade payables	3,025	1,046	1,836	86,945
Other payables	28,101	191	21,462	91,535
Advances from customers	70	13	—	53

Amounts due from to and to related parties are interest-free, unsecured and have no fixed terms of repayment.

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with CS Finance				
Deposits	—	22,193	26,861	31,956

The Target Company placed a certain portion of its cash at China Shipping Finance Co., Ltd. ("CS Finance"), a fellow subsidiary. All deposits at each of the end of Relevant Periods were demand deposits and were included in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

(c) ***Key management compensation***

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries	1,568	2,026	2,497	2,607
Social welfare	174	174	206	184
Housing fund	67	83	127	81
	1,809	2,283	2,830	2,872

18. **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

Loans and receivables

	As at 31 December			30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	27,522	7,031	32,828	39,424
Other receivables	1,629	2,542	1,944	1,399
Due from related parties	81,041	80,123	49,656	262,172
Pledged deposits	—	1,000	—	—
Cash and cash equivalents	37,552	27,993	33,964	35,851
	147,744	118,689	118,392	338,846

Financial liabilities

Financial liabilities at amortised cost

	As at 31 December			30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	65,321	74,207	50,970	72,701
Other payables	9,855	8,405	10,536	20,792
Due to related parties	35,795	3,597	25,675	195,992
	110,971	86,209	87,181	289,485

19. **Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, pledged deposit, trade receivable, trade payables, financial assets included in prepayments, deposits and other receivables, due from/to related parties, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

20. **Financial risk management objectives and policies**

The Target Company's principal financial instruments comprise receivables and cash. The Target Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar ("US$") and Hong Kong dollar ("HK$") exchange rates, with all other variables held constant, of the Target Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2012		
If RMB weakens against US$	5	(7,505)
If RMB strengthens against US$	(5)	7,505
If RMB weakens against HK$	5	(15)
If RMB strengthens against HK$	(5)	15
Year ended 31 December 2013		
If RMB weakens against US$	5	(4,705)
If RMB strengthens against US$	(5)	4,705
If RMB weakens against HK$	5	(272)
If RMB strengthens against HK$	(5)	272
Year ended 31 December 2014		
If RMB weakens against US$	5	(7,576)
If RMB strengthens against US$	(5)	7,576
If RMB weakens against HK$	5	(3)
If RMB strengthens against HK$	(5)	3

	Increase/ (decrease) in foreign currency rate	Increase/ (decrease) in profit before tax
	%	RMB'000
Nine months ended 30 September 2015		
If RMB weakens against US$	5	(275)
If RMB strengthens against US$	(5)	275
If RMB weakens against HK$	5	(3,198)
If RMB strengthens against HK$	(5)	3,198

Credit risk

The Target Company has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Target Company has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade and notes receivables, prepayments and other receivables and cash and cash equivalents represents the maximum credit exposure of the Target Company. The Target Company also has policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Company performs periodic credit evaluations of its customers.

Further quantitative data in respect of the Target Company's exposure to credit risk arising from trade receivables are disclosed in note 9 to the Financial Information.

Liquidity risks

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	—	65,321	—	65,321
Other payables	9,855	—	—	9,855
Due to related parties	35,795	—	—	35,795
	45,650	65,321	—	110,971

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	74,193	14	74,207
Other payables	8,405	—	—	8,405
Due to related parties	3,597	—	—	3,597
	12,002	74,193	14	86,209

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	50,740	230	50,970
Other payables	10,536	—	—	10,536
Due to related parties	25,675	—	—	25,675
	36,211	50,740	230	87,181

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	72,543	158	72,701
Other payables	20,792	—	—	20,792
Due to related parties	195,992	—	—	195,992
	216,784	72,543	158	289,485

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

The Target Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade payables, other payables and accruals and amounts due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	65,321	74,207	50,970	72,701
Other payables and accruals	16,127	11,588	13,645	30,299
Due to related parties	35,795	3,597	25,675	195,992
Less: Cash and cash equivalents	(37,552)	(27,993)	(33,964)	(35,851)
Net debt	79,691	61,399	56,326	263,141
Total capital	34,441	32,103	29,182	38,393
Total capital and net debt	114,132	93,502	85,508	301,534
Gearing ratio	70%	66%	66%	87%

21. **Events after the reporting periods**

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

22. **Subsequent financial statements**

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2015.

Yours faithfully
ERNST & YOUNG
Certified Public Accountants
Hong Kong

3.3 **China Shipping Container Lines Shanghai Co., Ltd. (中海集裝箱運輸上海有限公司)**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping Container Lines Shanghai Co., Ltd. (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of the Target Group (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 13 January 2003.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Accounting Standards for Business Enterprises and were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)") registered in the PRC.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies in the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies in the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, and of the consolidated financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	4	230,392	318,840	302,341	244,530	225,127
Cost of sales		(152,905)	(241,242)	(214,655)	(180,991)	(160,188)
Gross profit		77,487	77,598	87,686	63,539	64,939
Other income and gains	4	1,867	6,167	68,130	67,656	6,128
Administrative expenses		(70,280)	(65,460)	(79,665)	(57,125)	(51,550)
Other expenses		(28)	(93)	(553)	(390)	(951)
Profit before tax	5	9,046	18,212	75,598	73,680	18,566
Income tax expense	6	(6,100)	(5,023)	(21,047)	(18,639)	(3,952)
Profit and total comprehensive income for the year/period		2,946	13,189	54,551	55,041	14,614
Attributable to:						
Owners of the parent		2,204	11,041	45,854	46,398	11,787
Non-controlling interests		742	2,148	8,697	8,643	2,827
		2,946	13,189	54,551	55,041	14,614

Consolidated statements of financial position

	Notes	As at 31 December 2012 *RMB'000*	As at 31 December 2013 *RMB'000*	As at 31 December 2014 *RMB'000*	As at 30 September 2015 *RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	8	33,570	44,153	49,395	53,657
Available-for-sale investment	10	17,061	17,061	17,061	17,061
Total non-current assets		50,631	61,214	66,456	70,718
CURRENT ASSETS					
Trade receivables	11	313,870	278,954	409,804	263,810
Prepayments and other receivables	12	3,798	5,015	13,229	15,072
Due from related parties	19(b)	577,882	515,240	547,200	567,112
Pledged deposits		500	500	500	—
Cash and cash equivalents	13	108,213	107,010	72,273	76,468
Total current assets		1,004,263	906,719	1,043,006	922,462
CURRENT LIABILITIES					
Trade payables	14	193,896	238,535	201,311	161,341
Other payables and accruals	15	115,053	143,086	133,520	138,555
Tax payable		2,401	2,594	2,631	2,764
Due to related parties	19(b)	615,338	451,299	598,030	523,145
Total current liabilities		926,688	835,514	935,492	825,805
NET CURRENT ASSETS		77,575	71,205	107,514	96,657
TOTAL ASSETS LESS CURRENT LIABILITIES		128,206	132,419	173,970	167,375
Net assets		128,206	132,419	173,970	167,375

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	16	71,140	71,140	71,140	71,140
Reserves		10,445	11,323	14,889	14,889
Retain earnings		35,489	37,660	68,390	66,790
		117,074	120,123	154,419	152,819
Non-controlling interests		11,132	12,296	19,551	14,556
Total equity		128,206	132,419	173,970	167,375

Consolidated statements of changes in equity

	Attributable to owners of the parent					
	Paid-in capital	**Other reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	71,140	10,225	43,501	124,866	11,495	136,361
Profit and total comprehensive income for the year	—	—	2,204	2,204	742	2,946
Dividends paid to shareholder	—	—	(9,996)	(9,996)	—	(9,996)
Dividends paid to non-controlling shareholder	—	—	—	—	(1,105)	(1,105)
Accrued reserve during the year	—	220	(220)	—	—	—
At 31 December 2012	71,140	10,445	35,489	117,074	11,132	128,206
At 1 January 2013	71,140	10,445	35,489	117,074	11,132	128,206
Profit and total comprehensive income for the year	—	—	11,041	11,041	2,148	13,189
Dividends paid to shareholder	—	—	(7,992)	(7,992)	—	(7,992)
Dividends paid to non-controlling shareholder	—	—	—	—	(984)	(984)
Accrued reserve during the year	—	878	(878)	—	—	—
At 31 December 2013	71,140	11,323	37,660	120,123	12,296	132,419

	Attributable to owners of the parent					
	Paid-in capital	**Other reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	71,140	11,323	37,660	120,123	12,296	132,419
Profit and total comprehensive income for the year	—	—	45,854	45,854	8,697	54,551
Dividends paid to shareholder	—	—	(11,558)	(11,558)	—	(11,558)
Dividends paid to non-controlling shareholder	—	—	—	—	(1,442)	(1,442)
Accrued reserve during the year	—	3,566	(3,566)	—	—	—
At 31 December 2014	71,140	14,889	68,390	154,419	19,551	173,970
At 1 January 2015	71,140	14,889	68,390	154,419	19,551	173,970
Profit and total comprehensive income for the period	—	—	11,787	11,787	2,827	14,614
Dividends paid to shareholder	—	—	(13,387)	(13,387)	—	(13,387)
Dividends paid to non-controlling shareholder	—	—	—	—	(7,822)	(7,822)
At 30 September 2015	71,140	14,889	66,790	152,819	14,556	167,375
At 1 January 2014	71,140	11,323	37,660	120,123	12,296	132,419
Profit and total comprehensive income for the period	—	—	46,398	46,398	8,643	55,041
Dividends paid to shareholder	—	—	(13,000)	(13,000)	—	(13,000)
At 30 September 2014	71,140	11,323	71,058	153,521	20,939	174,460

Consolidated statements of cash flows

					Nine months ended 30 September	
		Year ended 31 December				
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		9,046	18,212	75,598	73,680	18,566
Adjustments for:						
Depreciation	5	3,216	4,135	3,466	2,600	2,701
Loss on disposal of items of property, plant and equipment	5	28	93	52	46	951
Interest income		(445)	(362)	(338)	(265)	(190)
Decrease/(increase) in trade receivables		19,879	34,916	(130,850)	(356,261)	145,994
(Increase)/decrease in prepayments and other receivables		(106,329)	8,710	(8,214)	(116,382)	(1,843)
Decrease in pledged deposit		—	—	—	—	500
(Increase)/decrease in amounts due from related parties		(9,927)	52,715	(31,960)	515,240	(19,912)
Increase/(decrease) in trade payables		151,602	44,639	(37,224)	365,829	(39,970)
(Decrease)/increase in other payables and accruals		(9,134)	27,657	(9,834)	(5,901)	5,390
(Decrease)/increase in amounts due to related parties		—	(164,039)	146,731	(451,299)	(74,885)
Income tax paid		(6,469)	(4,830)	(21,010)	(19,859)	(3,819)
Net cash flows generated from/(used in) operating activities		51,467	21,846	(13,583)	7,428	33,483
Net cash flows from/(used in) operating activities		51,467	21,846	(13,583)	7,428	33,483

	Notes	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (unaudited)	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		445	362	338	265	190
Proceeds from disposal of items of property, plant and equipment		91	65	9	7	150
Purchases of items of property, plant and equipment		(5,074)	(14,876)	(8,769)	(6,576)	(8,064)
Net cash flows used in investing activities		(4,538)	(14,449)	(8,422)	(6,304)	(7,724)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		(11,101)	(8,976)	(13,000)	(13,000)	(21,209)
Net cash flows used in financing activities		(11,101)	(8,976)	(13,000)	(13,000)	(21,209)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		35,828	(1,579)	(35,005)	(11,876)	4,550
Cash and cash equivalents at beginning of year/period		72,306	108,213	107,010	107,010	72,773
Effect of foreign exchange rate changes, net		79	376	268	476	(855)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	13	108,213	107,010	72,273	95,610	76,468

Statements of financial position

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	8	4,830	4,339	3,919	7,959
Investments in subsidiaries	9	46,028	57,128	65,628	65,628
Available-for-sale investments	10	17,061	17,061	17,061	17,061
Total non-current assets		67,919	78,528	86,608	90,648
CURRENT ASSETS					
Trade receivables	11	187,097	169,195	287,282	177,991
Prepayments and other receivables	12	1,558	1,625	8,524	8,649
Due from subsidiaries	19(b)	47,131	35,864	50,521	41,442
Due from related parties	19(b)	409,057	373,739	362,394	390,570
Pledged deposits		500	500	500	—
Cash and cash equivalents	13	62,750	73,491	42,103	43,510
Total current assets		708,093	654,414	751,324	662,162
CURRENT LIABILITIES					
Trade payables	14	118,329	149,106	140,265	98,732
Other payables and accruals	15	53,423	75,381	64,320	63,116
Tax payable		1,230	1,636	1,731	835
Due to subsidiaries	19(b)	70,782	71,475	83,503	79,912
Due to related parties	19(b)	419,087	321,395	410,066	368,076
Total current liabilities		662,851	618,993	699,885	610,671
NET CURRENT ASSETS		45,242	35,421	51,439	51,491
Net assets		113,161	113,949	138,047	142,139
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	16	71,140	71,140	71,140	71,140
Reserves	17	10,052	10,930	14,495	14,495
Retained earnings	17	31,969	31,879	52,412	56,504
Total equity		113,161	113,949	138,047	142,139

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

China Shipping Container Lines Shanghai Co., Ltd. was established in the People's Republic of China (the "PRC") as a company with limited liability on 13 January 2003. The registered office of the Target Company is located at 147 Gaoyang Road, Hongkou Zone, Shanghai, the PRC.

The Target Company and its subsidiaries (hereinafter collectively referred to as the "Target Group") are principally engaged in the shipping agency business.

In the opinion of the Directors, the ultimate holding company of the Target Company is China Shipping (Group) Company, which is established in the PRC.

As at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, which are private limited liability companies. The particulars of its subsidiaries are set out below:

Company	Place of establishment	Nominal value of issued share/ paid-up capital	Percentage of interest attributable to the Target Group	Principal activity
China Shipping Container Lines (Jiangsu) Co., Ltd.	PRC	RMB6,500,000	55%	Transportation
China Shipping Container Lines (Zhejiang) Co., Ltd.	PRC	RMB7,000,000	55%	Agency services
China Shipping Container Lines Chongqing Co., Ltd.	PRC	RMB5,000,000	93.25%	Agency services
China Shipping Container Lines Hunan Co., Ltd.	PRC	RMB5,000,000	93.25%	Agency services
Jiangxi China Shipping Container Lines Co., Ltd.	PRC	RMB5,000,000	93.25%	Agency services
China Shipping Container Lines Anhui Co., Ltd.	PRC	RMB1,500,000	93.25%	Agency services
China Shipping Container Lines Hubei Co., Ltd.	PRC	RMB5,000,000	93.25%	Agency services
Nantong China Shipping Container Lines Co., Ltd.	PRC	RMB5,000,000	86.50%	Agency services
Zhangjiagang China Shipping Container Lines Co., Ltd.	PRC	RMB5,500,000	86.50%	Agency services
Suzhou China Shipping Container Lines Co., Ltd.	PRC	RMB5,000,000	100%	Agency services
Jiaxing China Shipping Container Lines Co., Ltd.	PRC	RMB5,000,000	100%	Agency services
CSCL Wuhan Real Estate Investment Consulting Co., Ltd.	PRC	RMB11,100,000	100%	Agency services
CSCL (Changsha) Real Estate Investment Consulting Co., Ltd.	PRC	RMB8,500,000	100%	Agency services

The statutory financial statements of these subsidiaries for years ended 31 December 2012, 2013 and 2014 prepared in accordance with the relevant accounting principles applicable to enterprises in the PRC ("PRC GAAP") were audited by Baker Tilly China Certified Public Accountants.

2.1 **Basis of preparation**

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all value are rounded to the nearest thousands, except when otherwise indicated.

Basis of consolidation

The Financial Information includes the financial statements of the Target Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 **Issued but not yet effective HKFRSs**

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations*[1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Group's operation and may result in changes in the Target Company's accounting policies and changes in presentation and measurement of certain items in the Target Group's Financial Information.

2.3 **Summary of significant accounting policies**

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Group and/or its other subsidiaries. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the Financial Information is categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

 (i) has control or joint control over the Target Group;

 (ii) has significant influence over the Target Group; or

 (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

 (i) the entity and the Target Group are members of the same group;

 (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) Revenue comprises shipping agent service income from related parties and third parties. The revenue is recognized when relevant services have been rendered.

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset, and.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Retirement benefits

The Target Company and its subsidiaries established and operating in Mainland China are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognized in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” above.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Target Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Target Group is unable to trade these financial assets due to inactive markets, the Target Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade and other payables and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated and company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The annual depreciation rate of property, plant and equipment are as follows:

Category	Annual depreciation rate
Buildings	2.38%~3.17%
Motor vehicles	11.88%~15.83%
Computer, office equipment and furniture	11.88%~31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Dividends

Dividends are simultaneously proposed and declared, because the Target Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Financial Information is presented in RMB, which is also the functional currency of the Target Company and its subsidiaries. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the Reporting Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction.

3. **Significant accounting judgements and estimates**

The preparation of the Target Group's financial information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation and assumptions

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade receivables amounted to RMB9,748,000, RMB9,608,000, RMB13,603,000 and RMB8,721,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

4. **Revenue, other income and gains**

Revenue, which is also the Target Company's turnover, represents the value of services rendered during the period.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue:					
Shipping agent service income	230,392	318,840	302,341	244,530	225,127
Other income and gain					
Interest income	445	362	338	265	190
Government grants related to income	863	1,905	67,544	67,118	3,760
Foreign exchange gains	129	2,797	—	—	2,069
Others	430	1,103	248	273	109
	1,867	6,167	68,130	67,656	6,128

5. Profit before tax

The Target Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Nine months ended 30 September	
		2012	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Employee benefit expenses		171,803	175,267	184,692	137,857	128,429
Operating lease charges		3,255	4,600	6,663	5,349	4,174
Depreciation	8	3,216	4,135	3,466	2,600	2,701
Auditors' remuneration		84	266	92	87	65
Provision for/(reversal of) impairment of trade receivables		261	(1,297)	3,855	—	(4,883)
Loss on disposal of property, plant and equipment		28	93	52	46	951
Foreign exchange losses		—	—	501	344	—

6. Income tax

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Target Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax	6,100	5,023	21,047	18,639	3,952
Total tax charge for the year/period	6,100	5,023	21,047	18,639	3,952

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Target Company are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	9,046	18,212	75,598	73,680	18,566
Tax at the statutory tax rate	2,261	4,553	18,900	18,420	4,642
Temporary differences not recognised	1,730	(324)	964	—	(1,221)
Expense not deductible for tax	2,109	794	1,183	219	531
Tax charge at the Target Company's effective rate	6,100	5,023	21,047	18,639	3,952

7. **Dividends**

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Dividends to shareholder	9,996	7,992	11,558	13,000	13,387

8. **Property, plant and equipment**

Target Group

	Buildings	**Motor vehicles**	**Computer, office equipment and furniture**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012				
Cost	255	9,566	33,334	43,155
Accumulated depreciation	(52)	(8,380)	(27,987)	(36,419)
Net carrying amount	203	1,186	5,347	6,736
At 1 January 2012, net of accumulated depreciation	203	1,186	5,347	6,736
Additions	25,095	1,331	3,743	30,169
Disposals	—	(54)	(65)	(119)
Depreciation provided during the year (note 5)	(425)	(268)	(2,523)	(3,216)
At 31 December 2012, net of accumulated depreciation	24,873	2,195	6,502	33,570
At 31 December 2012				
Cost	25,350	9,855	36,367	71,572
Accumulated depreciation	(477)	(7,660)	(29,865)	(38,002)
Net carrying amount	24,873	2,195	6,502	33,570
At 1 January 2013, net of accumulated depreciation	24,873	2,195	6,502	33,570
Additions	10,340	2,309	2,227	14,876
Disposals	—	(152)	(6)	(158)
Depreciation provided during the year (note 5)	(852)	(470)	(2,813)	(4,135)
At 31 December 2013, net of accumulated depreciation	34,361	3,882	5,910	44,153

	Buildings	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2013				
Cost	35,690	9,293	38,002	82,985
Accumulated depreciation	(1,329)	(5,411)	(32,092)	(38,832)
Net carrying amount	34,361	3,882	5,910	44,153
At 1 January 2014				
Cost	35,690	9,293	38,002	82,985
Accumulated depreciation	(1,328)	(5,411)	(32,093)	(38,832)
Net carrying amount	34,362	3,882	5,909	44,153
At 1 January 2014, net of accumulated depreciation	34,362	3,882	5,909	44,153
Additions	—	428	8,341	8,769
Disposals	—	(46)	(15)	(61)
Depreciation provided during the year (note 5)	(925)	(607)	(1,934)	(3,466)
At 31 December 2014, net of accumulated depreciation	33,437	3,657	12,301	49,395

	Buildings	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014				
Cost	35,690	8,779	45,114	89,583
Accumulated depreciation	(2,253)	(5,122)	(32,813)	(40,188)
Net carrying amount	33,437	3,657	12,301	49,395
At 1 January 2015, net of accumulated depreciation	33,437	3,657	12,301	49,395
Additions	7,927	—	137	8,064
Disposals	—	(79)	(1,022)	(1,101)
Depreciation provided during the period (note 5)	(798)	(526)	(1,377)	(2,701)
At 30 September 2015, net of accumulated depreciation	40,566	3,052	10,039	53,657
At 30 September 2015				
Cost	43,618	8,024	21,550	73,192
Accumulated depreciation	(3,051)	(4,973)	(11,511)	(19,535)
Net carrying amount	40,567	3,051	10,039	53,657

Target Company

	Motor vehicles *RMB'000*	Computer, office equipment and furniture *RMB'000*	Total *RMB'000*
At 1 January 2012			
Cost	6,249	28,358	34,607
Accumulated depreciation	(5,510)	(24,611)	(30,121)
Net carrying amount	739	3,747	4,486
Year ended 31 December 2012			
Opening net carrying amount	739	3,747	4,486
Additions	784	1,259	2,043
Disposals	(12)	—	(12)
Depreciation	(191)	(1,496)	(1,687)
Closing net carrying amount	1,320	3,510	4,830
At 31 December 2012			
Cost	6,939	29,699	36,638
Accumulated depreciation	(5,619)	(26,189)	(31,808)
Net carrying amount	1,320	3,510	4,830
Year ended 31 December 2013			
Opening net carrying amount	1,320	3,510	4,830
Additions	1,025	181	1,206
Disposals	(96)	(4)	(100)
Depreciation	(254)	(1,343)	(1,597)
Closing net carrying amount	1,995	2,344	4,339
At 31 December 2013			
Cost	6,355	31,389	37,744
Accumulated depreciation	(4,360)	(29,045)	(33,405)
Net carrying amount	1,995	2,344	4,339

	Motor vehicles *RMB'000*	Computer, office equipment and furniture *RMB'000*	Total *RMB'000*
At 1 January 2014			
Cost	6,355	31,389	37,744
Accumulated depreciation	(4,360)	(29,045)	(33,405)
Net carrying amount	1,995	2,344	4,339
Year ended 31 December 2014			
Opening net carrying amount	1,995	2,344	4,339
Additions	308	282	590
Disposals	(40)	(8)	(48)
Depreciation	(336)	(626)	(962)
Closing net carrying amount	1,927	1,992	3,919
At 31 December 2014			
Cost	5,859	32,427	38,286
Accumulated depreciation	(3,932)	(30,435)	(34,367)
Net carrying amount	1,927	1,992	3,919
Nine months ended 30 September 2015			
Opening net carrying amount	1,927	1,992	3,919
Additions	985	4,979	5,964
Disposals	(65)	(1,009)	(1,074)
Depreciation	(307)	(543)	(850)
Closing net carrying amount	2,540	5,419	7,959
At 30 September 2015			
Cost	5,217	37,595	42,812
Accumulated depreciation	(2,677)	(32,176)	(34,853)
Net carrying amount	2,540	5,419	7,959

9. **Investments in subsidiaries**

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost:	46,028	57,128	65,628	65,628

The amounts due from subsidiaries included in the Target Company's current assets of RMB47,131,000, RMB35,864,000, RMB50,521,000, and RMB41,442,000 and the amounts due to subsidiaries included in the Target Company's current liabilities of RMB70,782,000, RMB71,475,000, RMB83,503,000 and RMB79,912,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, were unsecured, interest-free and had no fixed terms of repayment.

10. **Available-for-sale investment**

Target Group and Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Unlisted equity investment, at cost	17,061	17,061	17,061	17,061

As at 31 December 2012, 2013 and 2014, China Shipping Container Lines Shanghai Co., Ltd. held a 3.0% equity interest in the unlisted company, Shanghai Puhai Shipping Lines Co., Ltd. Shanghai Puhai Shipping Lines Co., Ltd. is engaged in international container shipping.

The fair value of the unlisted equity investment cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for the investment, and (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The investment was stated at cost less any impairment losses.

11. **Trade receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	323,618	287,684	422,117	270,100
Provision of impairment of trade receivables	(9,748)	(8,730)	(12,663)	(8,103)
	313,870	278,954	409,454	261,997
Bills receivable	—	—	350	1,813
	313,870	278,954	409,804	263,810

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	193,594	175,126	295,895	182,827
Provision of impairment of trade receivables	(6,497)	(5,931)	(8,793)	(5,732)
	187,097	169,195	287,102	177,095
Bills receivable	—	—	180	896
	187,097	169,195	287,282	177,991

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

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	313,867	278,922	409,765	262,877
Between 4 to 6 months	3	32	39	906
Between 7 and 9 months	—	—	—	27
	313,870	278,954	409,804	263,810

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	187,095	169,172	287,249	177,094
Between 4 to 6 months	2	23	33	870
Between 7 and 9 months	—	—	—	27
	187,097	169,195	287,282	177,991

The Target Group's and Target Company's trading terms with its customers are mainly on credit. Credit terms within three months are granted to those customers with good repayment history.

Movements in the provision for impairment of trade receivables were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	(9,548)	(9,748)	(8,730)	(12,663)
(Provision for)/reversal of impairment of trade receivables	(200)	—	(4,073)	(322)
Write-off	—	1,018	140	4,882
At end of the year/period	(9,748)	(8,730)	(12,663)	(8,103)

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	(6,343)	(6,497)	(5,931)	(8,793)
Provision for write back of impairment of trade receivables	(154)	566	(2,949)	(831)
Write-off	—	—	87	3,892
At end of the year/period	(6,497)	(5,931)	(8,793)	(5,732)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered. The Target Group and the Target Company do not hold any collateral or other credit enhancements over these balances.

The trade receivables that are not individually nor collectively considered to be impaired are trade receivable within one year and not overdue.

12. **Prepayments and other receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	2,625	3,907	9,041	12,986
Prepayments	1,173	1,108	4,188	2,086
	3,798	5,015	13,229	15,072

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	1,369	1,597	5,492	8,628
Prepayments	189	28	3,032	21
	1,558	1,625	8,524	8,649

13. **Cash and cash equivalents**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	108,713	107,510	72,773	76,468
Pledged deposits	(500)	(500)	(500)	—
Cash and cash equivalents	108,213	107,010	72,273	76,468

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	63,250	73,991	42,603	43,510
Pledged deposits	(500)	(500)	(500)	—
Cash and cash equivalents	62,750	73,491	42,103	43,510

Cash and cash equivalents are denominated in the following currencies:

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	72,040	82,702	72,273	76,468
USD	36,173	24,308	—	—
Cash and cash equivalents	108,213	107,010	72,273	76,468

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at each end of the Relevant Periods.

14. **Trade payables**

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	193,896	238,535	201,311	161,341

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	118,329	149,106	140,265	98,732

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

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	193,276	237,556	198,417	158,872
4 to 6 months	467	894	2,461	864
7 to 9 months	106	41	268	1,098
10 to 12 months	47	44	165	507
	193,896	238,535	201,311	161,341

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	118,203	148,676	139,578	98,219
4 to 6 months	71	412	617	354
7 to 9 months	33	5	17	114
10 to 12 months	22	13	53	45
	118,329	149,106	140,265	98,732

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

15. **Other payables and accruals**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	3,268	1,808	2,799	3,033
Payroll payables	8,458	338	2,489	3,667
Taxes other than CIT	3,933	29,967	—	304
Other payables	99,394	110,973	128,232	131,551
	115,053	143,086	133,520	138,555

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	1,811	299	1,614	981
Payroll payables	7,854	106	1,467	1,576
Taxes other than CIT	2,500	23,296	—	238
Other payables	41,258	51,680	61,239	60,321
	53,423	75,381	64,320	63,116

Other payables are non-interest-bearing and payable on demand.

16. **Paid-in capital**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	71,140	71,140	71,140	71,140

17. **Reserves**

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity of the Financial Information.

Other reserve
Target Company

	Statutory surplus reserve	Retained Earnings	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2012	9,832	39,981	49,813
Profit for the year	—	2,203	2,203
Dividends declared to the shareholders	—	(9,995)	(9,995)
Accrual reserve during the year	220	(220)	—
Balance at 31 December 2012	10,052	31,969	42,021
Balance at 1 January 2013	10,052	31,969	42,021
Profit for the year	—	8,779	8,779
Dividends declared to the shareholders	—	(7,991)	(7,991)
Accrual reserve during the year	878	(878)	—
Balance at 31 December 2013	10,930	31,879	42,809
Balance at 1 January 2014	10,930	31,879	42,809
Profit for the year	—	35,656	35,656
Dividends declared to the shareholders	—	(11,558)	(11,558)
Accrual reserve during the year	3,565	(3,565)	—
Balance at 31 December 2014	14,495	52,412	66,907
Balance at 1 January 2015	14,495	52,412	66,907
Profit for the year	—	17,481	17,481
Dividends declared to the shareholders	—	(13,389)	(13,389)
Balance at 30 September 2015	14,495	56,504	70,999

18. **Operating lease commitments**

As lessee

The Target Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years, and those for office equipment are for terms ranging between two and five years.

The Target Group and the Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	3,369	4,244	6,284	4,518
In the second to fifth years, inclusive	6,926	2,367	4,815	7,407
After five years	—	—	—	226
	10,295	6,611	11,099	12,151

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	2,147	3,298	5,029	2,948
In the second to fifth years, inclusive	4,829	1,847	3,875	6,144
After five years	—	—	—	105
	6,976	5,145	8,904	9,197

19. **Related party transactions**

(a) ***Transactions with related parties***

In addition to the related party transactions set out in the respective notes to the Financial Information, the Target Group entered into the following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Transactions with immediate holding company and fellow subsidiaries					
Shipping agent service income	67,413	59,654	70,338	52,791	48,937
Transactions with fellow subsidiaries					
Interest Income	26	152	180	135	190

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

The Target Group had the following significant balances with its related parties during the Relevant Periods:

The Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding Company				
Trade receivables	262,024	170,483	168,878	143,915
Other receivables	—	1,531	1,158	1,697
Prepayments	104,754	111,076	129,150	165,659
Balances with fellow subsidiaries				
Trade receivables	202,366	232,963	223,865	253,180
Less: impairment	(1,297)	(1,018)	(940)	(617)
	201,069	231,945	222,925	252,563
Other receivables	100	195	113	306
Prepayments	9,935	10	24,976	2,972

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with CS Finance				
Deposits	61,346	74,172	71,169	76,386

The Target Group placed a certain portion of its cash at China Shipping Finance Co., Ltd ("CS Finance"), a fellow subsidiary. All deposits were demand deposits and were included in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding Company				
Trade payables	55,043	39,540	87,579	63,638
Other payables	2,015	2,106	3,252	1,538
Advances from customers	—	739	2,493	3,333
Balance with fellow subsidiaries				
Trade payables	557,498	408,048	499,021	447,827
Other payables	777	747	1,471	179
Advances from customers	5	119	4,214	6,630

Amounts due from and due to related parties are interest-free, unsecured and have no fixed terms of repayment.

The Target Company had the following significant balances with its related parties during the Relevant Periods:

The Target Company

(i) *Due from related parties*

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with subsidiaries				
Trade receivables	47,131	35,864	50,521	41,442
Balance with fellow subsidiaries				
Trade receivables	294,183	260,703	257,269	244,132
Prepayments	114,681	111,076	103,851	144,157
Other receivables	193	1,960	1,274	2,281
	409,057	373,739	362,394	390,570

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with CS Finance				
Deposits	59,939	72,877	42,567	43,506

The Target Company placed a certain portion of its cash at China Shipping Finance Co., Ltd ("CS Finance"), a fellow subsidiary. All deposits were demand deposits and were included in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with subsidiaries				
Trade payables	70,782	71,475	83,503	79,912
Balance with fellow subsidiaries				
Trade payables	418,722	321,085	409,313	366,310
Other payables	365	310	753	1,766
	419,087	321,395	410,066	368,076

The amounts due from and due to the related parties were interest-free, unsecured and had no fixed terms of repayment.

(c) ***Key management remuneration***

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries	5,417	6,551	4,467	5,731
Social welfare	337	307	347	248
Housing fund	633	540	330	110
	6,387	7,398	5,144	6,089

20. **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Target Group

As at 31 December 2012

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	—	17,061	17,061
Trade receivables	313,870	—	313,870
Other receivables	2,625	—	2,625
Due from related parties	463,193	—	463,193
Pledged deposits	500	—	500
Cash and cash equivalents	108,213	—	108,213
	888,401	17,061	905,462

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade payables	193,896
Other payables	99,394
Due to related parties	615,333
	908,623

Target Group

As at 31 December 2013

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	—	17,061	17,061
Trade receivables	278,954	—	278,954
Other receivables	3,907	—	3,907
Due from related parties	404,154	—	404,154
Pledged deposits	500	—	500
Cash and cash equivalents	107,010	—	107,010
	794,525	17,061	811,586

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade payables	238,535
Other payables	110,973
Due to related parties	450,441
	799,949

Target Group

As at 31 December 2014

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	—	17,061	17,061
Trade receivables	409,804	—	409,804
Other receivables	9,041	—	9,041
Due from related parties	393,074	—	393,074
Pledged deposits	500	—	500
Cash and cash equivalents	72,273	—	72,273
	884,692	17,061	901,753

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade payables	201,311
Other payables	128,232
Due to related parties	591,323
	920,866

Target Group

As at 30 September 2015

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	—	17,061	17,061
Trade receivables	263,810	—	263,810
Other receivables	12,986	—	12,986
Due from related parties	398,481	—	398,481
Cash and cash equivalents	76,468	—	76,468
	751,745	17,061	768,806

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade payables	161,341
Other payables	131,551
Due to related parties	513,182
	806,074

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Target Company

As at 31 December 2012

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	—	17,061	17,061
Trade receivables	187,097	—	187,097
Other receivables	1,369	—	1,369
Due from subsidiaries	47,131	—	47,131
Due from related parties	294,376	—	294,376
Pledged deposits	500	—	500
Cash and cash equivalents	62,750	—	62,750
	594,223	17,061	610,284

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade payables	118,329
Other payables	41,258
Due to subsidiaries	70,782
Due to related parties	419,087
	649,456

Target Company

As at 31 December 2013

Financial assets

	Loans and receivables	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	—	17,061	17,061
Trade receivables	169,195	—	169,195
Other receivables	1,597	—	1,597
Due from subsidiaries	35,864	—	35,864
Due from related parties	262,663	—	262,663
Pledged deposits	500	—	500
Cash and cash equivalents	73,491	—	73,491
	543,310	17,061	560,371

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade payables	149,106
Other payables	51,680
Due to subsidiaries	71,475
Due to related parties	321,395
	593,656

Target Company

As at 31 December 2014

Financial assets

	Loans and receivables	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	—	17,061	17,061
Trade receivables	287,282	—	287,282
Other receivables	5,492	—	5,492
Due from subsidiaries	50,521	—	50,521
Due from related parties	258,543	—	258,543
Pledged deposits	500	—	500
Cash and cash equivalents	42,103	—	42,103
	644,441	17,061	661,502

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade payables	140,265
Other payables	61,239
Due to subsidiaries	83,503
Due to related parties	410,066
	695,073

Target Company

As at 30 September 2015

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	—	17,061	17,061
Trade receivables	177,991	—	177,991
Other receivables	8,628	—	8,628
Due from subsidiaries	41,442	—	41,442
Due from related parties	246,413	—	246,413
Cash and cash equivalents	43,510	—	43,510
	517,984	17,061	535,045

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade payables	98,732
Other payables	60,321
Due to subsidiaries	79,912
Due to related parties	368,076
	607,041

21. **Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivable, trade payables, financial assets included in prepayments and other receivables, due from/to related parties, financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

22. **Financial risk management objectives and policies**

The Target Group's principal financial instruments comprise cash and cash equivalents. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar ("US$") exchange rates, with all other variables held constant, of the Target Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/(decrease) in foreign currency rate	**Increase/(decrease) in profit/(loss) before tax**
	%	*RMB'000*
Year ended 31 December 2012		
If RMB weakens against US$	5	(3,198)
If RMB strengthens against US$	(5)	3,198
Year ended 31 December 2013		
If RMB weakens against US$	5	(7,918)
If RMB strengthens against US$	(5)	7,918
Year ended 31 December 2014		
If RMB weakens against US$	5	(5,739)
If RMB strengthens against US$	(5)	5,739
Nine months ended 30 September 2015		
If RMB weakens against US$	5	(5,125)
If RMB strengthens against US$	(5)	5,125

Credit risk

The Companies has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Target Group has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade and notes receivables, prepayments and other receivables and cash and cash equivalents represents the maximum credit exposure of the Target Group. The Target Group has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Group performs periodic credit evaluations of its customers.

Further quantitative data in respect of the Companies exposure to credit risk arising from trade receivables are disclosed in note 11 to the Financial Information.

Liquidity risk

The Companies monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Target Group maintains a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

Target Group

The maturity profile of the Target Group's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	193,276	620	193,896
Other payables	99,394	—	—	99,394
Due to related parties	612,541	2,792	—	615,333
	711,935	196,068	620	908,623

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	237,556	979	238,535
Other payables	110,973	—	—	110,973
Due to related parties	2,853	447,588	—	450,441
	113,826	658,144	979	799,949

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	198,417	2,894	201,311
Other payables	128,232	—	—	128,232
Due to related parties	4,723	586,600	—	591,323
	132,955	785,017	2,894	920,866

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	158,872	2,469	161,341
Other payables	131,551	—	—	131,551
Due to related parties	4,192	511,465	—	515,657
	135,743	670,337	2,469	808,549

Target Company

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	118,203	126	118,329
Other payables	41,258	—	—	41,258
Due to subsidiaries	—	70,782	—	70,782
Due to related parties	365	418,722	—	419,087
	41,623	607,707	126	649,456

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	148,676	430	149,106
Other payables	51,680	—	—	51,680
Due to subsidiaries	—	71,475	—	71,475
Due to related parties	321,085	310	—	321,395
	372,765	220,461	430	593,656

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	139,578	687	140,265
Other payables	61,239	—	—	61,239
Due to subsidiaries	—	83,503	—	83,503
Due to related parties	753	409,313	—	410,066
	61,992	632,394	687	695,073

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	98,219	513	98,732
Other payables	60,321	—	—	60,321
Due to subsidiaries	—	79,912	—	79,912
Due to related parties	1,766	366,310	—	368,076
	62,087	544,441	513	607,041

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014, and the nine months ended 30 September 2015.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade payables, other payables and accruals and amounts due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	193,896	238,535	201,311	161,341
Other payables and accruals	99,394	110,973	128,232	131,551
Due to related parties	615,338	450,441	591,323	515,657
Less: Cash and cash equivalents	108,213	107,010	72,273	76,468
Net debt	800,415	692,939	848,593	732,081
Total capital	128,206	132,419	173,970	167,141
Total capital and net debt	928,621	825,358	1,022,563	899,222
Gearing ratio	86%	84%	83%	81%

23. **Events after the Relevant Periods**

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

24. **Subsequent financial statements**

No audited financial statements have been prepared by the Target Company or any of the companies comprising the Target Group in respect of any period subsequent to 30 September 2015.

Yours faithfully
Certified Public Accountants
Hong Kong

3.4 **China Shipping Container Lines Xiamen Co., Ltd. (中海集裝箱運輸廈門有限公司)**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping Container Lines Xiamen Co., Ltd. (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of the Target Group (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 6 January 2003.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Company in accordance with Accounting Standards for Business Enterprises and were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)") registered in the PRC.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies in the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies in the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") , which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA , and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

					Nine months ended	
		Year ended 31 December			30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	4	86,193	117,412	109,070	82,447	69,244
Cost of sales		(58,356)	(94,065)	(87,093)	(66,023)	(57,317)
Gross profit		27,837	23,347	21,977	16,424	11,927
Other income and gains	4	1,667	1,738	527	480	1,443
Administrative expenses		(22,918)	(19,914)	(17,594)	(13,865)	(13,965)
Other expenses		(80)	(1,080)	(8)	(8)	(63)
Profit/(Loss) before tax	5	6,506	4,091	4,902	3,031	(658)
Income tax expense	6	(2,696)	(1,328)	(1,515)	(797)	(388)
Profit/(Loss) and total comprehensive income for the year/period		3,810	2,763	3,387	2,234	(1,046)
Attributable to:						
Owners of the parent		3,714	2,757	3,365	2,215	(1,126)
Non-controlling interests		96	6	22	19	80
		3,810	2,763	3,387	2,234	(1,046)

Consolidated statements of financial position

					As at
		As at 31 December			30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	7	6,011	5,331	5,962	6,076
Intangible assets	8	—	159	518	347
Deferred tax assets	15	150	97	72	53
Total non-current assets		6,161	5,587	6,552	6,476
CURRENT ASSETS					
Trade receivables	10	34,630	27,390	31,093	15,413
Prepayments and other receivables	11	3,360	11,267	7,282	10,152
Amounts due from related parties	19(b)	69,190	73,613	57,077	46,859
Cash and cash equivalents	12	28,968	17,989	25,382	23,294
Total current assets		136,148	130,259	120,834	95,718
CURRENT LIABILITIES					
Trade payables	13	50,988	54,791	51,565	38,521
Other payables and accruals	14	24,003	22,254	19,159	25,593
Tax payable		838	1,142	693	281
Amounts due to related parties	19(b)	33,896	26,772	27,350	14,227
Total current liabilities		109,725	104,959	98,767	78,622
NET CURRENT ASSETS		26,423	25,300	22,067	17,096
TOTAL ASSETS LESS CURRENT LIABILITIES		32,584	30,887	28,619	23,572

					As at
		As at 31 December			**30 September**
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		32,584	30,887	28,619	23,572
Total non-current liabilities		—	—	—	—
Net assets		32,584	30,887	28,619	23,572
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	16	10,000	10,000	10,000	10,000
Reserves		21,762	20,059	17,424	12,297
Non-controlling interests		822	828	1,195	1,275
Total equity		32,584	30,887	28,619	23,572

Consolidated statements of changes in equity

	Attributable to owners of parent					
	Paid-in capital	**Other reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	10,000	3,411	19,515	32,926	978	33,904
Profit and total comprehensive income for the year	—	—	3,714	3,714	96	3,810
Dividends paid to shareholder	—	—	(4,878)	(4,878)	(252)	(4,878)
Dividends paid to non-controlling interests	—	—	—	—	(252)	(252)
Accrued reserve during the year	—	511	(511)	—	—	—
At 31 December 2012	10,000	3,922	17,840	31,762	822	32,584
At 1 January 2013	10,000	3,922	17,840	31,762	822	32,584
Profit and total comprehensive income for the year	—	—	2,757	2,757	6	2,763
Dividends paid to shareholder	—	—	(4,460)	(4,460)	—	(4,460)
Accrued reserve during the year	—	259	(259)	—	—	—
At 31 December 2013	10,000	4,181	15,878	30,059	828	30,887

	Attributable to owners of parent					
	Paid-in capital	**Other reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	10,000	4,181	15,878	30,059	828	30,887
Profit and total comprehensive income for the year	—	—	3,365	3,365	22	3,387
Dividends paid to shareholder	—	—	(6,000)	(6,000)	—	(6,000)
Dividends paid to non-controlling interest	—	—	—	—	345	345
Accrued reserve during the year	—	312	(312)	—	—	—
At 31 December 2014	10,000	4,493	12,931	27,424	1,195	28,619
At 1 January 2015	10,000	4,493	12,931	27,424	1,195	28,619
Profit and total comprehensive income for the period	—	—	(1,126)	(1,126)	80	(1,046)
Dividends paid to shareholder	—	—	(4,001)	(4,001)	—	(4,001)
At 30 September 2015	10,000	4,493	7,804	22,297	1,275	23,572
At 1 January 2014	10,000	4,181	15,878	30,059	828	30,887
Profit and total comprehensive income for the period	—	—	2,215	2,215	19	2,234
Dividends paid to shareholder	—	—	(5,999)	(5,999)	—	(5,999)
Others	—	—	—	—	345	345
At 30 September 2014	10,000	4,181	12,094	26,275	1,192	27,467

Consolidated statements of cash flows

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit after tax		6,506	4,091	4,902	3,031	(658)
Adjustments for:						
Depreciation of items of property, plant and equipment	7	1,470	1,884	1,696	1,272	1,360
Amortisation of intangible assets	8	—	26	141	125	171
Gain on disposal of items of property, plant and equipment	4	—	—	(1)	(1)	—
Interest income		(256)	(219)	(257)	(201)	(191)
		7,720	5,782	6,481	4,226	682
(Increase)/decrease in trade receivables		(20,475)	7,240	(3,703)	(66,221)	15,680
(Increase)/decrease in prepayments,deposits and other receivables		23,782	(7,907)	3,985	(5,282)	(2,870)
(Increase)/decrease in amount due from related parties		—	(4,423)	16,536	73,613	10,218
(Decrease)/increase in amount due to related parties		—	(7,124)	578	(26,772)	(13,123)
(Decrease)/increase in trade payables		(5,133)	3,803	(3,226)	28,330	(13,044)
Increase/(decrease) in other payables and accruals		10,850	(3,109)	(3,094)	6,105	6,434
Income tax paid		(4,696)	(971)	(1,939)	(1,911)	(781)
Exchange gain or loss		59	244	(52)	(97)	(214)
Net cash flows from/(used in)operating activities		12,107	(6,465)	15,566	11,991	2,982

	Notes	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (unaudited)	2015 RMB'000
Net cash flows from/(used in)operating activities		12,107	(6,465)	15,566	11,991	2,982
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		256	219	257	201	191
Purchases of items of property, plant and equipment		(4,324)	(1,498)	(2,837)	(836)	(1,685)
Proceeds from disposal of items of property,plant and equipment		17	1,469	10	7	211
Net cash flows (used in)/from investing activities		(4,051)	190	(2,570)	(628)	(1,283)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		(5,130)	(4,460)	(5,655)	(5,999)	(4,001)
Net cash flows (used in)/from financing activities		(5,130)	(4,460)	(5,655)	(5,999)	(4,001)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,867	(10,979)	7,393	5,461	(2,088)
Cash and cash equivalents at beginning of year/period		26,101	28,968	17,989	17,989	25,382
Effect of foreign exchange rate changes, net		(59)	(244)	52	97	214
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	12	28,968	17,989	25,382	23,450	23,294

Statements of financial position

	Notes	As at 31 December **2012** *RMB'000*	**2013** *RMB'000*	**2014** *RMB'000*	As at 30 September **2015** *RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	7	5,266	4,588	4,190	3,830
Investments in subsidiaries	9	6,753	6,753	10,358	10,358
Intangible assets	8	—	159	518	347
Deferred tax assets		150	97	72	53
Total non-current assets		12,169	11,597	15,138	14,588
CURRENT ASSETS					
Trade receivables	10	25,871	17,324	14,989	4,971
Prepayments, deposits and other receivables	11	1,489	3,979	3,388	6,061
Due from subsidiaries	19(b)	10,148	2,622	8,251	3,654
Due from related parties	19(b)	58,854	66,499	38,158	38,393
Cash and cash equivalents	12	23,474	11,485	19,612	17,462
Total current assets		119,836	101,909	84,398	70,541
CURRENT LIABILITIES					
Trade payables	13	25,148	37,090	37,848	25,357
Other payables and accruals	14	16,612	14,331	11,926	13,887
Tax payable		746	964	487	—
Due to subsidiaries	19(b)	40,571	24,440	6,747	21,841
Due to related parties	19(b)	19,917	9,541	18,262	5,715
Total current liabilities		102,994	86,366	75,270	66,800
NET CURRENT ASSETS		16,842	15,543	9,128	3,741
TOTAL ASSETS LESS CURRENT LIABILITIES		29,011	27,139	24,266	18,329
Net assets		29,011	27,140	24,266	18,329
EQUITY					
Paid-in capital	16	10,000	10,000	10,000	10,000
Reserves	17	19,011	17,140	14,266	8,329
Total equity		29,011	27,140	24,266	18,329

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

China Shipping Container Lines Xiamen Co., Ltd. was incorporated in the People's Republic of China (the "PRC") as a company with limited liability on 6 January 2003. The registered office of the Company is located at No 8 Xiangyu Road, Xiamen modern logistics Zone, Xiamen, the PRC.

The Target Company and its subsidiaries (hereinafter collectively referred to as the "Target Group") are principally engaged in cargo and liner agency.

In the opinion of the directors, the ultimate holding company of the Target Company is China Shipping Group Company, which is incorporated in the PRC.

As at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies and the particulars of which are set out below:

Company	Place of incorporation	Nominal value of issued shares/ paid-up capital	Percentage of interest attributable to the Companies	Principal activity
China Shipping Container Lines (Fuzhou) Co., Ltd. *	PRC	RMB 5,000,000	90%	Agency services
Quanzhou China Shipping Container Lines Co., Ltd. *	PRC	RMB1,550,000	90%	Agency services
Zhangzhou China Shipping Container Lines Co., Ltd. *	PRC	RMB1,550,000	100%	Agency services
Ningde China Shipping Container Lines Co., Ltd. *	PRC	RMB 500,000	100%	Agency services

* Statutory audited financial statements have been prepared for these subsidiaries and were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)") during the Relevant Periods.

2.1 **Basis of preparation**

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all value are rounded to the nearest thousands, except when otherwise indicated.

Basis of consolidation

This consolidated Financial Information incorporates the financial statements of the Target Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecgnises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations*[1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Group's operation and may result in changes in the Target Group's accounting policies and changes in presentation and measurement of certain items in the Target Group's Financial Information.

2.3 Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company and/or its other subsidiaries. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Company are members of the same Company;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

(a) Revenue comprises shipping agent service income from related parties and third parties. The revenue is recognized when relevant services have been rendered.

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Retirement benefits

The Target Company are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade and other payables and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated and company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Category	**Annual depreciation rate**
Motor vehicles	11.88%~15.83%
Computer, office equipment and furniture	11.88%~31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Dividends

Dividends are simulataneously proposed and declared, because the Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

3. **Significant accounting judgements and estimates**

The preparation of the Target Group's financial information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade receivables amounted to RMB1,082,000, RMB848,000, RMB962,000 and RMB477,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

4. **Revenue, other income and gains**

Revenue, which is also the Company's turnover, represents shipping agent income during the Relevant Periods.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Revenue:					
Shipping agent income	86,193	117,412	109,070	82,447	69,244
Other income and gains					
Interest income	256	219	257	201	191
Government grant related to income	1,379	1,360	171	81	30
Gains on disposal of property, plant and equipment	—	—	1	1	—
Foreign exchange gains	—	—	18	136	1,131
Others	32	159	80	61	91
	1,667	1,738	527	480	1,443

5. **Profit before tax**

The Target Group's profit before tax is arrived at after charging:

		Year ended 31 December			Nine months ended 30 September	
		2012	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Employee benefit expenses		59,041	61,486	55,794	42,447	41,070
Operating lease charges		2,176	2,447	3,150	2,314	3,943
Depreciation	7	1,470	1,884	1,696	1,272	1,360
Auditors' remuneration		78	65	102	58	70
Amortisation	8	—	26	141	125	171
Impairment of accounts receivable		272	445	186	—	570
Loss on disposal of non-current assets		17	108	8	8	63
Foreign exchange losses		63	972	—	—	—

6. **Income tax**

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Target Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax	2,764	1,275	1,490	797	369
Deferred tax (note 15)	(68)	53	25	—	19
Total tax charge for the year/period	2,696	1,328	1,515	797	388

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Target Companies are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	6,506	4,091	4,902	3,031	(658)
Tax at an applicable tax rate of 25%	1,626	1,023	1,225	758	(165)
Tax losses for which no deferred tax asset was recognised	—	—	—	—	165
Expense not deductible for tax	1,070	305	290	39	388
Tax charge at the Target Group's effective rate	2,696	1,328	1,515	797	388

7. **Property, plant and equipment**

Target Group

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012			
Cost	2,347	6,721	9,068
Accumulated depreciation	(1,898)	(3,996)	(5,894)
Net carrying amount	449	2,725	3,174
At 1 January 2012, net of accumulated depreciation	449	2,725	3,174
Additions	2,296	2,028	4,324
Disposals	—	(17)	(17)
Depreciation provided during the year (note 5)	(271)	(1,199)	(1,470)
At 31 December 2012, net of accumulated depreciation	2,474	3,537	6,011
At 31 December 2012			
Cost	4,643	8,398	13,041
Accumulated depreciation	(2,168)	(4,862)	(7,030)
Net carrying amount	2,475	3,536	6,011
At 1 January 2013, net of accumulated depreciation	2,475	3,536	6,011
Additions	420	893	1,313
Disposals	(39)	(70)	(109)
Depreciation provided during the year (note 5)	(475)	(1,409)	(1,884)
At 31 December 2013, net of accumulated depreciation	2,381	2,950	5,331
At 31 December 2013			
Cost	4,801	7,869	12,670
Accumulated depreciation	(2,420)	(4,919)	(7,339)
Net carrying amount	2,381	2,950	5,331

Target Group

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014			
Cost	4,801	7,869	12,670
Accumulated depreciation	(2,420)	(4,919)	(7,339)
Net carrying amount	2,381	2,950	5,331
At 1 January 2014, net of accumulated depreciation	2,381	2,950	5,331
Additions	947	1,390	2,337
Disposals	(10)	—	(10)
Depreciation provided during the year (note 5)	(418)	(1,278)	(1,696)
At 31 December 2014, net of accumulated depreciation	2,900	3,062	5,962
At 31 December 2014			
Cost	5,534	9,259	14,793
Accumulated depreciation	(2,634)	(6,197)	(8,831)
Net carrying amount	2,900	3,062	5,962
At 1 January 2015, net of accumulated depreciation	2,900	3,062	5,962
Additions	873	812	1,685
Disposals	(144)	(67)	(211)
Depreciation provided during the period (note 5)	(381)	(979)	(1,360)
At 30 September 2015, net of accumulated depreciation	3,248	2,828	6,076
At 30 September 2015			
Cost	5,748	8,992	14,740
Accumulated depreciation	(2,500)	(6,164)	(8,664)
Net carrying amount	3,248	2,828	6,076

Target Company

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012			
Cost	2,147	5,816	7,963
Accumulated depreciation	(1,728)	(3,398)	(5,126)
Net carrying amount	419	2,418	2,837
At 1 January 2012, net of accumulated depreciation	419	2,418	2,837
Additions	1,777	1,973	3,750
Disposals	—	(13)	(13)
Depreciation provided during the year (note 5)	(232)	(1,076)	(1,308)
At 31 December 2012, net of accumulated depreciation	1,964	3,302	5,266
At 31 December 2012			
Cost	3,924	7,518	11,442
Accumulated depreciation	(1,960)	(4,216)	(6,176)
Net carrying amount	1,964	3,302	5,266
At 1 January 2013, net of accumulated depreciation	1,964	3,302	5,266
Additions	421	692	1,113
Disposals	(39)	(60)	(99)
Depreciation provided during the year (note 5)	(406)	(1,286)	(1,692)
At 31 December 2013, net of accumulated depreciation	1,940	2,648	4,588
At 31 December 2013			
Cost	4,082	7,007	11,089
Accumulated depreciation	(2,142)	(4,359)	(6,501)
Net carrying amount	1,940	2,648	4,588

Target Company

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014			
Cost	4,082	7,007	11,089
Accumulated depreciation	(2,142)	(4,359)	(6,501)
Net carrying amount	1,940	2,648	4,588
At 1 January 2014, net of accumulated depreciation	1,940	2,648	4,588
Additions	663	359	1,022
Disposals	(6)	—	(6)
Depreciation provided during the period (note 5)	(343)	(1,071)	(1,414)
At 31 December 2014, net of accumulated depreciation	2,254	1,936	4,190
At 31 December 2014			
Cost	4,618	7,365	11,983
Accumulated depreciation	(2,364)	(5,429)	(7,793)
Net carrying amount	2,254	1,936	4,190
At 1 January 2015, net of accumulated depreciation	2,254	1,936	4,190
Additions	223	631	854
Disposals	(144)	(65)	(209)
Depreciation provided during the period (note 5)	(274)	(731)	(1,005)
At 30 September 2015, net of accumulated depreciation	2,059	1,771	3,830
At 30 September 2015			
Cost	4,181	7,028	11,209
Accumulated depreciation	(2,122)	(5,257)	(7,379)
Net carrying amount	2,059	1,771	3,830

8. **Intangible assets**

Target Group and Target Company

	Software
	RMB'000
Year ended 31 December 2013	
Opening net book value	—
Additions	185
Amortisation charge for the year	(26)
Closing net book amount	159
At 31 December 2013	
Cost	185
Accumulated amortisation	(26)
Net book amount	159
Year ended 31 December 2014	
Opening net book value	159
Additions	500
Amortisation charge for the year	(141)
Closing net book amount	518
At 31 December 2014	
Cost	685
Accumulated amortisation	(167)
Net book amount	518
Year ended 30 September 2015	
Opening net book value	518
Additions	—
Amortisation charge for the period	(171)
Closing net book amount	347
At 30 September 2015	
Cost	685
Accumulated amortisation	(338)
Net book amount	347

9. **Investments in subsidiaries**

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost:	6,753	6,753	10,358	10,358

The amounts due from subsidiaries included in the Target Company's current assets of RMB10,148,000, RMB2,622,000, RMB8,251,000, and RMB3,654,000 and the amounts due to subsidiaries included in the Target Company's current liabilities of RMB40,571,000, RMB24,440,000, RMB6,747,000 and RMB21,841,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, were unsecured, interest-free and had no fixed terms of repayment.

10. **Trade receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	35,712	28,238	32,055	15,890
Impairment	(1,082)	(848)	(962)	(477)
	34,630	27,390	31,093	15,413

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	26,629	17,988	15,726	5,369
Impairment	(758)	(664)	(737)	(398)
	25,871	17,324	14,989	4,971

An ageing analysis of the trade receivables as at the end of each of the reporting period, based on the invoice date, is as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	34,630	27,385	31,093	15,413
Between 4 and 6 months	—	5	—	—
	34,630	27,390	31,093	15,413

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	25,871	17,319	14,989	4,971
Between 4 and 6 months	—	5	—	—
	25,871	17,324	14,989	4,971

The Target Group's and the Target Company's trading terms with its customers are mainly on credit. Credit terms in a range within three months are granted to those customers with a good payment history.

Movements in the provision for impairment of trade receivables were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning	864	1,082	848	962
Provision for impairment of trade receivables	218	344	115	49
Write-off	—	(578)	(1)	(534)
At the end	1,082	848	962	477

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning	571	758	664	737
Provision for impairment of trade receivables	187	5	74	—
Write-off	—	(99)	(1)	(339)
At the end	758	664	737	398

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered. The Target Group and the Target Company does not hold any collateral or other credit enhancements over these balances.

The trade receivables that are not individually nor collectively considered to be impaired are trade receivable within one year and not overdue.

11. **Prepayments and other receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	1,527	5,878	5,230	2,978
Prepayments	1,833	5,389	2,052	7,174
	3,360	11,267	7,282	10,152

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	1,315	3,057	2,301	6,061
Prepayments	174	922	1,087	—
	1,489	3,979	3,388	6,061

12. **Cash and cash equivalents**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and in hand	28,968	17,989	25,382	23,294

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and in hand	23,474	11,485	19,612	17,462

Cash and cash equivalents are denominated in the following currencies:.

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	21,122	17,747	25,306	22,950
USD	7,846	242	76	344
	28,968	17,989	25,382	23,294

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	15,628	11,243	19,536	17,318
USD	7,846	242	76	144
Cash at banks and in hand	23,474	11,485	19,612	17,462

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Target group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the Reporting Period.

13. **Trade payables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	50,988	54,791	51,565	38,521

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	25,148	37,090	37,848	25,357

An ageing analysis of the trade payables as at the end of each of the Reporting Period, based on the invoice date, is as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	49,861	53,217	48,373	36,550
4 to 6 months	614	898	1,843	863
7 to 9 months	310	352	860	479
10 to 12 months	203	324	489	629
	50,988	54,791	51,565	38,521

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	24,666	36,621	35,585	24,146
4 to 6 months	216	412	1,380	554
7 to 9 months	174	19	558	290
10 to 12 months	92	38	325	367
	25,148	37,090	37,848	25,357

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

14. **Other payables and accruals**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	6,135	7,149	6,022	8,167
Payroll payables	5,213	6,547	2,333	8,522
Taxes other than CIT	859	(2,025)	(573)	126
Other payables	11,796	10,583	11,377	8,778
	24,003	22,254	19,159	25,593

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	3,889	2,631	2,373	3,220
Payroll payables	3,891	4,569	1,553	5,023
Taxes other than CIT	769	1,216	688	83
Other payables	8,063	5,915	7,312	5,561
	16,612	14,331	11,926	13,887

Other payables are non-interest-bearing and have an average term of three months.

15. **Deferred tax**

The movements in deferred tax assets during the Relevant Periods are as follows:

Target Group and Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	150	97	72	53

Target Group and Target Company

	Deferred allowance in excess of related depreciation
	RMB'000
At 1 January 2012	82
Deferred tax charged to the income statement during the year	68
At 31 December 2012	150
At 31 December 2012 and 1 January 2013	150
Deferred tax credited to the income statement during the year	(53)
At 31 December 2013	97
At 1 January 2014	97
Deferred tax credited to the income statement during the year	(25)
At 31 December 2014	72
At 31 December 2014 and 1 January 2015	72
Deferred tax credited to the income statement during the period	(19)
At 30 September 2015	53

16. **Pain-in capital**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in captial	10,000	10,000	10,000	10,000

17. **Reserves**

The amounts of the Target Company's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity of the Financial Information.

Target Company

	Capital surplus	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2012	3,411	15,367	18,778
Loss for the year	—	5,112	5,112
Dividends declared to the shareholders	—	(4,879)	(4,879)
Accrued reserve during the year	511	(511)	—
Balance at 31 December 2012	3,922	15,089	19,011
Balance at 1 January 2013	3,922	15,089	19,011
Profit for the year	—	2,589	2,589
Dividends declared to the shareholders	—	(4,460)	(4,460)
Accrued reserve during the year	259	(259)	—
Balance at 31 December 2013	4,181	12,959	17,140
Balance at 1 January 2014	4,181	12,959	17,140
Profit for the year	—	3,126	3,126
Dividends declared to the shareholders	—	(6,000)	(6,000)
Accrued reserve during the year	312	(312)	—
Balance at 31 December 2014	4,493	9,773	14,266
Balance at 1 January 2015	4,493	9,773	14,266
Loss for the year	—	(1,937)	(1,937)
Dividends declared to the shareholders	—	(4,000)	(4,000)
Accrued reserve during the period	—	—	—
Balance at 30 September 2015	4,493	3,836	8,329

18. **Operating lease commitments**

As lessee

The Target Group and the Target Company leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years, and those for office equipment are for terms ranging between two and five years.

The Target Group and the Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	2,440	3,150	5,029	4,360
In the second to fifth years, inclusive	76	6,170	7,220	7,398
After five years	—	—	162	—
	2,516	9,320	12,411	11,758

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,440	1,300	1,000	1,400
In the second to fifth years, inclusive	76	4,240	4,128	4,550
After five years	—	—	162	—
	1,516	5,540	5,290	5,950

19. **Related party transactions**

(a) ***Transactions with related parties***

In addition to the related party transactions set out in the respective notes to the consolidated financial statements, the Target Group entered into the following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Transactions with immediate holding company and fellow subsidiaries					
Shipping agent service income	27,289	35,153	33,532	25,103	21,923
Transactions with fellow subsidiaries					
Interest income	—	19	31	26	23

(b) ***Outstanding balances with related parties***

The Target Group had the following significant balances with its related parties during the Relevant Periods:

The Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with Immediate holding Company				
Trade receivables	28,260	31,633	23,826	19,093
Prepayments	5,383	5,545	3,201	—
Other receivables	233	162	205	280
Less: provision	—	—	—	(2)
	233	162	205	278
Balances with fellow Subsidiaries				
Trade receivables	35,690	36,397	30,033	27,595
Less: provision	(376)	(124)	(188)	(107)
	35,314	36,273	29,845	27,488

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with CS Finance				
Deposits	—	15,950	24,311	22,604

The Target Group placed a certain portion of its cash at China Shipping Finance Co., Ltd. ("CS Finance"), a fellow subsidiary. All deposits at each of the end of Relevant Periods were demand deposits and were included in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

The Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with Immediate holding Company				
Trade payables	2,448	1,559	1,114	2,645
Other payables	—	—	—	6
Balances with fellow Subsidiaries				
Trade payables	30,618	25,090	26,152	10,300
Other payables	766	20	20	89
Advances from customers	64	103	64	1,187

Amounts due from and due to related parties are interest-free, unsecured and have no fixed terms of repayment.

The Target Company had the following significant balances with its related parties during the Relevant Periods:

The Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with Subsidiaries				
Trade receivables	10,148	2,622	8,251	3,654
Balances with fellow Subsidiaries				
Trade receivables	53,458	60,854	34,866	38,113
Prepayments	5,383	5,544	3,200	—
Other receivables	13	101	92	280
	58,854	66,499	38,158	38,393
Balance with CS Finance				
Deposits	—	10,083	19,534	17,115

The Target Company placed a certain portion of its cash at China Shipping Finance Co., Ltd. ("CS Finance"), a fellow subsidiary. All deposits at each of the end of Relevant Periods were demand deposits and were included in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

The Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with Subsidiaries				
Trade payables	12,429	17,253	4,050	13,788
Advance from customers	28,142	7,187	2,697	8,053
	40,571	24,440	6,747	21,841
Balances with fellow Subsidiaries				
Trade payables	19,107	7,952	17,163	4,419
Advance from customers	64	1,589	1,099	1,221
Other payables	746	—	—	75
	19,917	9,541	18,262	5,715

Amounts due from and due to the related parties were interest-free, unsecured and had no fixed terms of repayment.

(c) ***Key management compensation***

The Target Group

	Year ended 31 December			Nine months ended 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries	3,477	3,664	2,803	2,152
Social welfare	421	392	231	170
Pension and others welfare	130	148	158	71
	4,028	4,204	3,192	2,393

20. **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Target Group

As at 31 December 2012

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	34,630
Other receivables	1,527
Due from related parties	63,807
Cash and cash equivalents	28,968
	128,932

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	50,988
Other payables	11,796
Due to related parties	33,832
	96,616

As at 31 December 2013

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	27,390
Other receivables	5,878
Due from related parties	68,068
Cash and cash equivalents	17,989
	119,325

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	54,791
Other payables	10,583
Due to related parties	26,669
	92,043

As at 31 December 2014

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	31,093
Other receivables	5,230
Due from related parties	53,876
Cash and cash equivalents	25,382
	115,581

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	51,565
Other payables	11,377
Due to related parties	27,286
	90,228

As at 30 September 2015

Financial assets

	Loans and receivables *RMB'000*
Trade receivables	15,413
Other receivables	2,978
Due from related parties	46,859
Cash and cash equivalents	23,294
	88,544

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	38,521
Other payables	8,778
Due to related parties	13,040
	60,339

Target Company

As at 31 December 2012

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	25,871
Other receivables	1,315
Due from subsidiaries	10,148
Due from related parties	53,471
Cash and cash equivalents	23,474
	114,279

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	25,148
Other payables	8,063
Due to subsidiaries	12,429
Due to related parties	19,853
	65,493

As at 31 December 2013

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	17,324
Other receivables	3,057
Due from subsidiaries	2,622
Due from related parties	60,955
Cash and cash equivalents	11,485
	95,443

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade payables	37,090
Other payables	5,915
Due to subsidiaries	17,253
Due to related parties	7,952
	68,210

As at 31 December 2014

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	14,989
Other receivables	2,301
Due from subsidiaries	8,251
Due from related parties	34,958
Cash and cash equivalents	19,612
	80,111

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade payables	37,848
Other payables	7,312
Due to subsidiaries	4,050
Due to related parties	17,163
	66,373

As at 30 September 2015

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	4,971
Other receivables	6,061
Due from subsidiaries	3,654
Due from related parties	38,393
Cash and cash equivalents	17,462
	70,541

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade payables	25,357
Other payables	5,023
Due to subsidiaries	13,788
Due to related parties	4,494
	48,662

21. **Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivable, trade payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals, due from/to fellow subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

22. **Financial risk management objectives and policies**

The Target Group's principal financial instruments comprise receivables and cash. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar ("US$") exchange rates, with all other variables held constant, of the Target Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2012		
If RMB weakens against US$	5	(392)
If RMB strengthens against US$	(5)	392
Year ended 31 December 2013		
If RMB weakens against US$	5	(106)
If RMB strengthens against US$	(5)	106
Year ended 31 December 2014		
If RMB weakens against US$	5	(301)
If RMB strengthens against US$	(5)	301
Six months ended 30 June 2015		
If RMB weakens against US$	5	(356)
If RMB strengthens against US$	(5)	356

Credit risk

The Target Group have no significant concentration of credit risk. Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Target Group has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade and notes receivables, prepayments and other receivables and cash and cash equivalents represents the maximum credit exposure of the Target Group. The Target Group has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Group performs periodic credit evaluations of its customers.

Further quantitative data in respect of the Target Group exposure to credit risk arising from trade receivables are disclosed in note 10 to the Financial Information.

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables, other financial assets) and projected cash flows from operations.

The maturity profile of the Target Group's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Group

As at 31 December 2012

	On demand	**Less than 3 months**	**3 to 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	49,861	1,127	50,988
Other payables	11,796	—	—	11,796
Due to related parties	33,832	—	—	33,832
	45,628	49,861	1,127	96,616

As at 31 December 2013

	On demand	**Less than 3 months**	**3 to 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	53,217	1,574	54,791
Other payables	10,583	—	—	10,583
Due to related parties	26,669	—	—	26,669
	37,252	53,217	1,574	92,043

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	48,373	3,192	51,565
Other payables	11,377	—	—	11,377
Due to related parties	27,286	—	—	27,286
	38,663	48,373	3,192	90,228

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	36,550	1,971	38,521
Other payables	8,778	—	—	8,778
Due to related parties	13,040	—	—	13,040
	21,818	36,550	1,971	60,339

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Company

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	24,666	482	25,148
Other payables	8,063	—	—	8,063
Due to subsidiaries	12,429	—	—	12,429
Due to related parties	19,853	—	—	19,853
	40,345	24,666	482	65,493

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	36,621	469	37,090
Other payables	5,915	—	—	5,915
Due to subsidiaries	17,253	—	—	17,253
Due to related parties	7,952	—	—	7,952
	31,120	36,621	469	68,210

Target Company

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	35,585	2,263	37,848
Other payables	7,312	—	—	7,312
Due to subsidiaries	4,050	—	—	4,050
Due to related parties	17,163	—	—	17,163
	28,525	35,585	2,263	66,373

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	24,146	1,211	25,357
Other payables	5,023	—	—	5,023
Due to subsidiaries	13,788	—	—	13,788
Due to related parties	4,494	—	—	4,494
	23,305	24,146	1,211	48,662

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Companies manage its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade payables, other payables and accruals and amounts due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of each of the reporting periods were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	50,988	54,791	51,565	38,521
Other payables and accruals	11,796	10,583	11,377	8,778
Due to related parties	33,832	26,669	27,286	13,040
Less: Cash and cash equivalents	(28,968)	(17,989)	(25,382)	(23,294)
Net debt	67,648	74,054	64,846	37,045
Total capital	32,584	30,887	28,619	23,572
Total capital and net debt	100,232	104,941	93,465	60,617
Gearing ratio	67%	71%	69%	61%

23. **Events after the reporting period**

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

24. **Subsequent financial statements**

No audited financial statements have been prepared by the Target Company or any of the Target Companies comprising the Company in respect of any period subsequent to 30 September 2015.

Yours faithfully
ERNST & YOUNG
Certified Public Accountants
Hong Kong

3.5 China Shipping Container Lines Qingdao Company Limited (中海集裝箱運輸青島有限公司)

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping Container Lines Qingdao Company Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of the Target Group (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 13 January 2003.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Accounting Standards for Business Enterprises and were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)") registered in the PRC.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies in the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies in the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Group (the "Directors") have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA*. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been

consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the consolidated financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

	Notes	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (unaudited)	Nine months ended 30 September 2015 RMB'000
REVENUE	4	93,499	123,906	137,012	108,379	115,406
Cost of sales		(69,904)	(94,360)	(123,660)	(85,385)	(79,174)
Gross profit		23,595	29,546	13,352	22,994	36,232
Other income and gains	4	2,161	1,552	700	306	292
Administrative expenses		(23,822)	(25,927)	(24,642)	(15,598)	(17,131)
Other expenses		(13)	(78)	(5)	(561)	(15)
Profit/(loss) before tax	5	1,921	5,093	(10,595)	7,141	19,378
Income tax expense	6	(1,387)	(2,983)	(2,735)	(1,818)	(5,403)
Profit/(loss) and total comprehensive income/(loss) for the year/period		534	2,110	(13,330)	5,323	13,975
Attributable to:						
Owners of the parent		515	1,947	(11,579)	5,162	13,385
Non-controlling interests		19	163	(1,751)	161	590
		534	2,110	(13,330)	5,323	13,975

Consolidated statements of financial position

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	7	3,180	6,350	8,809	8,700
Investment properties	8	—	2,148	2,093	2,051
Intangible assets	9	413	356	299	314
Deferred tax assets	16	999	—	—	—
Total non-current assets		4,592	8,854	11,201	11,065
CURRENT ASSETS					
Trade receivables	11	122,672	111,461	90,482	88,461
Prepayments and other receivables	12	14,746	6,161	12,088	27,437
Amounts due from related parties	20(b)	377,078	125,483	160,243	259,362
Cash and cash equivalents	13	54,612	74,987	26,949	45,538
Total current assets		569,108	318,092	289,762	420,798
CURRENT LIABILITIES					
Trade payables	14	131,334	79,136	76,466	75,648
Other payables and accruals	15	34,288	30,941	40,327	46,386
Tax payable		730	726	436	2,831
Amounts due to related parties	20(b)	386,847	195,135	180,055	289,344
Total current liabilities		553,199	305,938	297,284	414,209
NET CURRENT ASSETS/(LIABILITIES)		15,909	12,154	(7,522)	6,589
TOTAL ASSETS LESS CURRENT LIABILITIES		20,501	21,008	3,679	17,654
Net assets		20,501	21,008	3,679	17,654
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	17	10,000	10,000	10,000	10,000
Reserves	18	9,076	9,420	(6,159)	7,226
Non-controlling interests		1,425	1,588	(162)	428
Total equity		20,501	21,008	3,679	17,654

Consolidated statements of changes in equity

	Attributable to owners of parent					
	Paid-in capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	10,000	2,647	8,824	21,471	1,406	22,877
Profit and total comprehensive income for the year ended 31 December 2012	—	—	515	515	19	534
Dividends paid to shareholder	—	—	(2,910)	(2,910)	—	(2,910)
Accrued reserve during the year	—	16	(16)	—	—	—
At 31 December 2012	10,000	2,663	6,413	19,076	1,425	20,501
At 1 January 2013	10,000	2,663	6,413	19,076	1,425	20,501
Profit and total comprehensive income for the year ended 31 December 2013	—	—	1,947	1,947	163	2,110
Dividends paid to shareholder	—	—	(1,603)	(1,603)	—	(1,603)
Accrued reserve during the year	—	38	(38)	—	—	—
At 31 December 2013	10,000	2,701	6,719	19,420	1,588	21,008
At 1 January 2014	10,000	2,701	6,719	19,420	1,588	21,008
Profit and total comprehensive income for the year ended 31 December 2014	—	—	(11,579)	(11,579)	(1,751)	(13,330)
Dividends paid to shareholder	—	—	(3,999)	(3,999)	—	(3,999)
Accrued reserve during the year	—	773	(773)	—	—	—
Others	—	—	(1)	(1)	1	—
At 31 December 2014	10,000	3,474	(9,633)	3,841	(162)	3,679

	Attributable to owners of parent					
	Paid-in capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	10,000	3,474	(9,633)	3,841	(162)	3,679
Profit and total comprehensive income for the year ended 30 September 2015	—	—	13,385	13,385	590	13,975
At 30 September 2015	10,000	3,474	3,752	17,226	428	17,654
At 1 January 2014	10,000	2,701	6,719	19,420	1,588	21,008
Profit and total comprehensive income for the year ended 30 September 2014	—	—	5,162	5,162	161	5,323
Dividends paid to shareholder	—	—	(3,999)	(3,999)	—	(3,999)
At 30 September 2014	10,000	2,701	7,882	20,583	1,749	22,332

Consolidated statements of cash flows

	Notes	Year ended 31 December			Nine months ended 30 September	
		2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		1,921	5,093	(10,595)	7,141	19,378
Adjustments for:						
Depreciation of items of property, plant and equipment	7	1,147	1,349	1,745	1,309	1,445
Amortization of investment properties	8	—	79	55	42	42
Amortization of intangible assets	9	40	57	57	43	43
Loss on disposal of items of property, plant and equipment	5	13	78	5	2	15
Interest income	4	(132)	(117)	(156)	(123)	(88)
		2,989	6,539	(8,889)	8,414	20,835
(Increase)/decrease in trade receivables		(161,507)	11,211	20,979	(169,285)	2,021
(Increase)/decrease in prepayments and other receivables		(36,097)	8,585	(5,927)	(1,260)	(15,349)
Decrease/(increase) in amounts due from related parties		—	251,595	(34,760)	125,483	(99,119)
(Decrease)/increase in amounts due to related parties		—	(191,712)	(15,080)	(195,135)	109,289
Increase/(decrease) in trade payables		216,041	(52,198)	(2,670)	209,669	(818)
Increase/(decrease) in other payables and accruals		9,380	(2,805)	9,328	27,328	5,469
Income tax paid		(3,594)	(1,988)	(3,025)	(2,025)	(3,008)
Net cash flows from operating activities		27,212	29,227	(40,044)	3,189	19,320

	Notes	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (unaudited)	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		132	117	156	123	88
Proceeds from disposal of items of property, plant and equipment		5	23	20	13	61
Purchases of items of property, plant and equipment	7	(1,139)	(4,620)	(4,229)	(1,805)	(1,412)
Purchase of an investment property		—	(2,227)	—	—	—
Purchase of intangible assets		(202)	—	—	—	(58)
Net cash flows used in investing activities		(1,204)	(6,707)	(4,053)	(1,669)	(1,321)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		(2,910)	(1,603)	(3,999)	(3,999)	—
Net cash flows used in financing activities		(2,910)	(1,603)	(3,999)	(3,999)	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		23,098	20,917	(48,096)	(2,479)	17,999
Cash and cash equivalents at beginning of year/period	13	30,814	54,612	74,987	74,987	26,949
Effect of foreign exchange rate changes, net		700	(542)	58	142	590
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	13	54,612	74,987	26,949	72,650	45,538

Statements of financial position

	Notes	As at 31 December 2012	2013	2014	As at 30 September 2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	7	1,846	2,051	4,932	4,745
Investment properties	8	—	5,097	4,965	4,866
Investments in subsidiaries	10	22,668	22,668	22,668	22,668
Intangible assets	9	413	356	299	314
Deferred tax assets	16	495	—	—	—
Total non-current assets		25,422	30,172	32,864	32,593
CURRENT ASSETS					
Trade receivables	11	61,244	58,066	54,033	60,712
Prepayments and other receivables	12	13,651	4,429	6,222	13,931
Amounts due from subsidiaries	20(b)	11,763	12,425	3,396	746
Amounts due from related parties	20(b)	270,104	69,624	96,316	180,721
Cash and cash equivalents	13	43,961	62,840	13,187	24,487
Total current assets		400,723	207,384	173,154	280,597
CURRENT LIABILITIES					
Trade payables	14	82,159	37,473	49,691	46,301
Other payables and accruals	15	19,719	17,191	23,983	27,259
Tax payable		591	438	677	2,014
Amounts due to subsidiaries	20(b)	15,418	15,597	7,929	30,220
Amounts due to related parties	20(b)	293,044	152,864	106,018	181,286
Total current liabilities		410,931	223,563	188,298	287,080
NET CURRENT LIABILITIES		(10,208)	(16,179)	(15,144)	(6,483)
TOTAL ASSETS LESS CURRENT LIABILITIES		15,214	13,993	17,720	26,110
Net assets		15,214	13,993	17,720	26,110
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	17	10,000	10,000	10,000	10,000
Reserves	18	5,214	3,993	7,720	16,110
Total equity		15,214	13,993	17,720	26,110

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

China Shipping Container Lines Qingdao Company Limited was established in the People's Republic of China as a company with limited liability on 13 January 2003. The registered office of the Target Company is located at No. 139 Xingwu Road, North Zone, Qingdao, the PRC.

The Target Company and its subsidiaries are principally engaged in cargo and liner agency.

In the opinion of the directors, the ultimate holding company of the Target Company is China Shipping Group Company, which is incorporated in the PRC.

As at the date of this report, the Target Company has direct and indirect interests in its subsidiaries, all of which are private limited liability, and the particulars of which are set out below:

Company	Place of incorporation	Nominal value of issued shares/ paid-in capital	Percentage of interest attributable to the Target Company	Principal activity
China Shipping Container Lines Lianyungang Co., Ltd.	PRC	RMB5,000,000	90%	Agency services
China Shipping Container Lines (Rizhao) Co., Ltd.	PRC	RMB5,000,000	99%	Agency services
Weihai China Shipping Container Lines Co., Ltd.	PRC	RMB5,000,000	99%	Agency services
Longkou China Shipping Container Lines Co., Ltd.	PRC	RMB500,000	90%	Agency services
Yantai China Shipping Container Lines Co., Ltd.	PRC	RMB5,000,000	100%	Agency services

Statutory audited financial statements for the years ended 31 December 2012, 2013 and 2014 have been prepared for these subsidiaries and were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)").

2.1 **Basis of preparation**

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Comparative Financial Information.

Basis of consolidation

This consolidated Financial Information incorporates the financial statements of the Target Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 Issued but not yet effective HKFRSs

The Target Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments* [2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations* [1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception* [1]
HKFRS 14	*Regulatory Deferral Accounts* [3]
HKFRS 15	*Revenue from Contracts with Customers* [2]
Amendments to HKAS 1	*Disclosure Initiative* [1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

The Target Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Company's operation and may result in changes in the Target Company's accounting policies and changes in presentation and measurement of certain items in the Target Company's Financial Information.

2.3 Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company and/or its other subsidiaries. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Company are members of the same Group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) Revenue comprises shipping agent service income from related parties and third parties. The revenue is recognized when relevant services have been rendered;

(b) Rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Retirement benefits

The Target Company and its subsidiaries established and operating in Mainland China are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade and other payables and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other expenses in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated and company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Category	**Annual depreciation rate**
Buildings	2.38%~3.17%
Motor vehicles	11.88%~15.83%
Computer, office equipment and furniture	11.88%~31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are depreciated on the straight-line basis to write off the cost over its estimated useful life.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in other expenses in profit or loss.

Dividends

Dividends are simulataneously proposed and declared, because the Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This Financial Information is presented in RMB. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

3. **Significant accounting judgements and estimates**

The preparation of the the Target Group's financial information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade receivables amounted to RMB3,593,000, RMB3,788,000, RMB2,913,000 and RMB2,622,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

4. **Revenue, other income and gains**

Revenue, which is also the Company's turnover, represents the shipping agent service income for the year/period.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue:					
Shipping agent service income	93,499	123,828	136,934	108,321	115,325
Rental income	—	78	78	58	81
	93,499	123,906	137,012	108,379	115,406
Other income and gains					
Interest income	132	117	156	123	88
Government grant related to income	1,440	—	104	104	—
Foreign exchange gains	586	1,338	267	—	185
Others	3	97	173	79	19
	2,161	1,552	700	306	292

5. **Profit/(loss) before tax**

The Target Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Nine months ended 30 September	
		2012	**2013**	**2014**	**2014**	**2015**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Employee benefit expenses		63,417	53,215	59,825	40,031	44,120
Operating lease charges		2,131	2,658	2,318	1,549	1,403
Depreciation	7	1,147	1,349	1,745	1,309	1,445
Auditors' remuneration		117	104	1,264	107	641
Amortisation	8, 9	40	136	112	85	85
Provision for/(reversal of) impairment of trade receivables		909	(235)	(611)	—	(290)
Loss on disposal of items of property, plant and equipment		13	78	5	2	15

6. **Income tax**

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Target Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current tax	1,554	1,984	2,735	1,818	5,403
Deferred tax (note 16)	(167)	999	—	—	—
Total tax charge for the year/period	1,387	2,983	2,735	1,818	5,403

A reconciliation of the tax expense applicable to profit (/loss)before tax at the statutory rates for the jurisdictions in which the Target Group are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit/(loss) before tax	1,921	5,093	(10,595)	7,141	19,378
Tax at an applicable tax rate of 25%	480	1,273	(2,649)	1,785	4,845
Timing difference for which no deferred tax asset was recognized	532	942	4,511	—	106
Expense not deductible for tax	375	768	873	33	452
Tax charge at the Target Company's effective rate	1,387	2,983	2,735	1,818	5,403

7. **Property, plant and equipment**

Target Group

	Buildings	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012				
Cost	—	5,277	5,474	10,751
Accumulated depreciation	—	(3,799)	(3,746)	(7,545)
Net carrying amount	—	1,478	1,728	3,206
At 1 January 2012, net of accumulated depreciation	—	1,478	1,728	3,206
Additions	—	—	1,139	1,139
Disposals	—	(4)	(14)	(18)
Depreciation provided during the year	—	(466)	(681)	(1,147)
At 31 December 2012, net of accumulated depreciation	—	1,008	2,172	3,180
At 31 December 2012				
Cost	—	5,168	6,208	11,376
Accumulated depreciation	—	(4,160)	(4,036)	(8,196)
Net carrying amount	—	1,008	2,172	3,180
At 1 January 2013				
Cost	—	5,168	6,208	11,376
Accumulated depreciation	—	(4,160)	(4,036)	(8,196)
Net carrying amount	—	1,008	2,172	3,180

	Buildings	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013, net of accumulated depreciation	—	1,008	2,172	3,180
Additions	3,058	422	1,140	4,620
Disposals	—	(27)	(74)	(101)
Depreciation provided during the year	(108)	(331)	(910)	(1,349)
At 31 December 2013, net of accumulated depreciation	2,950	1,072	2,328	6,350
At 31 December 2013				
Cost	3,058	5,051	5,707	13,816
Accumulated depreciation	(108)	(3,979)	(3,379)	(7,466)
Net carrying amount	2,950	1,072	2,328	6,350
At 1 January 2014				
Cost	3,058	5,051	5,707	13,816
Accumulated depreciation	(108)	(3,979)	(3,379)	(7,466)
Net carrying amount	2,950	1,072	2,328	6,350
At 1 January 2014, net of accumulated depreciation	2,950	1,072	2,328	6,350
Additions	—	597	3,632	4,229
Disposals	—	(15)	(10)	(25)
Depreciation provided during the year	(76)	(364)	(1,305)	(1,745)
At 31 December 2014, net of accumulated depreciation	2,874	1,290	4,645	8,809

	Buildings	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014				
Cost	3,058	5,261	8,922	17,241
Accumulated depreciation	(184)	(3,971)	(4,277)	(8,432)
Net carrying amount	2,874	1,290	4,645	8,809
At 1 January 2015				
Cost	3,058	5,261	8,922	17,241
Accumulated depreciation	(185)	(3,972)	(4,277)	(8,432)
Net carrying amount	2,873	1,289	4,645	8,809
At 1 January 2015, net of accumulated depreciation	2,873	1,289	4,645	8,809
Additions	—	993	419	1,412
Disposals	—	(68)	(8)	(76)
Depreciation provided during the period	(57)	(315)	(1,073)	(1,445)
At 30 September 2015, net of accumulated depreciation	2,816	1,899	3,985	8,700
At 30 September 2015				
Cost	3,058	4,992	8,935	16,985
Accumulated depreciation	(242)	(3,394)	(4,950)	(8,285)
Net carrying amount	2,816	1,899	3,985	8,700

Target Company

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012			
Cost	3,026	3,997	7,023
Accumulated depreciation	(2,041)	(2,834)	(4,875)
Net carrying amount	985	1,163	2,148
At 1 January 2012, net of accumulated depreciation	985	1,163	2,148
Additions	—	400	400
Disposals	(4)	(3)	(7)
Depreciation provided during the year	(278)	(417)	(695)
At 31 December 2012, net of accumulated depreciation	703	1,143	1,846
At 31 December 2012			
Cost	2,917	4,489	7,406
Accumulated depreciation	(2,214)	(3,346)	(5,560)
Net carrying amount	703	1,143	1,846
At 1 January 2013			
Cost	2,917	4,489	7,406
Accumulated depreciation	(2,214)	(3,346)	(5,560)
Net carrying amount	703	1,143	1,846
At 1 January 2013, net of accumulated depreciation	703	1,143	1,846
Additions	94	917	1,011
Disposals	—	(60)	(60)
Depreciation provided during the year	(229)	(517)	(746)

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2013, net of accumulated depreciation	568	1,483	2,051
At 31 December 2013			
Cost	3,012	5,345	8,357
Accumulated depreciation	(2,444)	(3,862)	(6,306)
Net carrying amount	568	1,483	2,051
At 1 January 2014			
Cost	3,012	5,345	8,357
Accumulated depreciation	(2,444)	(3,862)	(6,306)
Net carrying amount	568	1,483	2,051
At 1 January 2014, net of accumulated depreciation	568	1,483	2,051
Additions	597	3,487	4,084
Disposals	(15)	(10)	(25)
Depreciation provided during the year	(264)	(914)	(1,178)
At 31 December 2014, net of accumulated depreciation	886	4,046	4,932
At 31 December 2014			
Cost	3,222	9,194	12,416
Accumulated depreciation	(2,336)	(5,148)	(7,484)
Net carrying amount	886	4,046	4,932
At 1 January 2015			
Cost	3,222	9,194	12,416
Accumulated depreciation	(2,336)	(5,148)	(7,484)
Net carrying amount	886	4,046	4,932

	Motor vehicles	**Computer, office equipment and furniture**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015, net of accumulated depreciation	886	4,046	4,932
Additions	580	257	837
Disposals	(28)	(3)	(31)
Depreciation provided during the period	(246)	(747)	(993)
At 30 September 2015, net of accumulated depreciation	1,192	3,553	4,745
At 30 September 2015			
Cost	3,205	10,017	13,222
Accumulated depreciation	(2,013)	(6,464)	(8,477)
Net carrying amount	1,192	3,553	4,745

8. **Investment properties**

Target Group

	Buildings
	RMB'000
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	—
Additions	2,227
Amortisation provided during the year	(79)
At 31 December 2013	2,148
At 31 December 2013 and 1 January 2014:	
Cost	2,227
Accumulated amortisation	(79)
Net carrying amount	2,148

	Buildings
	RMB'000
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	2,148
Amortisation provided during the year	(55)
At 31 December 2014	2,093
At 31 December 2014 and 1 January 2015:	
Cost	2,227
Accumulated amortisation	(134)
Net carrying amount	2,093
30 September 2015	
Cost at 1 January 2015, net of accumulated amortization	2,093
Amortisation provided during the period	(42)
At 30 September 2015	2,051
At 30 September 2015:	
Cost	2,227
Accumulated amortisation	(176)
Net carrying amount	2,051
31 December 2013	
Cost at 1 January 2013, net of accumulated amortiation	—
Additions	5,285
Amortisation provided during the year	(188)
At 31 December 2013	5,097

	Buildings
	RMB'000
At 31 December 2013 and 1 January 2014:	
Cost	5,285
Accumulated amortisation	(188)
Net carrying amount	5,097
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	5,097
Amortisation provided during the year	(132)
At 31 December 2014	4,965
At 31 December 2014 and 1 January 2015:	
Cost	5,285
Accumulated amortisation	(320)
Net carrying amount	4,965
30 September 2015	
Cost at 1 January 2015, net of accumulated amortisation	4,965
Amortisation provided during the year	(99)
At 30 September 2015	4,866
At 30 September 2015:	
Cost	5,285
Accumulated amortisation	(419)
Net carrying amount	4,866

9. **Intangible assets**

Target Group and Target Company

	Computer Software *RMB'000*
31 December 2012	
Cost at 1 January 2012, net of accumulated amortisation	251
Additions	202
Amortisation provided during the year	(40)
At 31 December 2012	413
At 31 December 2012:	
Cost	508
Accumulated amortisation	(95)
Net carrying amount	413
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	413
Amortisation provided during the year	(57)
At 31 December 2013	356
At 31 December 2013:	
Cost	508
Accumulated amortisation	(152)
Net carrying amount	356

Target Group and Target Company

	Software
	RMB'000
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	356
Amortisation provided during the year	(57)
At 31 December 2014	299
At 31 December 2014:	
Cost	508
Accumulated amortisation	(209)
Net carrying amount	299
30 September 2015	
Cost at 1 January 2015, net of accumulated amortisation	299
Additions	58
Amortisation provided during the period	(43)
At 30 September 2015	314
At 30 September 2015:	
Cost	566
Accumulated amortisation	(252)
Net carrying amount	314

10. **Investments in subsidiaries**

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost:	22,668	22,668	22,668	22,668

The amounts due from subsidiaries included in the Target Company's current assets of RMB11,763,000, RMB12,425,000, RMB3,396,000 and RMB746,000 and the amounts due to subsidiaries included in the Target Company's current liabilities of RMB15,418,000, RMB15,597,000, RMB7,929,000 and RMB30,220,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, were unsecured, interest-free and had no fixed terms of repayment.

11. **Trade receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	119,345	108,688	93,395	91,083
Impairment	(3,593)	(3,788)	(2,913)	(2,622)
	115,752	104,900	90,482	88,461
Bills receivables	6,920	6,561	—	—
	122,672	111,461	90,482	88,461

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	58,987	56,930	55,443	61,760
Impairment	(1,524)	(1,840)	(1,410)	(1,048)
	57,463	55,090	54,033	60,712
Bills receivables	3,781	2,976	—	—
	61,244	58,066	54,033	60,712

An aged analysis of the trade receivables as at the end of each of the relevant reporting periods, based on the invoice date, is as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	117,554	103,668	90,482	86,204
4 to 6 months	5,118	7,793	—	2,257
	122,672	111,461	90,482	88,461

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	58,961	55,875	55,443	52,913
4 to 6 months	3,807	4,031	—	8,847
	62,768	59,906	55,443	61,760

The Target Group's and Target Company's trading terms with their customers are mainly on credit. Credit terms in a range within three months are granted to those customers with a good payment history.

Movements in the provision for impairment of trade receivables were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	2,847	3,593	3,788	2,913
Provision for impairment of trade receivables	746	195	—	—
Write off	—	—	(875)	(291)
At ending of year/period	3,593	3,788	2,913	2,622

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	1,013	1,524	1,840	1,410
Provision for impairment of trade receivables	511	316	—	—
Write-off	—	—	(430)	(362)
At ending of year/period	1,524	1,840	1,410	1,048

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered. The Target Group and The Target Company do not hold any collateral or other credit enhancements over these balances.

The trade receivables that are not individually nor collectively considered to be impaired are trade receivable within one year and not overdue.

12. **Prepayments and other receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	2,154	1,090	10,188	3,609
Prepayments	12,592	5,071	1,900	23,828
	14,746	6,161	12,088	27,437

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	2,134	896	4,098	1,223
Prepayments	11,517	3,533	2,124	12,708
	13,651	4,429	6,222	13,931

13. **Cash and cash equivalents**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and in hand	54,612	74,987	26,949	45,538

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and in hand	43,961	62,840	13,187	24,487

Cash and cash equivalents are denominated in the following currencies.

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	25,932	69,372	—	—
USD	28,680	5,615	26,949	45,538
	54,612	74,987	26,949	45,538

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	17,208	57,225	—	—
USD	26,753	5,615	13,187	24,487
	43,961	62,840	13,187	24,487

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of each of the relevant reporting years/period.

14. **Trade payables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	131,334	79,136	76,466	75,648

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	82,159	37,473	49,691	46,301

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

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	122,348	78,037	76,261	75,523
4 to 6 months	8,864	894	152	102
7 to 9 months	72	199	48	8
10 to 12 months	50	6	5	15
	131,334	79,136	76,466	75,648

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	80,991	36,390	49,644	46,297
4 to 6 months	1,045	878	28	—
7 to 9 months	72	199	14	4
10 to 12 months	51	6	5	—
	82,159	37,473	49,691	46,301

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

15. **Other payables and accruals**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	1,655	2,679	1,368	4,942
Payroll payables	11,275	1,915	12	5,451
Taxes other than CIT	996	2,999	—	3,666
Other payables	20,362	23,348	38,947	32,327
	34,288	30,941	40,327	46,386

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	1,397	2,908	847	2,737
Payroll payables	6,964	1,795	5	3,291
Taxes other than CIT	590	2,384	—	257
Other payables	10,768	10,104	23,131	20,974
	19,719	17,191	23,983	27,259

16. **Deferred tax**

The movements in deferred tax assets during the Relevant Periods are as follows:

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	999	—	—	—

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	495	—	—	—

Deferred tax assets

Target Group

	Depreciation allowance in excess of related depreciation *RMB'000*
At 1 January 2012	832
Deferred tax credited to the income statement during the year	167
At 31 December 2012	999
At 31 December 2012 and 1 January 2013	999
Deferred tax credited to the income statement during the year	(999)
At 31 December 2013	—

Target Company

	Depreciation allowance in excess of related depreciation *RMB'000*
At 1 January 2012	352
Deferred tax credited to the income statement during the year	143
At 31 December 2012	495
At 31 December 2012 and 1 January 2013	495
Deferred tax credited to the income statement during the year	(495)
At 31 December 2013	—

As at each of the end of the Relevant Periods, deferred tax asset has not been recognised by the Target Group on cumulative timing difference amounting to approximately RMB4,125,000, RMB7,893,000, RMB25,937,000 and RMB26,361,000 respectively, as it is uncertain that taxable profits will be available against which the timing difference can be utilised.

17. **Paid-in capital**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	10,000	10,000	10,000	10,000

18. **Reserves**

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity of the Financial Information.

Target Company

	Statutory surplus reserve	Retained Earnings	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2012	2,647	5,319	7,966
Profit for the year	—	159	159
Dividends declared tothe shareholders	—	(2,911)	(2,911)
Accrual reserve during the year	16	(16)	—
Balance at 31 December 2012	2,663	2,551	5,214
Balance at 1 January 2013	2,663	2,551	5,214
Profit for the year	—	383	383
Dividends declared to the shareholders	—	(1,603)	(1,603)
Accrual reserve during the year	38	(38)	—
Others	—	(1)	(1)
Balance at 31 December 2013	2,701	1,292	3,993
Balance at 1 January 2014	2,701	1,292	3,993
Profit for the year	—	7,726	7,726
Dividends declared tothe shareholders	—	(4,000)	(4,000)
Accrual reserve during the year	773	(773)	—
Others	—	1	1
Balance at 31 December 2014	3,474	4,246	7,720
Balance at 1 January 2015	3,474	4,246	7,720
Profit for the year	—	8,390	8,390
Balance at 30 September 2015	3,474	12,636	16,110

19. **Operating lease commitments**

(a) ***As lessor***

The Target Group leases its investment properties (note 8 to the Financial Information) under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 December 2012, 2013, 2014 and 30 September 2015, the Target Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	78	78	109
In the second to fifth years, inclusive	—	162	153	213
	—	240	231	322

(b) ***As lessee***

The Target Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years, and those for office equipment are for terms ranging between two and five years.

The Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	2,432	2,927	2,826	1,626
In the second to fifth years, inclusive	1,543	14,884	12,841	11,769
	3,975	17,811	15,667	13,395

The Target Company leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years, and those for office equipment are for terms ranging between two and five years.

The Target Company had total future minimum lease payments under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,567	2,156	2,099	926
In the second to fifth years, inclusive	928	12,798	10,391	9,320
	2,495	14,954	12,490	10,246

20. **Related party transactions**

(a) ***Transactions with related parties***

In addition to the related party transactions set out in the respective notes to the Financial Information, the Target Group entered into the following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Transactions with immediate holding company and fellow subsidiaries					
Shipping agent service income	17,667	23,413	20,711	15,479	16,807
Transactions with fellow subsidiaries					
Interest income	—	33	17	13	31

(b) **Outstanding balances with related parties:**

The Target Group had the following significant balances with its related parties during the Relevant Periods:

The Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding company				
Trade receivables	298,872	68,386	88,588	151,333
Other receivables	25	64	—	100
Prepayments	27,347	14	15,766	17,247
Balances with fellow subsidiaries				
Trade receivables	50,851	54,069	56,078	90,005
	(405)	(548)	(369)	(256)
Less: provision				
	50,446	53,521	55,709	89,749
Other receivables	—	80	180	100
Prepayments	388	3,418	—	833

The Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with CS Finance				
Deposits	—	45,576	26,949	45,538

The Target Group placed a certain portion for its cash at China Shipping Finance Co., Ltd ("CS Finance"), a fellow subsidiary. All of deposits at each pf the end of Relevant Periods were demand deposits, therefore, presented in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

The Target Company had the following significant balances with its related parties during the Relevant Periods:

The Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with Immediate holding Company				
Trade payables	204,996	113,538	49,399	177,169
Balance with fellow subsidiaries				
Trade payables	181,481	80,726	129,133	110,128
Other payables	215	207	1,115	950
Advances from customers	155	664	408	1,097

Amounts due from and due to related parties are interest-free, unsecured and have no fixed terms of repayment.

The Target Company had the following significant balances with its related parties during the Relevant Periods:

The Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with subsidiaries				
Trade receivables	11,763	12,425	3,396	746
Balance with fellow subsidiaries				
Trade receivables	266,304	69,453	96,236	180,621
Prepayments	20	27	—	—
Other receivables	3,780	144	80	100
	270,104	69,624	96,316	180,721

The Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with CS Finance				
Deposits	—	35,164	13,187	24,487

The Target Group placed a certain portion for its cash at China Shipping Finance Co., Ltd ("CS Finance"), a fellow subsidiary. All of deposits at each pf the end of Relevant Periods were demand deposits, therefore, presented in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with subsidiaries				
Trade payables	15,418	15,597	7,929	30,220
Balance with fellow subsidiaries				
Trade payables	291,314	149,963	100,044	179,385
Advance from customers	75	1,078	8	1,007
Other payables	1,655	1,823	5,966	894
	308,462	168,461	113,947	211,506

The amounts due from and due to related parties were interest-free, unsecured and had no fixed terms of repayment.

(c) ***Key management compensation***

The Target Group

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Basic salaries	2,810	2,774	3,186	2,390	2,804
Social welfare	418	283	354	266	312
Pension and others welfare	306	354	416	312	136
	3,534	3,411	3,956	2,968	3,252

21. **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Target Group

Financial assets

Loan and receivables

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	122,672	111,461	90,482	88,461
Financial assets included in repayments and other receivables	2,154	1,090	10,188	3,609
Due from related parties	349,343	122,051	144,477	241,282
Cash and cash equivalent	54,612	74,987	26,949	45,538
	528,781	309,589	272,096	378,890

Financial liabilities

Financial liabilities at amortised cost

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	131,334	79,136	76,466	75,648
Financial liabilities included in other payables and accurals	20,362	23,348	38,947	32,327
Due to related parties	386,692	194,471	179,647	288,247
	538,388	296,955	295,060	396,222

Target Company

Financial assets

Loans and receivables

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	61,244	58,066	54,033	60,712
Financial assets included in repayments and other receivables	2,134	896	4,098	1,233
Due from subsidiaries	11,763	12,425	3,396	746
Due from related parties	270,084	69,597	96,316	180,721
Cash and cash equivalents	43,961	62,840	13,187	24,487
	389,186	203,824	171,030	267,899

Financial liabilities

Financial liabilities at amortised cost

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	82,159	37,473	49,691	46,301
Financial liabilities included in other payables and accurals	10,768	10,104	23,131	20,974
Due to subsidiaries	15,418	15,597	7,929	30,220
Due to related parties	292,996	151,786	106,010	180,279
	401,341	214,960	186,761	277,774

22. **Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, trade receivable, trade payables, financial assets included in prepayments and other receivables, due from/to related parties and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

23. **Financial risk management objectives and policies**

The Target Group's principal financial instruments comprise cash and cash equivalents. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar ("US$") with all other variables held constant, of the Target Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/(decrease) in foreign currency rate	**Increase/(decrease) in profit/(loss) before tax**
	%	*RMB'000*
Year ended 31 December 2012		
If RMB weakens against US$	5	(1,434)
If RMB strengthens against US$	(5)	1,434
Year ended 31 December 2013		
If RMB weakens against US$	5	(1,088)
If RMB strengthens against US$	(5)	1,088
Year ended 31 December 2014		
If RMB weakens against US$	5	(649)
If RMB strengthens against US$	(5)	649
Nine months ended 30 September 2015		
If RMB weakens against US$	5	—
If RMB strengthens against US$	(5)	—

Credit risk

The Target Group has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Target Group has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade and notes receivables, prepayments and other receivables and cash and cash equivalents represents the maximum credit exposure of the Target Group. The Target Group has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Group performs periodic credit evaluations of its customers.

Further quantitative data in respect of the Target Group exposure to credit risk arising from trade receivables are disclosed in note 12 to the Financial Information.

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables, other financial assets) and projected cash flows from operations.

The maturity profile of the Target Group's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Group

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	8,986	122,348	—	131,334
Other payables	20,362	—	—	20,362
Due to related parties	386,692	—	—	386,692
	416,040	122,348	—	538,388

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,099	78,037	—	79,136
Other payables	23,348	—	—	23,348
Due to related parties	194,471	—	—	194,471
	218,918	78,037	—	296,955

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	205	76,261	—	76,466
Other payables	38,947	—	—	38,947
Due to related parties	179,647	—	—	179,647
	218,799	76,261	—	295,060

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	125	75,523	—	75,648
Other payables	32,327	—	—	32,327
Due to related parties	288,247	—	—	288,247
	320,699	75,523	—	396,222

Target Company

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

As at 31 December 2012

	On demand	**Less than 3 months**	**3 to 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,168	80,991	—	82,159
Other payables	10,768	—	—	10,768
Due to subsidiaries	—	15,418	—	15,418
Due to related parties	1,655	291,314	—	292,969
	13,591	387,723	—	401,314

As at 31 December 2013

	On demand	**Less than 3 months**	**3 to 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,083	36,390	—	37,473
Other payables	10,104	—	—	10,104
Due to subsidiaries	—	15,597	—	15,597
Due to related parties	1,823	149,963	—	151,786
	13,010	201,950	—	214,960

As at 31 December 2014

	On demand	**Less than 3 months**	**3 to 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	47	49,644	—	49,691
Other payables	23,131	—	—	23,131
Due to subsidiaries	—	7,929	—	7,929
Due to related parties	5,966	100,044	—	106,010
	29,144	157,617	—	186,761

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	4	46,297	—	46,301
Other payables	20,974	—	—	20,974
Due to subsidiaries	—	30,220	—	30,220
Due to related parties	894	179,385	—	180,279
	21,872	255,902	—	277,774

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Companies' ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade payables, other payables and accruals and due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of each of the relevant reporting years/period were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	131,334	79,136	76,466	75,648
Other payables and accruals	20,362	23,348	38,947	32,327
Due to related parties	386,692	194,471	179,647	288,247
Less: Cash and cash equivalents	(54,612)	(74,987)	(26,949)	(45,538)
Net debt	483,776	221,968	268,111	350,684
Total capital	20,501	21,008	3,679	17,654
Total capital and net debt	504,277	242,976	271,790	368,338
Gearing ratio	96%	91%	99%	95%

24. **Events after the reporting periods**

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

25. **Subsequent financial statements**

No audited financial statements have been prepared by the Target Company or any of the companies comprising the Target Group in respect of any period subsequent to 30 September 2015.

Yours faithfully
Certified Public Accountants
Hong Kong

3.6 **China Shipping Container Lines Dalian Co., Ltd. (中海集裝箱運輸大連有限公司)**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping Container Lines Dalian Co., Ltd. (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of the Target Group (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 5 January 2003.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Accounting Standards for Business Enterprises and were audited by Baker Tilly China Certified Public Accountants (天職國際會計師事務所(特殊普通合夥)) registered in the PRC.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies in the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies in the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Group (the "Directors") have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, and of the consolidated financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	4	80,237	73,216	130,676	92,178	86,018
Cost of sales		(76,906)	(59,820)	(99,802)	(69,813)	(62,562)
Gross profit		3,331	13,396	30,874	22,365	23,456
Other income and gains	4	33,243	24,316	14,192	95	203
Administrative expenses		(26,420)	(22,606)	(26,031)	(17,750)	(16,062)
Other expenses		(48)	(21)	(43)	(26)	—
Profit before tax	5	10,106	15,085	18,992	4,684	7,597
Income tax expense	6	(6,019)	(5,102)	(6,037)	(1,167)	(2,096)
Profit and total comprehensive income for the year/period		4,087	9,983	12,955	3,517	5,501
Attributable to:						
Owners of the parent		4,130	9,923	12,907	3,421	5,427
Non-controlling interests		(43)	60	48	96	74
		4,087	9,983	12,955	3,517	5,501

Consolidated statements of financial position

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	7	3,809	4,547	8,068	6,653
Total non-current assets		3,809	4,547	8,068	6,653
CURRENT ASSETS					
Trade receivables	8	157,004	249,049	292,005	287,302
Prepayments and other receivables	9	14,344	24,176	20,840	40,787
Amounts due from related parties	17(b)	301,933	244,504	270,834	272,307
Cash and cash equivalents	11	46,951	43,307	37,221	34,420
Total current assets		520,232	561,036	620,900	634,816
CURRENT LIABILITIES					
Trade payables	12	72,582	159,394	210,454	201,239
Other payables and accruals	13	47,583	38,000	44,602	55,274
Tax payable		4,525	2,319	4,837	901
Amounts due to related parties	17(b)	370,346	330,410	329,660	345,839
Total current liabilities		495,036	530,123	589,553	603,253
NET CURRENT ASSETS		25,196	30,913	31,347	31,563
TOTAL ASSETS LESS CURRENT LIABILITIES		29,005	35,460	39,415	38,216

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		29,005	35,460	39,415	38,216
Net assets		29,005	35,460	39,415	38,216
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	14	10,000	10,000	10,000	10,000
Reserves	15	17,037	23,432	27,339	26,066
Non-controlling interests		1,968	2,028	2,076	2,150
Total equity		29,005	35,460	39,415	38,216

Consolidated statements of changes in equity

	Attributable to owners of parent					
	Paid-in capital	**Reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	10,000	2,479	13,904	26,383	2,011	28,394
Profit for the year ended 31 December 2012	—	—	4,130	4,130	(43)	4,087
Transaction with owners						
Dividends paid to shareholders	—	—	(3,476)	(3,476)	—	(3,476)
Accrued reserve during the year	—	442	(442)	—	—	—
At 31 December 2012	10,000	2,921	14,116	27,037	1,968	29,005
At 1 January 2013	10,000	2,921	14,116	27,037	1,968	29,005
Profit for the year ended 31 December 2013	—	—	9,923	9,923	60	9,983
Transaction with owners						
Dividends paid to shareholder	—	—	(3,528)	(3,528)	—	(3,528)
Accrued reserve during the year	—	926	(926)	—	—	—
At 31 December 2013	10,000	3,847	19,585	33,432	2,028	35,460

	Attributable to owners of parent					
	Paid-in capital	Reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	10,000	3,847	19,585	33,432	2,028	35,460
Profit for the year ended 31 December 2014	—	—	12,907	12,907	48	12,955
Transaction with owners						
Dividends paid to shareholder	—	—	(9,000)	(9,000)	—	(9,000)
Accrued reserve during the year	—	1,239	(1,239)	—	—	—
At 31 December 2014	10,000	5,086	22,253	37,339	2,076	39,415
At 1 January 2015	10,000	5,086	22,253	37,339	2,076	39,415
Profit for the period ended 30 September 2015	—	—	5,427	5,427	74	5,501
Transaction with owners						
Dividends paid to shareholder	—	—	(6,700)	(6,700)	—	(6,700)
At 30 September 2015	10,000	5,086	20,980	36,066	2,150	38,216
At 1 January 2014	10,000	3,847	19,585	33,432	2,028	35,460
Profit for the period ended 30 September 2014	—	—	3,421	3,421	96	3,517
Transaction with owners						
Dividends paid to shareholder	—	—	(9,001)	(9,001)	—	(9,001)
At 30 September 2014	10,000	3,847	14,005	27,852	2,124	29,976

Consolidated statements of cash flows

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		10,106	15,085	18,992	4,684	7,597
Depreciation of items of property, plant and equipment	7	1,241	1,199	1,713	1,285	1,964
Gain/loss on disposal of items of property, plant and equipment	5	48	21	37	5	—
Interest income		(323)	(246)	(157)	(95)	(159)
		11,072	16,059	20,585	5,879	9,402
(Increase)/decrease in trade receivables		(185,979)	(92,045)	(42,956)	(481,009)	4,703
(Increase)/decrease in prepayments and other receivables		50,580	(9,832)	3,336	(45,447)	(19,947)
Decrease/(increase) in amounts due from related parties		—	57,429	(26,330)	244,504	(1,473)
(Decrease)/increase in amounts due to related parties		—	(39,936)	(750)	(330,410)	16,179
Increase/(decrease) in trade payables		139,289	86,812	51,060	593,916	(9,215)
Increase/(decrease) in other payables and accruals		3,863	(9,546)	6,489	24,820	9,722
Income tax paid		(3,204)	(7,308)	(3,519)	(3,150)	(6,032)
Net cash flows from operating activities		15,621	1,633	7,915	9,103	3,339

	Notes	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (unaudited)	2015 RMB'000
Net cash flows from operating activities		15,621	1,634	7,915	9,103	3,339
CASH FLOWS FROM INVESTING ACTIVITIES						
Gains from investment income		323	246	157	95	159
Purchases of items of property, plant and equipment	7	(851)	(1,958)	(5,275)	(3,773)	(554)
Proceeds from disposal of items of property, plant and equipment		7	—	4	—	5
Net cash flows used in investing activities		(521)	(1,712)	(5,114)	(3,678)	(390)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		(3,476)	(3,528)	(9,000)	(9,000)	(6,700)
Net cash flows used in financing activities		(3,476)	(3,528)	(9,000)	(9,000)	(6,700)
NET INCREASE IN CASH AND CASH EQUIVALENTS		11,624	(3,607)	(6,198)	(3,575)	(3,751)
Cash and cash equivalents at beginning of year/period	11	35,282	46,951	43,307	43,307	37,221
Effect of foreign exchange rate changes, net	11	45	(37)	112	30	950
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	11	46,951	43,307	37,221	39,762	34,420

Statements of financial position

					As at
		As at 31 December			30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	7	2,396	2,564	6,547	5,327
Investments in subsidiaries	10	19,237	19,237	19,237	19,237
Total non-current assets		21,633	21,801	25,784	24,564
CURRENT ASSETS					
Trade receivables		84,558	152,280	133,596	124,544
Prepayments and other receivables	9	12,625	15,388	16,205	30,682
Amounts due from subsidiaries	17(b)	54,346	78,913	170,845	171,830
Amounts due from related parties	17(b)	277,636	228,552	251,962	251,959
Cash and cash equivalents	11	25,628	20,864	33,401	24,505
Total current assets		454,793	495,997	606,009	603,520
CURRENT LIABILITIES					
Trade payables	12	36,527	75,351	103,983	84,253
Other payables and accruals	13	27,367	12,929	24,641	29,840
Tax payable		4,181	1,885	4,188	659
Amounts due to subsidiaries	17(b)	78,391	103,289	161,773	152,716
Amounts due to related parties	17(b)	310,156	298,808	308,290	333,507
Total current liabilities		456,622	492,262	602,875	600,975
NET CURRENT (LIABILITIES)/ ASSETS		(1,829)	3,735	3,134	2,545
TOTAL ASSETS LESS CURRENT LIABILITIES		19,804	25,536	28,918	27,109
Net assets		19,804	25,536	28,918	27,109
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	14	10,000	10,000	10,000	10,000
Reserves	15	9,804	25,536	28,918	27,109
Total equity		19,804	25,536	28,918	27,109

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

China Shipping Container Lines Dalian Co., Ltd. was established in the People's Republic of China (the "PRC") as a company with limited liability on 5 January 2003. The registered office of the Target Company is located at No. 4A Wuwu Road, Zhongshan Zone, Dalian, Liaoning Province, the PRC.

In the opinion of the directors, the ultimate holding company of the Target Company is China Shipping (Group) Company, which is established in the PRC.

As at the date of this report, the Target Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Company	Place of incorporation	Nominal value of issued shares/ paid-up capital	Percentage of interest attributable to the Target Company	Principal activity
China Shipping Container Lines Yingkou Co., Ltd.*	PRC	RMB1,000,000	90%	Agency services
China Shipping Container Lines Jinzhou Co., Ltd.*	PRC	RMB1,500,000	99%	Agency services
Dandong China Shipping Container Lines Co., Ltd.*	PRC	RMB500,000	99.90%	Agency services

* Statutory audited financial statements for the years ended 31 December 2012, 2013, 2014 of these subsidiaries were audited by Baker Tilly China Certified Public Accountants (天職國際會計師事務所(特殊普通合夥)).

2.1 Basis of preparation

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Group and the Target Company in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Comparative Financial Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

This consolidated Financial Information incorporates the financial statements of the Target Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 **Issued but not effective HKFRSs**

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations*[1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]

Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Group's operation and may result in changes in the Target Group's accounting policies and changes in presentation and measurement of certain items in the Target Group's Financial Information.

2.3 **Summary of significant accounting policies**

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company and/or its other subsidiaries. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Companies if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Companies;

(ii) has significant influence over the Target Companies; or

(iii) is a member of the key management personnel of the Target Companies or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Companies are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Companies are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Companies or an entity related to the Target Companies;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) Revenue comprises shipping agent service income from related parties and third parties. The revenue is recognized when relevant services have been rendered;

(b) from the chartering of vessels under operating leases, over the periods of the respective leases on the straight-line basis;

(c) from container terminal operation, when the relevant services are rendered; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset. and

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Retirement benefits

The Target Company and its subsidiaries are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Subsequent measurement

The subsequent measurement of loans and receivables as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated and company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The annual depreciation rate of property, plant and equipment are as follows:

Category	Annual depreciation rate
Motor vehicles	11.88%~15.83%
Computer, office equipment and furniture	11.88%~31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Dividends

Dividends are simulataneously proposed and declared, because the Target Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This Financial Information is presented in RMB, which is also the functional currency of the Target Company and its subsidiaries. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using its functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

3. **Significant accounting judgements and estimates**

The preparation of the the Target Group's financial information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Revenue, other income and gains

Revenue, which is also the Target Group's turnover, represents the value of services rendered during the period.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Revenue:					
Shipping agent service income	80,237	73,216	130,676	92,178	86,018
Other income and gains					
Interest income	323	246	157	95	159
Government grant related to income	32,920	23,858	13,854	—	—
Gains on disposal of items of property, plant and equipment	—	—	—	—	17
Net foreign exchange gains	—	—	—	—	27
Others	—	212	181	—	—
	33,243	24,316	14,192	95	203

5. **Profit before tax**

The Target Company's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Nine month ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Employee benefit expenses		73,321	53,038	72,189	50,729	48,131
Operating lease charges		475	488	795	603	817
Depreciation	7	1,241	1,199	1,713	1,285	1,964
Auditors' remuneration		20	15	25	25	—
Impairment of trade receivables		1,073	2,187	2,289	—	(341)
Loss on disposal of items of property, plant and equipment		48	21	37	5	—

6. **Income tax expense**

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the Target Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax	6,019	5,102	6,037	1,167	2,096
Total tax charge for the year/period	6,019	5,102	6,037	1,167	2,096

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Target Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	10,106	15,085	18,992	4,684	7,597
Tax at the applicable tax rate of 25%	2,526	3,771	4,748	1,171	1,899
Tax losses not recognised	2,534	283	351	48	163
Tax losses utilised from previous period	—	—	(114)	(193)	—
Temporary differences not recognised	268	547	572	—	(85)
Expense not deductible for tax	691	501	480	141	119
Tax charge at the Target Group's effective rate	6,019	5,102	6,037	1,167	2,096

As at each of the end of the Relevant Periods, deferred tax asset has not been recognised by the Target Group on cumulative tax losses and timing difference amounting to approximately RMB16,277,000, RMB19,597,000, RMB21,635,000 and RMB21,947,000 respectively, as it is uncertain that taxable profits will be available against which the timing difference can be utilised.

7. **Property, plant and equipment**

Target Group

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012			
Cost	1,726	6,121	7,847
Accumulated depreciation	(776)	(2,817)	(3,593)
Net carrying amount	950	3,304	4,254
At 1 January 2012, net of accumulated depreciation	950	3,304	4,254
Additions	285	566	851
Disposals	—	(55)	(55)
Depreciation provided during the year (note 5)	(205)	(1,036)	(1,241)
At 31 December 2012, net of accumulated depreciation	1,030	2,779	3,809
At 31 December 2012			
Cost	2,011	5,575	7,586
Accumulated depreciation	(981)	(2,796)	(3,777)
Net carrying amount	1,030	2,779	3,809
At 1 January 2013, net of accumulated depreciation	1,030	2,779	3,809
Additions	94	1,864	1,958
Disposals	—	(21)	(21)
Depreciation provided during the year (note 5)	(231)	(968)	(1,199)
At 31 December 2013, net of accumulated depreciation	893	3,654	4,547
At 31 December 2013			
Cost	2,105	6,903	9,008
Accumulated depreciation	(1,212)	(3,249)	(4,461)
Net carrying amount	893	3,654	4,547

Target Group

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014			
Cost	2,105	6,903	9,008
Accumulated depreciation	(1,212)	(3,249)	(4,461)
Net carrying amount	893	3,654	4,547
At 1 January 2014, net of accumulated depreciation	893	3,654	4,547
Additions	329	4,946	5,275
Disposals	—	(41)	(41)
Depreciation provided during the year (note 5)	(243)	(1,470)	(1,713)
At 31 December 2014, net of accumulated depreciation	979	7,089	8,068
At 31 December 2014			
Cost	2,434	10,842	13,276
Accumulated depreciation	(1,455)	(3,753)	(5,208)
Net carrying amount	979	7,089	8,068
At 1 January 2015, net of accumulated depreciation	979	7,089	8,068
Additions	75	479	554
Disposals	(5)	—	(5)
Depreciation provided during the period (note 5)	(194)	(1,770)	(1,964)
At 30 September 2015, net of accumulated depreciation	855	5,798	6,653
At 30 September 2015			
Cost	2,416	10,784	13,200
Accumulated depreciation	(1,561)	(4,986)	(6,547)
Net carrying amount	855	5,798	6,653

Target Company

	Motor vehicles	Equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012			
Cost	641	4,102	4,743
Accumulated depreciation	(432)	(1,787)	(2,219)
Net carrying amount	209	2,315	2,524
At 1 January 2012, net of accumulated depreciation	209	2,315	2,524
Additions	285	289	574
Disposals	—	(34)	(34)
Depreciation provided during the year (note 5)	(49)	(619)	(668)
At 31 December 2012, net of accumulated depreciation	445	1,951	2,396
At 31 December 2012			
Cost	927	3,703	4,630
Accumulated depreciation	(482)	(1,752)	(2,234)
Net carrying amount	445	1,951	2,396
At 1 January 2013, net of accumulated depreciation	445	1,951	2,396
Additions	94	619	713
Disposals	—	(21)	(21)
Depreciation provided during the year (note 5)	(75)	(449)	(524)
At 31 December 2013, net of accumulated depreciation	464	2,100	2,564
At 31 December 2013			
Cost	1,020	3,903	4,923
Accumulated depreciation	(556)	(1,803)	(2,359)
Net carrying amount	464	2,100	2,564

Target Company

	Motor vehicles	Equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014			
Cost	1,020	3,903	4,923
Accumulated depreciation	(556)	(1,803)	(2,359)
Net carrying amount	464	2,100	2,564
At 1 January 2014, net of accumulated depreciation	464	2,100	2,564
Additions	329	4,712	5,041
Disposals	—	(27)	(27)
Depreciation provided during the year (note 5)	(89)	(942)	(1,031)
At 31 December 2014, net of accumulated depreciation	704	5,843	6,547
At 31 December 2014			
Cost	1,350	8,208	9,558
Accumulated depreciation	(646)	(2,365)	(3,011)
Net carrying amount	704	5,843	6,547
At 1 January 2015, net of accumulated depreciation	704	5,843	6,547
Additions	—	321	321
Disposals	—	—	—
Depreciation provided during the period (note 5)	(89)	(1,452)	(1,541)
At 30 September 2015, net of accumulated depreciation	615	4,712	5,327
At 30 September 2015			
Cost	1,350	7,992	9,342
Accumulated depreciation	(734)	(3,281)	(4,015)
Net carrying amount	616	4,711	5,327

8. **Trade receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	161,872	256,489	301,037	295,751
Provision	(4,868)	(7,440)	(9,032)	(8,449)
	157,004	249,049	292,005	287,302

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	85,579	153,172	134,652	125,845
Provision	(1,021)	(892)	(1,056)	(1,301)
	84,558	152,280	133,596	124,544

An aged analysis of the trade receivables as at the end of each of the relevant periods, based on the invoice date, is as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	161,872	242,368	301,037	259,601
4 to 6 months	—	14,121	—	36,150
	161,872	256,489	301,037	295,751
Less: Provision for impairment of trade receivables	(4,868)	(7,440)	(9,032)	(8,449)
	157,004	249,049	292,005	287,302

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	85,579	141,230	134,652	104,006
4 to 6 months	—	11,942	—	21,839
	85,579	153,172	134,652	295,751
Less: Provision for impairment of trade receivables	(1,021)	(892)	(1,056)	(1,301)
	84,558	152,280	133,596	124,544

Target Group

The Target Group's and Target Company's trading terms with its customers are mainly on credit. Credit terms in a range within three months are granted to those customers with a good payment history.

Movements in the provision for impairment of trade receivables were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	(3,871)	(4,868)	(7,440)	(9,032)
Provision for impairment of trade receivables	(997)	(2,572)	(2,252)	—
Write-off	—	—	660	583
At end of year/period	(4,868)	(7,440)	(9,032)	(8,449)

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	(1,218)	(1,021)	(892)	(1,056)
Provision for impairment of trade receivables	—	—	(296)	(245)
Write-off	197	129	132	—
At end of year/period	(1,021)	(892)	(1,056)	(1,301)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered. The Target Group and the Target Company do not hold any collateral or other credit enhancements over these balances.

The trade receivables that are not individually nor collectively considered to be impaired are within one year and not overdue.

9. **Prepayments and other receivables**

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	1,498	6,600	3,078	2,554
Prepayments	12,846	17,345	16,093	36,347
Tax recoverable	—	231	1,669	1,886
	14,344	24,176	20,840	40,787

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	1,227	2,112	1,458	2,351
Prepayments	11,398	13,045	13,283	26,533
Tax recoverable	—	231	1,464	1,798
	12,625	15,388	16,205	30,682

10. **Investments in subsidiaries**

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost:	19,237	19,237	19,237	19,237

The amounts due from subsidiaries included in the Target Company's current assets of RMB54,346,000, RMB78,913,000, RMB170,845,000 and RMB171,830,000 and the amounts due to subsidiaries included in the Target Company's current liabilities of RMB78,391,000, RMB103,289,000, RMB161,773,000 and RMB152,716,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, were unsecured, interest-free and had no fixed terms of repayment.

11. **Cash and cash equivalents**

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and in hand	46,951	43,307	37,221	34,420

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and in hand	25,628	20,864	33,401	24,505

Cash and cash equivalents are denominated in the following currencies:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	43,440	38,584	17,546	5,144
USD	3,511	4,723	19,675	29,276
	46,951	43,307	37,221	34,420

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	24,708	15,405	15,312	295
USD	920	5,459	18,089	24,210
	25,628	20,864	33,401	24,505

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of each of the relevant period.

12. **Trade payables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	72,582	159,394	210,454	201,239

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	36,527	75,351	103,983	84,253

An aged analysis of the trade payables as at the end of each of the relevant period, based on the invoice date, is as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	72,546	159,375	210,454	195,516
4 to 6 months	—	1	—	1,866
7 to 9 months	—	—	—	490
10 to 12 months	36	18	—	3,367
	72,582	159,394	210,454	201,239

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	36,527	75,301	103,971	82,222
4 to 6 months	—	—	—	2
7 to 9 months	—	—	12	—
10 to 12 months	—	50	—	120
Over 1 year	—	—	—	1,909
	36,527	75,351	103,983	84,253

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

13. **Other payables and accruals**

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	19,113	20,126	18,695	25,101
Payroll payables	17,278	2,348	3,517	3,661
Taxes other than CIT	522	897	1,137	363
Other payables	10,670	14,629	21,253	26,149
	47,583	38,000	44,602	55,274

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	10,581	7,224	17,362	24,517
Payroll payables	13,405	1,413	2,232	2,601
Taxes other than CIT	294	604	1,140	335
Other payables	3,087	3,688	3,907	2,387
	27,367	12,929	24,641	29,840

Other payables are non-interest-bearing and are normally settled on demand.

14. **Paid-in capital**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	10,000	10,000	10,000	10,000

15. **Reserves**

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Financial Information.

Other reserve

Target Company

	Capital surplus	**Retained earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2012	2,479	6,381	8,860
Profit for the year	—	4,420	4,420
Dividends declared to the shareholders	—	(3,476)	(3,476)
Accrued reserve during the year	442	(442)	—
Balance at 31 December 2012	2,921	6,883	9,804
Balance at 1 January 2013	2,921	6,883	9,804
Profit for the year	—	9,261	9,261
Dividends declared to the shareholders	—	(3,529)	(3,529)
Accrued reserve during the year	926	(926)	—
Balance at 31 December 2013	3,847	11,689	15,536
Balance at 1 January 2014	3,847	11,689	15,536
Profit for the year	—	12,382	12,382
Dividends declared to the shareholders	—	(9,000)	(9,000)
Accrued reserve during the year	1,239	(1,239)	—
Balance at 31 December 2014	5,086	13,832	18,918
Balance at 1 January 2015	5,086	13,832	18,918
Profit for the period	—	4,891	4,891
Dividends declared to the shareholders	—	(6,700)	(6,700)
Accrued reserve during the year	—	—	—
Balance at 30 September 2015	5,086	12,023	17,109

16. **Operating lease commitments**

As lessee

The Target Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years, and those for office equipment are for terms ranging between two and five years.

The Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	539	514	881	1,009

The Target Company leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years, and those for office equipment are for terms ranging between two and five years.

The Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	827	519	1,284	2,118

17. **Related party transactions**

(a) ***Transactions with related parties***

In addition to the related party transactions set out in the respective notes to the consolidated financial information, the Target Group entered into the following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Transactions with immediate holding company					
Shipping agent service income	3,170	10,359	19,112	12,703	7,565
Transactions with fellow subsidiaries					
Interest income	—	7	85	64	72

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

The Target Group and the Target Company had the following significant balances with its related parties during the Relevant Periods:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding Company				
Trade receivables	243,470	189,416	170,527	197,271
Balances with fellow subsidiaries				
Trade receivables	54,923	51,308	100,554	73,381
Less: provision	(382)	(258)	(661)	(881)
	54,541	51,050	99,893	72,500
Other receivables	696	34	307	302
Less: provision	—	—	—	(1)
	696	34	307	301
Prepayments	3,226	4,004	107	2,235
Balance with CS Finance				
Deposits	—	—	19,675	29,276

The Target Group placed a certain portion for its cash at China Shipping Finance Co., Ltd ("CS Finance"), a fellow subsidiary. All deposits at each of the end of Relevant Periods were demand deposits and were included in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding Company				
Trade payables	200,733	96,018	114,150	231,572
Balance with fellow subsidiaries				
Trade payables	161,559	209,159	215,299	94,958
Other payables	1,887	2,627	13	98
Advances from customers	6,167	22,606	198	19,211
Total	370,346	330,410	329,660	345,839

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with subsidiaries				
Trade receivables	54,346	78,913	170,845	171,830
Balances with immediate holding company				
Trade receivables	243,470	189,401	170,503	197,252
Balance with fellow subsidiaries				
Trade receivables	32,413	35,107	81,041	52,126
Prepayments	1,640	4,009	111	2,239
Other receivables	113	35	307	342
	34,166	39,151	81,459	54,707
Balance with CS Finance				
Deposits	—	—	18,089	24,210

The Target Company placed a certain portion for its cash at China Shipping Finance Co., Ltd ("CS Finance"), a fellow subsidiary. All deposits at each of the end of Relevant Periods were demand deposits and were included in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with subsidiaries				
Trade payables	78,391	103,289	161,773	152,716
Balances with immediate holding company				
Trade payables	200,715	96,018	114,094	231,516
Balance with fellow subsidiaries				
Trade payables	87,040	173,702	191,409	84,863
Advance receivables	20,524	26,468	2,783	17,093
Other payables	1,877	2,620	4	35
	109,441	202,790	194,196	101,991

Amounts due to the related parties are interest-free, unsecured and have no fixed terms of repayment.

(c) ***Key management remuneration***

Target Group

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Basic salaries	2,353	4,828	3,746	2,810	3,444
Social welfare	724	537	303	227	333
Pension and others welfare	207	177	185	139	122
	3,284	5,542	4,234	2,967	3,899

18. **Financial instruments by category**

Target Group

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2012

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	157,004
Financial assets included in prepaymetns and other receivables	1,498
Due from related parties	298,707
Cash and cash equivalents	46,951
	504,160

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	72,582
Financial liabilities included in other payables and accruals	10,670
Due to related parties	364,179
	447,431

As at 31 December 2013

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	249,049
Financial assets included in prepayments and other receivables	6,600
Due from related parties	240,500
Cash and cash equivalents	43,307
	539,456

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	159,394
Financial liabilities included in other payables and accruals	14,629
Due to related parties	307,804
	481,827

As at 31 December 2014

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	292,005
Financial assets included in prepayments and other receivables	3,078
Due from related parties	270,727
Cash and cash equivalents	37,221
	603,031

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	210,454
Financial liabilities included in other payables and accruals	21,253
Due to related parties	329,462
	561,169

As at 30 September 2015

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	287,302
Financial assets included in prepayments and other receivables	2,554
Due from related parties	270,072
Cash and cash equivalents	34,420
	594,348

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	201,239
Financial liabilities included in other payables and accruals	26,149
Due to related parties	326,628
	554,016

Target Company

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2012

Financial assets

	Loans and receivables *RMB'000*
Trade receivables	84,558
Financial assets included in prepayments and other receivables	1,227
Due from subsidiaries	54,346
Due from related parties	275,996
Cash and cash equivalents	25,628
	441,755

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	36,527
Financial liabilities included in other payables and accruals	3,087
Due to subsidiaries	78,391
Due to related parties	289,632
	407,637

As at 31 December 2013

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	152,280
Financial assets included in prepayments and other receivables	2,112
Due from subsidiaries	78,913
Due from related parties	224,543
Cash and cash equivalents	20,864
	478,712

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	75,351
Financial liabilities included in other payables and accruals	3,688
Due to subsidiaries	103,289
Due to related parties	272,340
	454,668

As at 31 December 2014

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	133,596
Financial assets included in prepayments and other receivables	1,458
Due from subsidiaries	170,845
Due from related parties	251,851
Cash and cash equivalents	33,401
	591,151

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	103,983
Financial liabilities included in other payables and accruals	3,907
Due to subsidiaries	161,773
Due to related parties	305,507
	575,170

As at 30 September 2015

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	124,544
Financial assets included in prepayments and other receivables	2,351
Due from subsidiaries	171,830
Due from related parties	249,720
Cash and cash equivalents	24,505
	572,950

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	84,253
Financial liabilities included in other payables and accruals	2,387
Due to subsidiaries	152,716
Due to related parties	316,414
	555,770

19. **Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayment and other receivables, financial liabilities included in other payables and accruals, due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

20. **Financial risk management objectives and policies**

The Target Group's principal financial instruments comprise cash. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar ("US$") exchange rates, with all other variables held constant, of the Target Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2012		
If RMB weakens against US$	5	(829)
If RMB strengthens against US$	(5)	829
Year ended 31 December 2013		
If RMB weakens against US$	5	(401)
If RMB strengthens against US$	(5)	401
Year ended 31 December 2014		
If RMB weakens against US$	5	(87)
If RMB strengthens against US$	(5)	87
Nine months end 30 September 2015		
If RMB weakens against US$	5	(45)
If RMB strengthens against US$	(5)	45

Credit risk

The Target Group has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Target Group has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade and notes receivables, prepayments and other receivables and cash and cash equivalents represents the maximum credit exposure of the Target Group. The Target Group has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Group performs periodic credit evaluations of its customers.

Further quantitative data in respect of the Target Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the Financial Information.

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables, other financial assets) and projected cash flows from operations.

The maturity profile of the Target Group and the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Group

On demand within 3 months

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	72,546	36	72,582
Other payables	10,670	—	—	10,670
Due to related parties	364,179	—	—	364,179
	374,849	72,546	36	447,431

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	159,375	19	159,394
Other payables	14,629	—	—	14,629
Due to related parties	307,804	—	—	307,804
	322,433	159,375	19	481,827

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	210,454	—	210,454
Other payables	21,253	—	—	21,253
Due to related parties	329,462	—	—	329,462
	350,715	210,454	—	561,169

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	195,516	5,723	201,239
Other payables	26,149	—	—	26,149
Due to related parties	326,628	—	—	326,628
	352,777	195,516	5,723	554,016

Target Company

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	36,527	—	36,527
Other payables	3,087	—	—	3,087
Due to subsidiaries	—	78,391	—	78,391
Due to related parties	1,877	287,755	—	289,632
	4,964	402,673	—	407,637

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	75,301	50	75,351
Other payables	3,688	—	—	3,688
Due to subsidiaries	—	103,289	—	103,289
Due to related parties	2,620	269,720	—	272,340
	6,308	448,310	50	454,668

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	103,971	12	103,983
Other payables	3,907	—	—	3,907
Due to subsidiaries	—	161,773	—	161,773
Due to related parties	4	305,503	—	305,507
	3,911	571,247	12	575,170

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	82,222	2,031	84,253
Other payables	2,387	—	—	2,387
Due to subsidiaries	—	152,716	—	152,716
Due to related parties	35	316,379	—	316,414
	2,422	551,317	2,031	555,770

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade payables, financial liabilities included in other payables and accruals and amounts due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Target Group

				As at
		As at 31 December		**30 September**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	72,582	159,394	210,454	201,239
Other payables and accruals	10,670	14,629	21,253	26,149
Due to related parties	364,179	307,804	329,462	326,628
Less: Cash and cash equivalents	(46,951)	(43,307)	(37,221)	(34,420)
Net debt	400,480	438,520	523,948	519,596
Total capital	29,005	35,460	39,415	38,216
Total capital and net debt	429,485	473,980	563,363	557,812
Gearing ratio	93%	93%	93%	93%

21. **Events after the reporting period**

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

22. **Subsequent financial statements**

No audited financial statements have been prepared by the Target Company or any of the companies comprising the Target Group in respect of any period subsequent to 30 September 2015.

Yours faithfully

Certified Public Accountants
Hong Kong

3.7 China Shipping Container Lines Guangzhou Co., Ltd. (中海集裝箱運輸廣州有限公司)

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping Container Lines Guangzhou Co., Ltd. (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Target Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of the Target Group (the "Acquisition") by the Target Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 26 December 2002.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Accounting Standards for Business Enterprises and were audited by Baker Tilly China Certified Public Accountants (天職國際會計師事務所(特殊普通合夥)) registered in the PRC.

As at the date of this report, the Target Company has direct interests in the subsidiaries as set out in note 1 of Section II below. All companies in the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the subsidiaries in the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been

consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, and of the consolidated financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	4	155,365	144,871	142,432	90,632	69,328
Cost of sales		(93,681)	(88,645)	(89,834)	(57,620)	(54,845)
Gross profit		61,684	56,226	52,598	33,012	14,483
Other income and gains	4	1,537	263	543	439	314
Administrative expenses		(49,369)	(41,124)	(39,018)	(26,915)	(25,246)
Other expenses		(23)	(367)	(83)	(15)	(75)
Profit/(loss) before tax	5	13,829	14,998	14,040	6,521	(10,524)
Income tax expense	6	(5,482)	(4,912)	(4,389)	(1,677)	(590)
Profit/(loss) and total comprehensive income/(loss) for the year/period		8,347	10,086	9,651	4,844	(11,114)
Attributable to:						
Owners of the parent		8,068	9,632	9,524	4,724	(11,230)
Non-controlling interests		279	454	127	120	116
		8,347	10,086	9,651	4,844	(11,114)

Consolidated statements of financial position

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	8	9,183	9,137	8,593	8,933
Intangible assets	9	13	3	—	436
Total non-current assets		9,196	9,140	8,593	9,369
CURRENT ASSETS					
Trade and bill receivables	11	138,754	162,369	112,350	88,620
Prepayments and other receivables	12	5,647	22,890	19,951	58,469
Amounts due from related parties	19(b)	523,509	270,600	225,222	172,715
Cash and cash equivalents	13	31,962	27,878	19,514	26,730
Total current assets		699,872	483,737	377,037	346,534
CURRENT LIABILITIES					
Trade payables	14	130,805	160,197	153,085	63,497
Other payables and accruals	15	50,404	57,199	54,715	69,537
Tax payable		1,696	2,437	2,593	92
Amounts due to related parties	19(b)	475,441	223,228	126,770	194,755
Total current liabilities		658,346	443,061	337,163	327,881
NET CURRENT ASSETS		41,526	40,676	39,874	18,653
TOTAL ASSETS LESS CURRENT LIABILITIES		50,722	49,816	48,467	28,022

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		50,722	49,816	48,467	28,022
Net assets		50,722	49,816	48,467	28,022
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	16	10,000	10,000	10,000	10,000
Reserves		36,932	35,572	34,096	13,535
Non-controlling interests		3,790	4,244	4,371	4,487
Total equity		50,722	49,816	48,467	28,022

Consolidated statements of changes in equity

	Attributable to owners of parent					
	Paid-in capital	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	10,000	3,282	36,355	49,637	3,511	53,148
Profit and total comprehensive income for the year	—	—	8,068	8,068	279	8,347
Dividends paid to shareholder	—	—	(10,773)	(10,773)	—	(10,773)
Transferred from retained earnings	—	453	(453)	—	—	—
At 31 December 2012	10,000	3,735	33,197	46,932	3,790	50,722
At 1 January 2013	10,000	3,735	33,197	46,932	3,790	50,722
Profit and total comprehensive income for the year	—	—	9,632	9,632	454	10,086
Dividends paid to shareholder	—	—	(10,992)	(10,992)	—	(10,992)
Transferred from retained earnings	—	480	(480)	—	—	—
At 31 December 2013	10,000	4,215	31,357	45,572	4,244	49,816

	Attributable to owners of parent					
	Share capital	**Other reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	10,000	4,215	31,357	45,572	4,244	49,816
Profit and total comprehensive income for the year	—	—	9,524	9,524	127	9,651
Dividends paid to shareholder	—	—	(11,000)	(11,000)	—	(11,000)
Transferred from retained earnings	—	721	(721)	—	—	—
At 31 December 2014	10,000	4,936	29,160	44,096	4,371	48,467
At 1 January 2015	10,000	4,936	29,160	44,096	4,371	48,467
Loss and total comprehensive loss for the year	—	—	(11,230)	(11,230)	116	(11,114)
Dividends paid to shareholder	—	—	(9,331)	(9,331)	—	(9,331)
At 30 September 2015	10,000	4,936	8,599	23,535	4,487	28,022
At 1 January 2014	10,000	4,215	31,357	45,572	4,244	49,816
Profit and total comprehensive income for the period	—	—	4,724	4,724	120	4,844
Dividends paid to shareholder	—	—	(11,000)	(11,000)	—	(11,000)
At 30 September 2014	10,000	4,215	25,081	39,296	4,364	43,660

Consolidated statements of cash flows

					Nine months ended	
		Year ended 31 December			30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		13,829	14,998	14,040	6,521	(10,524)
Adjustments for:						
Depreciation of property, plant and equipment	8	2,096	1,908	1,445	1,084	1,104
Amortisation of intangible assets	9	55	10	3	2	26
Loss on disposal of property, plant and equipment	5	23	365	83	14	75
Interest income	4	(537)	(176)	(259)	(169)	(262)
		15,466	17,105	15,312	7,452	(9,581)
(Increase)/decrease in trade receivables		(206,440)	(23,615)	50,019	(53,321)	23,730
Decrease/(increase) in prepayments and other receivables		215	(17,243)	2,939	13,372	(38,518)
Decrease in amounts due from related parties		—	252,909	45,378	270,600	52,507
Increase/(decrease) in trade payables		208,183	29,392	(7,112)	8,629	(89,588)
Increase/(decrease) in other payables and accruals		8,528	6,796	(2,484)	(17,052)	14,360
Decrease/(increase) in amounts due to related parties		—	(252,213)	(96,458)	(223,228)	67,985
Income tax paid		(6,556)	(4,171)	(4,233)	(3,652)	(3,091)
Net cash flows from operating activities		19,396	8,960	3,361	2,800	17,804

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		537	176	259	169	262
Proceeds from disposal of property, plant and equipment		(19)	(314)	—	(14)	(75)
Purchases of items of property, plant and equipment		(2,175)	(1,914)	(984)	(403)	(1,444)
Net cash flows used in investing activities		(1,657)	(2,052)	(725)	(248)	(1,257)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		(10,773)	(10,992)	(11,000)	(11,000)	(9,331)
Net cash flows used in financing activities		(10,773)	(10,992)	(11,000)	(11,000)	(9,331)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6,966	(4,084)	(8,364)	(8,448)	7,216
Cash and cash equivalents at beginning of year/period	13	24,996	31,962	27,878	27,878	19,514
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	13	31,962	27,878	19,514	19,430	26,730

Statements of financial position

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 September 2015 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	8	7,288	7,620	7,389	7,919
Intangible assets	9	7	—	—	436
Investments in subsidiaries	10	17,869	17,869	17,869	17,869
Total non-current assets		25,164	25,489	25,258	26,224
CURRENT ASSETS					
Trade receivables	11	80,938	108,525	75,253	70,704
Prepayments and other receivables	12	5,173	17,470	14,503	48,938
Amounts due from subsidiaries		32,331	15,927	13,933	9,381
Amounts due from related parties	19(b)	499,328	249,445	193,354	143,518
Cash and cash equivalents	13	26,439	23,927	14,901	17,907
Total current assets		644,209	415,294	311,944	290,448
CURRENT LIABILITIES					
Trade payables	14	124,016	138,327	71,258	36,219
Other payables and accruals	15	40,843	45,049	42,491	50,756
Amounts due to subsidiaries		17,394	18,086	93,530	43,000
Amounts due to related parties	19(b)	463,376	221,569	115,204	196,604
Tax payable		1,178	1,376	2,136	—
Total current liabilities		646,807	424,407	324,619	326,579
NET CURRENT LIABILITIES		(2,598)	(9,113)	(12,675)	(36,131)
TOTAL ASSETS LESS CURRENT LIABILITIES		22,566	16,376	12,583	(9,907)

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	16	10,000	10,000	10,000	10,000
Reserves	17	12,566	6,376	2,583	(19,907)
Total equity		22,566	16,376	12,583	(9,907)

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

China Shipping Container Lines Guangzhou Co., Ltd was established in the PRC as a company with limited liability on 26 December 2002. The registered office of the Target Company is located at 24F, No.1 West LinHe Road, Tianhe District, Guangzhou, the PRC.

The Target Company and its subsidiaries (hereinafter collectively referred to as the "Target Group") are principally engaged in the shipping agency business.

In the opinion of the Directors, the ultimate holding company of the Target Company is China Shipping (Group) Company, which is established in the PRC.

As at the date of this report, the Target Company had direct interests in its subsidiaries, which are private limited liability companies in the PRC. The particulars of subsidiaries are set out below:

Company	Place of incorporation	Nominal value of paid-in capital	Percentage of interest attributable to the Target Company	Principal activity
Dongguan China Shipping Container Lines Co., Ltd.	PRC	RMB500,000	90%	Agency services
Fangchenggang China Shipping Container Lines Co., Ltd.	PRC	RMB500,000	90%	Agency services
Jiangmen China Shipping Container Lines Co., Ltd.	PRC	RMB500,000	90%	Agency services
Shantou China Shipping Container Lines Co., Ltd.	PRC	RMB500,000	90%	Agency services
Zhanjiang China Shipping Container Lines Co., Ltd.	PRC	RMB500,000	90%	Agency services
Zhongshan China Shipping Container Lines Co., Ltd.	PRC	RMB500,000	90%	Agency services

Company	Place of incorporation	Nominal value of paid-in capital	Percentage of interest attributable to the Target Company	Principal activity
Nanning China Shipping Container Lines Co., Ltd.	PRC	RMB1,000,000	100%	Agency services
China Shipping Container Lines Qinzhou Co., Ltd.	PRC	RMB1,500,000	100%	Agency services
Duanzhou China Shipping Container Line, Co., Ltd.	PRC	RMB500,000	100%	Agency services

Statutory audited financial statements for the years ended 31 December 2012, 2013 and 2014 of these subsidiaries were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)").

2.1 **Basis of preparation**

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all value are rounded to the nearest thousands, except when otherwise indicated.

Basis of consolidation

The Financial Information includes the financial statements of the Target Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 **New and revised HKFRSs not yet adopted**

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments* [2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations* [1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception* [1]
HKFRS 14	*Regulatory Deferral Accounts* [3]
HKFRS 15	*Revenue from Contracts with Customers* [2]
Amendments to HKAS 1	*Disclosure Initiative* [1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Group's operation and may result in changes in the Target Group's accounting policies and changes in presentation and measurement of certain items in the Target Group's Financial Information.

2.3 **Summary of significant accounting policies**

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Group and/or its other subsidiaries. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of services, when the services are provided;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Retirement benefits

The Target Company and its subsidiaries established and operating in Mainland China are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade and other payables, amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated and company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The annual depreciation rate of property, plant and equipment are as follows:

Category	**Annual depreciation rate**
Buildings	2.38%~3.17%
Motor vehicles	11.88%~15.83%
Computer, office equipment and furniture	11.88%~31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Dividends

Dividends are simultaneously proposed and declared, because the Target Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This Financial Information is presented in RMB which is also the functional currency of the Target Company and its subsidiaries. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

3. **Significant accounting estimates**

The preparation of the Target Group's financial information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade receivables amounted to RMB4,160,000, RMB4,919,000, RMB3,475,000 and RMB2,741,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

4. **Revenue, other income and gains**

Revenue, which is also the Target Company's turnover, represents the value of services rendered during the period.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue:					
Shipping agent service income	155,365	144,871	142,432	90,632	69,328
Other income and gains					
Interest income	537	176	259	169	262
Government grants related to income	1,000	—	—	261	20
Foreign exchange gains	—	—	11	9	—
Others	—	87	273	—	32
	1,537	263	543	439	314

5. **Profit/(loss) before tax**

The Target Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Nine months ended 30 September	
		2012	**2013**	**2014**	**2014**	**2015**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Employee benefit expenses		106,361	100,901	103,516	65,922	68,871
Operating lease charges		2,178	3,946	6,371	3,908	5,995
Depreciation	8	2,096	1,908	1,445	1,084	1,104
Auditors' remuneration		21	21	25	30	30
Amortisation of intangible assets	9	55	10	3	2	26
Provision for/(reversal of) impairment of trade receivable		542	806	(1,393)	(575)	(639)
Loss on disposal of items of property, plant and equipment		23	365	83	14	75

6. **Income tax**

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Target Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax	5,482	4,912	4,389	1,677	590
Total tax charge for the year/period	5,482	4,912	4,389	1,677	590

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Target Company are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	13,829	14,998	14,040	6,521	(10,524)
Tax at an applicable tax rate of 25%	3,457	3,749	3,510	1,630	(2,631)
Expenses not deductible for tax	2,025	1,163	879	47	3,221
Tax charge at the Target Group	5,482	4,912	4,389	1,677	590

7. **Dividends**

The Target Company declared and paid dividend of RMB10,773,000, RMB10,992,000, RMB11,000,000 and RMB9,331,000 to the shareholders in 2012, 2013, 2014 and the nine months ended 30 September 2015 respectively.

8. **Property, plant and equipment**

Target Group

	Buildings	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012				
Cost	4,772	5,160	8,991	18,923
Accumulated depreciation	(268)	(3,497)	(6,050)	(9,815)
Net carrying amount	4,504	1,663	2,941	9,108
At 1 January 2012, net of accumulated depreciation	4,504	1,663	2,941	9,108
Additions	—	1,768	407	2,175
Disposals	—	—	(4)	(4)
Depreciation provided during the year (note 5)	(120)	(503)	(1,473)	(2,096)
At 31 December 2012, net of accumulated depreciation	4,384	2,928	1,871	9,183
At 31 December 2012				
Cost	4,772	6,928	8,518	20,218
Accumulated depreciation	(388)	(4,000)	(6,647)	(11,035)
Net carrying amount	4,384	2,928	1,871	9,183
At 1 January 2013, net of accumulated depreciation	4,384	2,928	1,871	9,183
Additions	—	1,579	335	1,914
Disposals	—	(29)	(23)	(52)
Depreciation provided during the year (note 5)	(120)	(737)	(1,051)	(1,908)
At 31 December 2013, net of accumulated depreciation	4,264	3,741	1,132	9,137
At 31 December 2013				
Cost	4,772	7,887	7,611	20,270
Accumulated depreciation	(508)	(4,146)	(6,479)	(11,133)
Net carrying amount	4,264	3,741	1,132	9,137

Target Group

	Buildings	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014				
Cost	4,772	7,887	7,611	20,270
Accumulated depreciation	(508)	(4,146)	(6,479)	(11,133)
Net carrying amount	4,264	3,741	1,132	9,137
At 1 January 2014, net of accumulated depreciation	4,264	3,741	1,132	9,137
Additions	—	337	652	989
Disposals	—	(18)	(70)	(88)
Depreciation provided during the year (note 5)	(52)	(857)	(536)	(1,445)
At 31 December 2014, net of accumulated depreciation	4,212	3,203	1,178	8,593
At 31 December 2014				
Cost	4,772	7,874	6,127	18,773
Accumulated depreciation	(559)	(4,670)	(4,951)	(10,180)
Net carrying amount	4,213	3,204	1,176	8,593
At 1 January 2015, net of accumulated depreciation	4,213	3,204	1,176	8,593
Additions	—	1,121	323	1,444
Depreciation provided during the period (note 5)	(89)	(644)	(371)	(1,104)
At 30 September 2015, net of accumulated depreciation	4,124	3,681	1,128	8,933
At 30 September 2015				
Cost	4,772	8,994	6,334	20,100
Accumulated depreciation	(648)	(5,313)	(5,206)	(11,167)
Net carrying amount	4,124	3,681	1,128	8,933

Target Company

	Buildings	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012				
Cost	4,772	4,360	7,574	16,706
Accumulated depreciation	(268)	(3,200)	(4,956)	(8,424)
Net carrying amount	4,504	1,160	2,618	8,282
At 1 January 2012, net of accumulated depreciation	4,504	1,160	2,618	8,282
Additions	—	497	313	810
Disposals	(1)	—	(3)	(4)
Depreciation provided during the year	(119)	(354)	(1,327)	(1,800)
At 31 December 2012, net of accumulated depreciation	4,384	1,303	1,601	7,288
At 31 December 2012				
Cost	4,772	4,857	7,010	16,639
Accumulated depreciation	(388)	(3,554)	(5,409)	(9,351)
Net carrying amount	4,384	1,303	1,601	7,288
At 1 January 2013, net of accumulated depreciation	4,384	1,303	1,601	7,288
Additions	—	1,579	290	1,869
Disposals	—	(28)	(18)	(46)
Depreciation provided during the year	(119)	(449)	(923)	(1,491)
At 31 December 2013, net of accumulated depreciation	4,265	2,405	950	7,620
At 31 December 2013				
Cost	4,772	5,816	6,193	16,781
Accumulated depreciation	(507)	(3,411)	(5,243)	(9,161)
Net carrying amount	4,265	2,405	950	7,620

Target Company

	Buildings	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014				
Cost	4,772	5,816	6,193	16,781
Accumulated depreciation	(507)	(3,411)	(5,243)	(9,161)
Net carrying amount	4,265	2,405	950	7,620
At 1 January 2014, net of accumulated depreciation	4,265	2,405	950	7,620
Additions	—	337	587	924
Disposals	—	(18)	(68)	(86)
Depreciation provided during the year	(52)	(571)	(446)	(1,069)
At 31 December 2014, net of accumulated depreciation	4,213	2,153	1,023	7,389
At 31 December 2014				
Cost	4,772	5,802	4,707	15,281
Accumulated depreciation	(559)	(3,649)	(3,684)	(7,892)
Net carrying amount	4,213	2,153	1,023	7,389
At 1 January 2015, net of accumulated depreciation	4,213	2,153	1,023	7,389
Additions	—	1,121	243	1,364
Depreciation provided during the period	(89)	(427)	(318)	(834)
At 30 September 2015, net of accumulated depreciation	4,124	2,847	948	7,919
At 30 September 2015				
Cost	4,772	6,923	4,833	16,528
Accumulated depreciation	(648)	(4,076)	(3,885)	(8,609)
Net carrying amount	4,124	2,847	948	7,919

9. **Intangible assets**

Target Group

	Software
	RMB'000
Year ended 31 December 2012	
Opening net carrying value	68
Amortisation charge for the year (Note 5)	(55)
Closing net book amount	13
At 31 December 2012	
Cost	638
Accumulated amortisation	(625)
Net carrying amount	13
Year ended 31 December 2013	
Opening net carrying value	13
Amortisation charge for the year (Note 5)	(10)
Closing net carrying amount	3
At 31 December 2013	
Cost	638
Accumulated amortisation	(635)
Net carrying amount	3

	Software
	RMB'000
Year ended 31 December 2014	
Opening net carrying value	3
Amortisation charge for the year (Note 5)	(3)
Closing net carrying amount	—
At 31 December 2014	
Cost	638
Accumulated amortisation	(638)
Net carrying amount	—
Period ended 30 September 2015	
Additions	462
Disposal of subsidiaries	—
Amortisation charge for the period (Note 5)	(26)
Closing net carrying amount	436
At 30 September 2015	
Cost	495
Accumulated amortisation	(59)
Net carrying amount	436

Target Company

	Software
	RMB'000
Year ended 31 December 2012	
Opening net carrying value	68
Amortisation charge for the year	(61)
Closing net carrying amount	7
At 31 December 2012	
Cost	128
Accumulated amortisation	(121)
Net carrying amount	7
Year ended 31 December 2013	
Opening net carrying value	7
Amortisation charge for the year	(7)
Closing net carrying amount	—
At 31 December 2013	
Cost	—
Accumulated amortisation	—
Net carrying amount	—

	Software
	RMB'000
Year ended 31 December 2014	
Opening net carrying value	—
Amortisation charge for the year	—
Closing net carrying amount	—
At 31 December 2014	
Cost	—
Accumulated amortisation	—
Net carrying amount	—
Period ended 30 September 2015	
Additions	899
Amortisation charge for the period	(463)
Closing net carrying amount	436
At 30 September 2015	
Cost	899
Accumulated amortisation	(463)
Net carrying amount	436

10. **Investments in subsidiaries**

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost:	17,869	17,869	17,869	17,869

The amounts due from subsidiaries included in the Target Company's current assets of RMB32,331,000, RMB15,927,000, RMB13,933,000 and RMB9,381,000 and the amounts due to subsidiaries included in the Target Company's current liabilities of RMB17,394,000, RMB18,086,000, RMB93,530,000 and RMB43,000,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, were unsecured, interest-free and had no fixed terms of repayment.

11. **Trade and bill receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	138,567	164,018	115,825	91,361
Bill receivables	4,347	3,270	—	—
	142,914	167,288	115,825	91,361
Provision of impairment of trade receivables	(4,160)	(4,919)	(3,475)	(2,741)
	138,754	162,369	112,350	88,620

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	80,873	110,122	78,018	72,838
Bill receivables	3,754	2,540	—	—
	84,627	112,662	78,018	72,838
Provision of impairment of trade receivables	(3,689)	(4,137)	(2,765)	(2,134)
	80,938	108,525	75,253	70,704

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

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	141,814	165,323	115,825	91,361
Between 4 to 6 months	1,100	1,965	—	—
	142,914	167,288	115,825	91,361
Less: Provision for impairment of receivables	(4,160)	(4,919)	(3,475)	(2,741)
	138,754	162,369	112,350	88,620

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	84,627	111,162	78,018	72,838
Between 4 to 6 months	1,000	1,500	—	—
	85,627	112,662	78,018	72,838
Less: Provision for impairment of receivables	(3,689)	(4,137)	(2,765)	(2,134)
	80,938	108,525	75,253	70,704

The Target Group's and Target Company's trading terms with their customers are mainly on credit. Credit terms within three months are granted to those customers with good payment history.

Movements in the provision for impairment of trade receivables were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the years/period	(3,658)	(4,160)	(4,919)	(3,475)
Provision for impairment of trade receivables	(542)	(806)	—	—
Reversal	—	—	1,393	639
Write off	40	47	51	95
At end of the years/period	(4,160)	(4,919)	(3,475)	(2,741)

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the years/period	(3,231)	(3,689)	(4,137)	(2,765)
Provision for impairment of trade receivables	(458)	(536)	—	—
Reversal	—	41	1,372	631
Write off	—	47	—	—
At end of the years/period	(3,689)	(4,137)	(2,765)	(2,134)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered. The Target Group and the Target Company do not hold any collateral or other credit enhancements over these balances.

The trade receivables are not individually nor collectively considered to be impaired are trade receivable within one year and not overdue.

12. **Prepayments and other receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Value Added Tax recoverable	—	18,206	15,750	38,122
Other receivables	2,546	3,788	3,850	4,991
Prepayments	3,101	896	351	15,356
	5,647	22,890	19,951	58,469

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Value Added Tax recoverable	—	13,375	10,761	31,055
Other receivables	2,406	3,200	3,397	1,856
Prepayments	2,767	895	345	16,027
	5,173	17,470	14,503	48,938

13. **Cash and cash equivalents**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	31,962	27,878	19,514	26,730

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	26,439	23,927	14,901	17,907

Cash and cash equivalents are denominated in the following currencies:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	21,857	23,813	525	26,730
USD	10,105	4,065	18,989	—
	31,962	27,878	19,514	26,730

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	16,334	19,862	405	17,907
USD	10,105	4,065	14,496	—
	26,439	23,927	14,901	17,907

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the relevant period.

14. **Trade payables**

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

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	130,805	160,197	153,085	63,497

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	124,016	138,327	71,258	36,219

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

15. **Other payables and accruals**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	9,618	11,598	8,973	18,209
Payroll payables	9,973	7,656	9,262	10,304
Taxes other than corporate income tax	622	1,968	2,749	92
Other payables	30,191	35,977	33,731	40,932
	50,404	57,199	54,715	69,537

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	7,675	10,520	8,632	14,314
Payroll payables	8,460	5,628	6,794	7,601
Taxes other than corporate income tax	(192)	1,086	1,821	24
Other payables	24,900	27,815	25,244	28,817
	40,843	45,049	42,491	50,756

Other payables are non-interest-bearing and payable on demand.

16. **Paid-in capital**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	10,000	10,000	10,000	10,000

17. **Reserves**

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity of the Financial Information.

Target Company

	Statutory surplus reserve	**Retained Earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2012	3,282	15,527	18,809
Profit for the year	—	4,529	4,529
Dividends declared to the shareholders	—	(10,772)	(10,772)
Accrual reserve during the year	453	(453)	—
Balance at 31 December 2012	3,735	8,831	12,566
Balance at 1 January 2013	3,735	8,831	12,566
Profit for the year	—	4,802	4,802
Dividends declared to the shareholders	—	(10,992)	(10,992)
Accrual reserve during the year	480	(480)	—
Balance at 31 December 2013	4,215	2,161	6,376

	Statutory surplus reserve	Retained Earnings	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2014	4,215	2,161	6,376
Profit for the year	—	7,207	7,207
Dividends declared to the shareholders	—	(11,000)	(11,000)
Accrual reserve during the year	721	(721)	—
Balance at 31 December 2014	4,936	(2,353)	2,583
Balance at 1 January 2015	4,936	(2,353)	2,583
Profit for the year	—	(13,160)	(13,160)
Dividends declared to the shareholders	—	(9,330)	(9,330)
Balance at 30 September 2015	4,936	(24,843)	(19,907)

18. **Operating lease commitments**

As lessee

The Target Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years, and those for office equipment are for terms ranging between two and five years.

The Target Group and the Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	3,281	6,094	4,879	4,235
In the second to fifth years, inclusive	10,154	8,120	3,746	6,169
After five years	3,931	2,612	1,431	3,194
	17,366	16,826	10,056	13,598

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,958	5,047	3,478	3,481
In the second to fifth years, inclusive	8,661	6,412	3,236	5,675
	10,619	11,459	6,714	9,156

19. **Related party transactions**

(a) ***Transactions with related parties***

In addition to the related party transactions set out in the respective notes to the Financial Information, the Target Group entered into the following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Transactions with immediate holding company and fellow subsidiaries:					
Shipping agent service income	47,198	41,633	38,105	28,679	12,372

(b) ***Outstanding balances with related parties:***

The Target Group had the following significant balances with its related parties during the Relevant Periods:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding company				
Trade receivables	432,345	108,717	166,291	110,738
Balances with fellow subsidiaries:				
Trade receivables	81,719	160,593	51,751	58,957
Other receivables	298	270	270	1,271
Prepayments	9,147	1,020	6,910	1,749
	523,509	270,600	225,222	172,715

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with CS Finance				
Deposits	—	—	18,989	26,023

The Target Group placed a certain portion of its cash at China Shipping Finance Co., Ltd. ("CS Finance"), a fellow subsidiary. All deposits were demand deposits and were included in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances withimmediate holding company				
Trade payables	388,821	125,833	67,066	155,195
Balance with fellow subsidiaries:				
Trade payables	86,079	96,623	59,324	38,702
Other payables	300	472	—	498
Advances from customers	241	300	380	360
	475,441	223,228	126,770	194,755

Amounts due from/to the related parties are interest-free, unsecured and have no fixed terms of repayment.

The Target Company had the following significant balances with its related parties during the Relevant Periods:

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding company				
Trade receivables	425,799	98,193	150,346	96,401
Balance with fellow subsidiaries				
Trade receivables	72,252	150,412	42,690	44,054
Prepayments	979	562	40	1,766
Other receivables	298	278	278	1,297
	73,529	151,252	43,008	47,117

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with CS Finance				
Deposits	—	—	14,496	17,270

The Target Company placed a certain portion of tis cash at China Shipping Finance Co., Ltd. ("CS Finance"), a fellow subsidiary. All of deposits at each of the end of Relevant Periods were demand deposits, therefore, presented in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with immediate holding company				
Trade payables	380,335	111,732	49,015	127,140
Balance with fellow subsidiaries				
Trade payables	82,525	220,522	100,675	180,740
Advance from customers	216	747	14,149	15,534
Other payables	300	300	380	330
	83,041	109,837	66,189	69,464

Amounts due from/to the related parties were interest-free, unsecured and had no fixed terms of repayment.

(c) ***Key management compensation***

Target Group

	Year ended 31 December			Nine months ended 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries	3,755	3,808	3,712	3,094
Social welfare	416	466	242	263
Pension and others welfare	263	303	171	97
	4,434	4,577	4,125	3,454

20. **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Target Group

As at 31 December 2012

Financial assets

	Loans and receivables	**Total**
	RMB'000	*RMB'000*
Trade receivables	138,754	138,754
Financial assets included in prepayments and other receivables	2,546	2,546
Due from related parties	514,362	514,362
Cash and cash equivalents	31,962	31,962
	687,624	687,624

Financial liabilities

	Financial liabilities at amortised cost	**Total**
	RMB'000	*RMB'000*
Trade payables	130,805	130,805
Financial liabilities included in other payables and accruals	30,191	30,191
Due to related parties	475,200	475,200
	636,196	636,196

As at 31 December 2013

Financial assets

	Loans and receivables	**Total**
	RMB'000	*RMB'000*
Trade receivables	162,369	162,369
Financial assets included in prepayments and other receivables	3,788	3,788
Due from related parties	269,580	269,580
Cash and cash equivalents	27,878	27,878
	463,615	463,615

Financial liabilities

	Financial liabilities at amortised cost	**Total**
	RMB'000	*RMB'000*
Trade payables	160,197	160,197
Financial liabilities included in other payables and accruals	35,977	35,977
Due to related parties	222,928	222,928
	419,102	419,102

As at 31 December 2014

Financial assets

	Loans and receivables	**Total**
	RMB'000	*RMB'000*
Trade receivables	112,350	112,350
Financial assets included in prepayments, and other receivables	3,850	3,850
Due from related parties	218,312	218,312
Cash and cash equivalents	19,514	19,514
	354,026	354,026

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*
Trade payables	153,085	153,085
Financial liabilities included in other payables and accruals	33,731	33,731
Due to related parties	126,390	126,390
	313,206	313,206

As at 30 September 2015

Financial assets

	Loans and receivables	Total
	RMB'000	*RMB'000*
Available-for-sale investments	—	—
Trade receivables	88,620	88,620
Financial assets included in prepayments, and other receivables	4,991	4,991
Due from related parties	170,966	170,966
Cash and cash equivalents	26,730	26,730
	291,307	291,307

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*
Trade payables	63,497	63,497
Financial liabilities included in other payables and accruals	40,932	40,932
Due to related parties	194,395	194,395
	298,824	298,824

Target Company

As at 31 December 2012

Financial assets

	Loans and receivables	**Total**
	RMB'000	*RMB'000*
Trade receivables	80,938	80,938
Financial assets included in prepayments and other receivables	2,406	2,406
Due from subsidiaries	32,331	32,331
Due from related parties	498,349	498,349
Cash and cash equivalents	26,439	26,439
	640,463	640,463

Financial liabilities

	Financial liabilities at amortised cost	**Total**
	RMB'000	*RMB'000*
Trade payables	124,016	124,016
Financial liabilities included in other payables and accruals	24,900	24,900
Due to subsidiaries	17,394	17,394
Due to related parties	463,160	463,160
	629,470	629,470

As at 31 December 2013

Financial assets

	Loans and receivables	Total
	RMB'000	*RMB'000*
Trade receivables	108,525	108,525
Financial assets included in prepayments, and other receivables	3,200	3,200
Due from subsidiaries	15,927	15,927
Due from related parties	248,883	248,883
Cash and cash equivalents	23,927	23,927
	400,462	400,462

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*
Trade payables	138,327	138,327
Financial liabilities included in other payables and accruals	27,815	27,815
Due to subsidiaries	18,086	18,086
Due to related parties	220,822	220,822
	405,050	405,050

As at 31 December 2014

Financial assets

	Loans and receivables	Total
	RMB'000	*RMB'000*
Trade receivables	75,253	75,253
Financial assets included in prepayments, and other receivables	3,397	3,397
Due from subsidiaries	13,933	13,933
Due from related parties	193,314	193,314
Cash and cash equivalents	14,901	14,901
	300,798	300,798

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*
Trade payables	71,258	71,258
Financial liabilities included in other payables and accruals	25,244	25,244
Due to subsidiaries	93,530	93,530
Due to related parties	101,055	101,055
	291,087	291,087

As at 30 September 2015

Financial assets

	Loans and receivables	Total
	RMB'000	*RMB'000*
Trade receivables	70,704	70,704
Financial assets included in prepayments and other receivables	1,856	1,856
Due from subsidiaries	9,381	9,381
Due from related parties	141,752	141,752
Cash and cash equivalents	17,907	17,907
	241,600	241,600

Financial liabilities

	Financial liabilities at amortised cost	**Total**
	RMB'000	*RMB'000*
Trade payables	36,219	36,219
Financial liabilities included in other payables and accruals	28,817	28,817
Due to subsidiaries	43,000	43,000
Due to related parties	181,070	181,070
	289,106	289,106

21. **Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, trade receivable, trade payables, financial assets included in prepayments and other receivables, due from related parties, financial liabilities included in other payables and accruals, due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

22. **Financial risk management objectives and policies**

The Group's principal financial instruments comprise cash. The Group has various other financial assets and liabilities such as trade and bill receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar ("US$") exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/(decrease) in foreign currency rate	Increase/(decrease) in profit before tax
	%	*RMB'000*
Year ended 31 December 2012		
If RMB weakens against US$	5	(1,100)
If RMB strengthens against US$	(5)	1,100
Year ended 31 December 2013		
If RMB weakens against US$	5	(167)
If RMB strengthens against US$	(5)	167
Year ended 31 December 2014		
If RMB weakens against US$	5	(255)
If RMB strengthens against US$	(5)	255
Nine months ended 30 September 2015		
If RMB weakens against US$	5	(315)
If RMB strengthens against US$	(5)	315

Credit risk

The Target Group has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Target Group has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade and notes receivables, prepayments and other receivables and cash and cash equivalents represents the maximum credit exposure of the Target Group. The Target Group has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Group performs periodic credit evaluations of its customers.

Further quantitative data in respect of the Companies exposure to credit risk arising from trade receivables are disclosed in note 11 to the Financial Information.

Liquidity risk

The Companies monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade and bill receivables, and other financial assets) and projected cash flows from operations.

The Target Group maintains a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The maturity profile of the Target Group's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Group

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	130,805	—	130,805
Other payables	30,191	—	—	30,191
Due to related parties	475,200	—	—	475,200
	505,391	130,805	—	636,196

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	160,197	—	160,197
Other payables	35,977	—	—	35,977
Due to related parties	222,928	—	—	222,928
	258,905	160,197	—	419,102

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	153,085	—	153,085
Other payables	33,731	—	—	33,731
Due to related parties	126,390	—	—	126,390
	160,121	153,085	—	313,206

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	63,497	—	63,497
Other payables	40,932	—	—	40,932
Due to related parties	194,395	—	—	194,395
	235,327	63,497	—	298,824

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Company

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	124,016	—	124,016
Other payables	24,900	—	—	24,900
Due to subsidiaries	17,394	—	—	17,394
Due to related parties	463,160	—	—	463,160
	505,454	124,016	—	629,470

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	138,327	—	138,327
Other payables	27,815	—	—	27,815
Due to subsidiaries	18,086	—	—	18,086
Due to related parties	220,822	—	—	220,822
	266,723	138,327	—	405,050

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	71,258	—	71,258
Other payables	25,244	—	—	25,244
Due to subsidiaries	93,530	—	—	93,530
Due to related parties	101,055	—	—	101,055
	219,829	71,258	—	291,087

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	36,219	—	36,219
Other payables	28,817	—	—	28,817
Due to subsidiaries	43,000	—	—	43,000
Due to related parties	181,070	—	—	181,070
	252,887	36,219	—	289,106

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manage its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade payables, other payables and accruals and amounts due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent and to non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

Target Group

				As at
		As at 31 December		**30 September**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	130,805	160,197	153,085	63,497
Other payables	30,191	35,977	33,731	40,932
Due to related parties	475,200	222,928	126,390	194,395
Less: Cash and cash equivalents	(31,962)	(27,878)	(19,514)	(26,730)
Net debt	604,234	391,224	293,692	272,094
Total capital	50,722	49,816	48,467	28,022
Total capital and net debt	654,956	441,040	342,159	300,116
Gearing ratio	92%	89%	86%	91%

23. **Events after the reporting periods**

To the date of this report, no material subsequent event requiring disclosure occurred.

24. **Subsequent financial statements**

No audited financial statements have been prepared by the Company or any of the company comprising the Target Group in respect of any period subsequent to 30 September 2015.

Yours faithfully
Certified Public Accountants
Hong Kong

3.8 China Shipping Container Lines Tianjin Company Limited (中海集裝箱運輸天津有限公司)

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountant, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping Container Lines Tianjin Co., Ltd. (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest in the Target Group (the "Acquisition") by the Company.

The Company was in established in the People's Republic of China (the "PRC") as a company with limited liability established on 3 January 2003.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business and were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)") registered in the PRC.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies in the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies in the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were established. Details oftheir statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the financial statements of the Target Group (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") , which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance HKFRSs issued by the HKICPA , and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, and of the financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	4	96,275	195,776	216,611	171,279	124,570
Cost of sales		(77,073)	(172,197)	(192,392)	(149,709)	(104,431)
Gross profit		19,202	23,579	24,219	21,570	20,139
Other income and gains	4	403	9,738	4,169	1,469	2,540
Administrative expenses		(16,031)	(17,305)	(18,645)	(12,653)	(9,094)
Other expenses		(62)	—	(278)	(47)	(660)
Profit before tax	5	3,512	16,012	9,465	10,339	12,925
Income tax expense	6	(2,907)	(4,915)	(3,235)	(2,631)	(2,998)
Profit and total comprehensive income for the year/period		605	11,097	6,230	7,708	9,927
Attributable to:						
Owners of the parent		597	10,962	6,234	7,724	9,985
Non-controlling interests		8	135	(4)	(16)	(58)
		605	11,097	6,230	7,708	9,927

Details of the dividends for the Relevant Periods are disclosed in note 7 to the Financial Information.

Consolidated statements of financial position

					As at
		As at 31 December			30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	9	6,645	6,120	5,146	5,184
Intangible assets	10	44	86	276	269
Total non-current assets		6,689	6,206	5,422	5,453
CURRENT ASSETS					
Trade receivable	11	126,594	167,310	244,554	175,192
Prepayments, deposits and other receivables	12	31,044	33,496	60,251	130,521
Amounts due from related parties	19(b)	113,228	158,978	209,350	236,120
Pledged deposits	13	—	600	—	—
Cash and cash equivalents	13	57,598	38,303	48,501	41,924
Total current assets		328,464	398,687	562,656	583,757
CURRENT LIABILITIES					
Trade payables	14	70,024	83,784	155,188	139,129
Other payables and accruals	15	103,305	114,412	106,773	126,565
Tax payable		952	1,259	610	88
Amounts due to related parties	19(b)	131,816	169,267	272,106	286,950
Total current liabilities		306,097	368,722	534,677	552,732
NET CURRENT ASSETS		22,367	29,965	27,979	31,025
TOTAL ASSETS LESS CURRENT LIABILITIES		29,056	36,171	33,401	36,478
Net assets		29,056	36,171	33,401	36,478

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	16	10,000	10,000	10,000	10,000
Reserves		18,680	25,660	22,894	26,029
Non-controlling interests		376	511	507	449
Total equity		29,056	36,171	33,401	36,478

Consolidated statements of changes in equity

	Attributable to owners of parent					
	Paid-in capital	Statutory surplus reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	10,000	2,753	17,694	30,447	368	30,815
Profit and total comprehensive income for the year	—	—	597	597	8	605
Dividends paid to shareholder	—	—	(2,364)	(2,364)	—	(2,364)
At 31 December 2012	10,000	2,753	15,927	28,680	376	29,056
At 1 January 2013	10,000	2,753	15,927	28,680	376	29,056
Profit and total comprehensive income for the year	—	—	10,962	10,962	135	11,097
Dividends paid to shareholder	—	—	(3,982)	(3,982)	—	(3,982)
At 31 December 2013	10,000	2,753	22,907	35,660	511	36,171
At 1 January 2014	10,000	2,753	22,907	35,660	511	36,171
Profit and total comprehensive income for the year	—	—	6,234	6,234	(4)	6,230
Dividends paid to shareholder	—	—	(9,000)	(9,000)	—	(9,000)
Transferred from retained earnings	—	285	(285)	—	—	—
At 31 December 2014	10,000	3,038	19,856	32,894	507	33,401

	Attributable to owners of parent					
	Paid-in capital	**Statutory surplus reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	10,000	3,038	19,856	32,894	507	33,401
Profit and total comprehensive income for the period	—	—	9,985	9,985	(58)	9,927
Dividends paid to shareholder	—	—	(6,850)	(6,850)	—	(6,850)
At 30 September 2015	10,000	3,038	22,991	36,029	449	36,478
At 1 January 2014	10,000	2,753	22,907	35,660	511	36,171
Profit and total comprehensive income for the period	—	—	7,724	7,724	(16)	7,708
Dividends paid to shareholder	—	—	(9,000)	(9,000)	—	(9,000)
At 30 September 2014 (unaudited)	10,000	2,753	21,631	34,384	495	34,879

Consolidated statements of cash flows

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		3,512	16,012	9,465	10,339	12,925
Adjustments for:						
Depreciation of property, plant and equipment	9	2,327	1,632	2,963	2,222	2,636
Amortisation of intangible assets	10	48	87	66	49	73
Loss on disposal of property, plant and equipment	5	14	—	51	47	30
Interest income		(403)	(229)	(197)	(175)	(127)
		5,498	17,502	12,348	12,482	15,537
(Increase)/decrease in trade receivables		(15,906)	(40,716)	(77,244)	(130,320)	69,362
(Increase)/decrease in prepayments, deposits and other receivables		(7,605)	(2,452)	(26,755)	(100,689)	(70,270)
(Increase)/decrease in in pledged Deposit		—	(600)	600	—	—
(Increase)/decrease in amounts due from related parties		(21,341)	(45,750)	(50,372)	158,978	(26,770)
Increase/(decrease) in trade payables		18,177	13,760	71,404	279,382	(16,059)
Increase/(decrease) in other payables and accruals		20,176	11,107	(7,640)	(37,182)	19,792
Increase/(decrease) in amounts due to related parties		21,368	37,838	102,745	(169,241)	14,298
Income tax paid		(3,444)	(4,608)	(3,884)	(3,008)	(3,520)
Net cash flows from/(used in) operating activities		16,923	(13,919)	21,202	10,402	2,370

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		403	229	197	175	127
Proceeds from disposal of property, plant and equipment		29	—	22	17	4
Purchases of property, plant and equipment		(6,182)	(1,236)	(2,317)	(2,068)	(2,774)
Net cash flows used in investing activities		(5,750)	(1,007)	(2,098)	(1,876)	(2,643)
CASH FLOWS USED IN FINANCING ACTIVITIES						
Dividends paid		(2,364)	(3,982)	(9,000)	(9,000)	(6,850)
Net cash flows used in financing activities		(2,364)	(3,982)	(9,000)	(9,000)	(6,850)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		8,809	(18,908)	10,104	(474)	(7,123)
Cash and cash equivalents at beginning of year/period		48,817	57,598	38,303	38,303	48,501
Effect of foreign exchange rate changes, net		(28)	(387)	94	(26)	546
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	13	57,598	38,303	48,501	37,803	41,924

Statements of financial position

	Notes	As at 31 December 2012 *RMB'000*	As at 31 December 2013 *RMB'000*	As at 31 December 2014 *RMB'000*	As at 30 September 2015 *RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	9	6,639	6,115	5,140	5,073
Intangible assets	10	44	86	276	269
Investments in subsidiaries	8	2,281	2,281	2,281	2,281
Total non-current assets		8,964	8,482	7,697	7,623
CURRENT ASSETS					
Trade and bills receivable	11	126,593	165,651	243,677	173,621
Prepayments, deposits and other receivables	12	23,700	33,279	60,430	130,339
Amounts due from subsidiaries	19(b)	3,114	1,743	6,280	6,273
Amounts due from related parties	19(b)	113,218	158,930	204,898	231,413
Pledged deposits	13	—	600	—	—
Cash and cash equivalents	13	57,167	34,294	45,174	36,028
Total current assets		323,792	394,497	560,459	577,674
CURRENT LIABILITIES					
Trade payables	14	62,278	130,470	148,764	131,060
Other payables and accruals	15	102,084	113,273	105,272	124,305
Tax payable		739	450	—	375
Amounts due to subsidiaries	19(b)	10,571	12,528	29,630	29,247
Amounts due to related parties	19(b)	131,716	122,168	269,257	283,369
Total current liabilities		307,388	378,889	552,923	568,356
NET CURRENT ASSETS		16,404	15,608	7,536	9,318
TOTAL ASSETS LESS CURRENT LIABILITIES		25,368	24,090	15,233	16,941
Net assets		25,368	24,090	15,233	16,941
EQUITY					
Paid-in capital	16	10,000	10,000	10,000	10,000
Reserves	17	15,368	14,090	5,233	6,941
Total equity		25,368	24,090	15,233	16,941

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

China Shipping Container Lines Tianjin Company Limited was established in the People's Republic of China (the "PRC") as a company with limited liability on 3 January 2003. The registered office of the Company is located at No.28-2601, 2602, 2701, 2702, Zengjin Avenue, Hexi Road, Tianjin, the PRC.

The Target Company and its subsidiaries (hereinafter collectively referred to as the "Target Group") are principally engaged in shipping and vessel agent service.

The ultimate holding company of the Target Company is China Shipping (Group) Company, which is established in the PRC.

As at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Company	Place of establishment	Nominal value of issued shares/ paid-up capital	Percentage of interest attributable to the Target Company	Principal activity
China Shipping Container Lines (Qinhuangdao) Co., Ltd.*	PRC	RMB0.5 million	90.00%	Agency services
Tangshan China Shipping Container Lines Co., Ltd.*	PRC	RMB0.5 million	100.00%	Agency services
Cangzhou China Shipping Container Lines Co., Ltd.*	PRC	RMB0.5 million	100.00%	Agency services

* Statutory financial statements for the years ended 31 December 2012, 2013, 2014 for these subsidiaries were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)").

2.1 **Basis of preparation**

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA. All HKFRSs effective for the accounting period commencing from 1 January 2015 have been early adopted in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

This consolidated Financial Information incorporates the financial statements of the Target Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 New and revised HKFRSs not yet adopted

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Group

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the directors of the Target Group anticipate that the application of the new and revised HKFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Financial Information.

2.3 **Summary of significant accounting policies**

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company and/or its other subsidiaries. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Dividends

Dividends are simultaneously proposed and declared, because the Target Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Company are members of the same Company;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

(a) Revenue comprises shipping agent service income from related parties and third parties. The revenue is recognized when relevant services have been rendered.

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Retirement benefits

The Company are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Investments and other financial assets

Subsequent measurement

The subsequent measurement of loans and receivables as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated and company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Category	**Annual depreciation rate**
Motor vehicles	11.88%~15.83%
Computer, office equipment and furniture	11.88%~31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Foreign currencies

The Financial Information are presented in RMB which is also the functional currency of the Target Company and its subsidiaries. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

3. **Significant accounting judgements and estimates**

The preparation of the Target Group's financial information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade receivables amounted to RMB3,914,000, RMB6,928,000, RMB7,541,000 and RMB5,418,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

4. **Revenue, other income and gains**

Revenue, which is also the Target Company's turnover, represents the value of services rendered during the period.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Shipping agent income	96,275	195,776	216,611	171,279	124,570
Other income and gains					
Interest income	403	229	197	175	127
Government grant related to income	—	9,033	2,603	1,124	2,063
Net foreign exchange gains	—	476	—	170	—
Others	—	—	1,369	—	350
	403	9,738	4,169	1,469	2,540

5. **Profit before tax**

The Target Company's profit before tax is arrived at after charging/(crediting):

Cost of services

		Year ended 31 December			Nine months ended 30 September	
		2012	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Employee benefit expenses		65,015	69,392	68,977	46,409	44,665
Transportation service charges		6,121	72,919	87,439	69,644	41,265
Operating lease charges		3,177	3,205	4,453	3,339	3,241
Depreciation	9	2,327	1,632	2,963	2,222	2,636
Auditors' remuneration		2	54	194	194	380
Amortisation	10	48	87	66	49	73
Provision/(reversal) of impairment of trade receivables		237	3,014	613	—	(2,123)
Loss on disposal of items of property, plant and equipment		14	—	51	47	30
Net foreign exchange losses		48	—	227	—	630

6. **Income tax**

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Target Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Current tax	2,907	4,915	3,235	2,631	2,998
Total tax charge for the year/period	2,907	4,915	3,235	2,631	2,998

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Target Group are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Profit before tax	3,512	16,012	9,465	10,339	12,925
Tax at the applicable tax rate of 25%	878	4,003	2,366	2,585	3,231
Tax losses not recognised	1,641	23	450	40	138
Temporary differences not recognised	59	753	153	—	(531)
Expense not deductible for tax	329	136	266	6	160
Tax charge at the Target Group	2,907	4,915	3,235	2,631	2,998

As at each of the end of the Relevant Periods, deferred tax asset has not been recognised by the Target Group on tax losses and cumulative temporary differences amounting to approximately RMB13,811,000, RMB16,915,000, RMB19,327,000 and RMB17,755,000 respectively, as it is uncertain that taxable profits will be available against which the timing difference can be utilised.

7. **Dividends**

The Target Group declared and paid dividends of RMB2,364,000, RMB3,982,000, RMB9,000,000 and RMB6,850,000 to the shareholders for the years ended 31 December 2012, 2013 and 2014, and the nine months ended 30 September 2015.

8. **Investments in subsidiaries**

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	2,281	2,281	2,281	2,281

The amounts due from subsidiaries included in the Target Company's current assets of RMB3,114,000, RMB1,743,000, RMB6,280,000 and RMB6,273,000 as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 September 2015 and the amounts due to subsidiaries included in the Target Company's current liabilities of RMB10,571,000, RMB12,528,000, RMB29,630,000 and RMB29,247,000 as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 September 2015, respectively, were unsecured, interest-free and had no fixed terms of repayment.

9. **Property, plant and equipment**

Target Group

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012			
Cost	2,742	6,590	9,332
Accumulated depreciation	(2,315)	(4,184)	(6,499)
Net carrying amount	427	2,406	2,833
At 1 January 2012, net of accumulated depreciation	427	2,406	2,833
Additions	753	5,428	6,181
Disposals	(25)	(17)	(42)
Depreciation provided during the year (note 5)	(135)	(2,192)	(2,327)
At 31 December 2012, net of accumulated depreciation	1,020	5,625	6,645
At 31 December 2012			
Cost	3,026	11,672	14,698
Accumulated depreciation	(2,006)	(6,047)	(8,053)
Net carrying amount	1,020	5,625	6,645
At 1 January 2013, net of accumulated depreciation	1,020	5,625	6,645
Additions	—	1,186	1,186
Disposals	—	(79)	(79)
Depreciation provided during the year (note 5)	(150)	(1,482)	(1,632)
At 31 December 2013, net of accumulated depreciation	870	5,250	6,120
At 31 December 2013			
Cost	3,026	11,274	14,300
Accumulated depreciation	(2,156)	(6,024)	(8,180)
Net carrying amount	870	5,250	6,120

Target Group

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014			
Cost	3,026	11,274	14,300
Accumulated depreciation	(2,156)	(6,024)	(8,180)
Net carrying amount	870	5,250	6,120
At 1 January 2014, net of accumulated depreciation	870	5,250	6,120
Additions	904	1,158	2,062
Disposals	(51)	(22)	(73)
Depreciation provided during the year (note 5)	(179)	(2,784)	(2,963)
At 31 December 2014, net of accumulated depreciation	1,544	3,602	5,146
At 31 December 2014			
Cost	2,919	11,200	14,119
Accumulated depreciation	(1,375)	(7,598)	(8,973)
Net carrying amount	1,544	3,602	5,146
At 1 January 2015, net of accumulated depreciation	1,544	3,602	5,146
Additions	545	2,163	2,708
Disposals	(34)	—	(34)
Depreciation provided during the period (note 5)	(205)	(2,431)	(2,636)
At 30 September 2015, net of accumulated depreciation	1,850	3,334	5,184
At 30 September 2015			
Cost	2,782	11,254	14,036
Accumulated depreciation	(932)	(7,920)	(8,852)
Net carrying amount	1,850	3,334	5,184

Target Company

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012			
Cost	2,742	6,453	9,195
Accumulated depreciation	(2,315)	(4,056)	(6,371)
Net carrying amount	427	2,397	2,824
At 1 January 2012, net of accumulated depreciation	427	2,397	2,824
Additions	753	5,429	6,182
Disposals	(25)	(16)	(41)
Depreciation provided during the year	(135)	(2,191)	(2,326)
At 31 December 2012, net of accumulated depreciation	1,020	5,619	6,639
At 31 December 2012			
Cost	3,026	11,566	14,592
Accumulated depreciation	(2,006)	(5,947)	(7,953)
Net carrying amount	1,020	5,619	6,639
At 1 January 2013, net of accumulated depreciation	1,020	5,619	6,639
Additions	—	1,107	1,107
Disposals	—	—	—
Depreciation provided during the year	(150)	(1,481)	(1,631)
At 31 December 2013, net of accumulated depreciation	870	5,245	6,115
At 31 December 2013			
Cost	3,026	11,168	14,194
Accumulated depreciation	(2,156)	(5,923)	(8,079)
Net carrying amount	870	5,245	6,115

Target Company

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014			
Cost	3,026	11,168	14,194
Accumulated depreciation	(2,156)	(5,923)	(8,079)
Net carrying amount	870	5,245	6,115
At 1 January 2014, net of accumulated depreciation	870	5,245	6,115
Additions	904	1,157	2,061
Disposals	(51)	(22)	(73)
Depreciation provided during the year	(179)	(2,784)	(2,963)
At 31 December 2014, net of accumulated depreciation	1,544	3,596	5,140
At 31 December 2014			
Cost	2,919	11,092	14,011
Accumulated depreciation	(1,375)	(7,496)	(8,871)
Net carrying amount	1,544	3,596	5,140
At 1 January 2015, net of accumulated depreciation	1,544	3,596	5,140
Additions	545	2,057	2,602
Disposals	(34)	—	(34)
Depreciation provided during the period	(205)	(2,430)	(2,635)
At 30 September 2015, net of accumulated depreciation	1,850	3,223	5,073
At 30 September 2015			
Cost	2,782	11,041	13,823
Accumulated depreciation	(932)	(7,818)	(8,750)
Net carrying amount	1,850	3,223	5,073

10. **Intangible assets**

Target Group and Target Company

	Software
	RMB'000
Year ended 31 December 2012	
Opening net book value	92
Amortisation charge for the year (note 5)	(48)
Closing net book amount	44
At 31 December 2012	
Cost	114
Accumulated amortisation	(70)
Net book amount	44
Year ended 31 December 2013	
Opening net book value	44
Additions	129
Amortisation charge for the year (note 5)	(87)
Closing net book amount	86
At 31 December 2013	
Cost	243
Accumulated amortisation	(157)
Net book amount	86

	Software
	RMB'000
Year ended 31 December 2014	
Opening net book value	86
Additions	256
Amortisation charge for the year (note 5)	(66)
Closing net book amount	276
At 31 December 2014	
Cost	499
Accumulated amortisation	(223)
Net book amount	276
Year ended 30 September 2015	
Opening net book value	276
Additions	66
Amortisation charge for the period (note 5)	(73)
Closing net book amount	269
At 30 September 2015	
Cost	565
Accumulated amortization	(296)
Net book amount	269

11. **Trade and bills receivable**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	130,480	172,638	249,686	180,610
Bills receivable	28	1,600	2,409	—
Impairment	(3,914)	(6,928)	(7,541)	(5,418)
	126,594	167,310	244,554	175,192

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	129,565	169,699	246,663	178,627
Bills receivable	15	980	2,269	-
Impairment	(2,987)	(5,028)	(5,255)	(5,006)
	126,593	165,651	243,677	173,621

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

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	130,508	172,838	249,785	180,610
Between 4 and 6 months	—	1,400	2,310	—
	130,508	174,238	252,095	180,610

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	129,580	169,279	246,622	178,627
Between 4 and 6 months	-	1,400	2,310	-
	129,580	170,679	248,932	178,627

The Target Group and the Target Company's trading terms with its customers are mainly on credit. Credit terms within three months are granted to those customers with good payment history.

Movements in the provision for impairment of trade receivables were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	(3,677)	(3,914)	(6,928)	(7,541)
Provision for impairment of trade receivables	(237)	(3,014)	(1,490)	—
Reversal	—	—	877	2,123
At end of year/period	(3,914)	(6,928)	(7,541)	(5,418)

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	(2,637)	(2,987)	(5,028)	(5,255)
Provision for impairment of trade receivables	(350)	(2,041)	(227)	-
Reversal	-	-	-	249
At end of year/period	(2,987)	(5,028)	(5,255)	(5,006)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered. The Target Group and the Target Company does not hold any collateral or other credit enhancements over these balances.

12. **Prepayments, deposits and other receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	1,382	8,150	21,054	4,527
Prepayments	29,662	1,677	17,994	111,187
Tax recoverable	—	23,669	21,203	14,807
	31,044	33,496	60,251	130,521

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	1,273	8,150	21,117	4,413
Prepayments	22,427	1,460	18,047	111,119
Tax recoverable	—	23,669	21,266	14,807
	23,700	33,279	60,430	130,339

13. **Cash and cash equivalents**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	57,598	38,903	48,501	41,924
Less: Pledged deposits	—	(600)	—	—
	57,598	38,303	48,501	41,924

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	57,167	34,894	45,174	36,028
Less: Pledged deposits	—	(600)	—	—
	57,167	34,294	45,174	36,028

Cash and cash equivalents are denominated in the following currencies:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	32,867	7,208	1,929	3,171
USD	24,731	31,695	46,572	38,753
	57,598	38,903	48,501	41,924

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	32,442	6,607	1,929	3,171
USD	24,725	27,687	43,245	32,857
	57,167	34,294	45,174	36,028

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the Relevant Periods.

14. **Trade payables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	70,024	83,784	155,188	139,129

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	62,278	130,470	148,764	131,060

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

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	70,024	83,784	155,188	139,129

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	62,278	130,470	148,764	131,060

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

15. **Other payables and accruals**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	31,177	22,654	2,122	7,020
Payroll payables	1,061	491	369	882
Taxes other than income tax	1,880	1,802	1,721	1,521
Other corporate payables	69,187	89,465	102,561	117,142
	103,305	114,412	106,773	126,565

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	31,177	22,654	2,122	7,020
Payroll payables	971	429	305	762
Taxes other than income tax	1,690	1,595	1,257	574
Other corporate payables	68,246	88,595	101,588	115,949
	102,084	113,273	105,272	124,305

The other payables are non-interest-bearing and are normally settled on demand.

16. **Paid-in capital**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	10,000	10,000	10,000	10,000

17. **Reserves**

Target Company

	Statutory surplus reserve *RMB'000*	Retained Earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2012	2,753	15,181	17,934
Loss for the year	—	(203)	(203)
Dividends to shareholders	—	(2,363)	(2,363)
Balance at 31 December 2012	2,753	12,615	15,368
Balance at 1 January 2013	2,753	12,615	15,368
Profit for the year	—	2,704	2,704
Dividends to shareholders	—	(3,982)	(3,982)
Balance at 31 December 2013	2,753	11,337	14,090
Balance at 1 January 2014	2,753	11,337	14,090
Profit for the year	—	143	143
Dividends to shareholders	—	(9,000)	(9,000)
Transfer from retained earnings	285	(285)	—
Balance at 31 December 2014	3,038	2,195	5,233
Balance at 1 January 2015	3,038	2,195	5,233
Profit for the period	—	8,558	8,558
Dividends to shareholders	—	(6,850)	(6,850)
Balance at 30 September 2015	3,038	3,903	6,941

18. **Operating lease commitments**

As lessee

The Target Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for office properties are negotiated for terms ranging from three to six years, and those for office equipment are for terms ranging between two and five years.

The Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	3,198	4,331	4,233	2,607
In the second to fifth years, inclusive	10,178	9,242	6,098	3,170
After five years	1,508	—	—	—
	14,884	13,573	10,331	5,777

The Target Company leases certain of its office properties and office equipment under operating lease arrangements. Leases for office properties are negotiated for terms ranging from three to six years, and those for office equipment are for terms ranging between two and five years.

The Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	2,560	3,729	3,286	2,391
In the second to fifth years, inclusive	9,798	7,512	5,918	2,798
After five years	1,317	-	-	-
	13,675	11,241	9,204	5,189

19. **Related party transactions**

(a) ***Transactions with related parties***

In addition to the related party transactions set out in the respective notes to the Financial Information , the Target Group entered into the following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Transactions with immediate holding company					
Shipping agent income	56,275	96,368	100,494	75,871	63,219
Transactions with fellow subsidiaries:					
Interest income	—	65	93	75	81

(b) ***Outstanding balances with related parties:***

The Target Group had the following significant balances with its related parties during the Relevant Periods:

(i) *Due from related parties*

Target Group

	As at 31 December			**As at 30 September**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding company				
Trade receivables	37,382	26,901	87,136	155,247
Balances with fellow subsidiaries				
Trade receivables	73,201	127,152	122,041	80,210
Prepayments	2,644	4,925	173	658
Other receivables	1	—	—	5
	75,846	132,077	122,214	80,873

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with subsidiaries				
Trade receivables	3,114	1,743	6,280	6,273
Balances with immediate holding company				
Trade receivables	37,382	26,901	87,136	155,247
Balance with fellow subsidiaries				
Trade receivables	73,191	127,104	117,589	75,508
Prepayments	2,644	4,925	173	658
Other receivables	1	—	—	—
	75,836	132,029	117,762	76,166

The amounts due from the related parties were interest-free, unsecured and had no fixed terms of repayment.

The Target Group had the following significant balances with its related parties during the Relevant Periods:

(ii) *Due to related parties*

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding company				
Trade payables	—	30,425	102,630	168,209
Balances with fellow subsidiaries				
Trade payables	131,535	138,422	167,176	117,687

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	109	108	903	946
Advances from customers	172	312	1,397	108
	131,816	138,842	169,476	118,741

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with subsidiaries				
Trade payables	10,571	12,528	29,630	29,247
Balances with immediate holding company				
Trade payables	—	—	102,630	168,209
Balance with fellow subsidiaries				
Trade payables	131,529	121,748	164,327	114,106
Other payables	15	108	903	946
Advances from customers	172	312	1,397	108
	131,716	122,168	166,627	115,160

Amounts due to the related parties are interest-free, unsecured and have no fixed terms of repayment.

(c) ***Balance with CS Finance***

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
A fellow subsidiary	—	31,695	46,572	38,753

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
A fellow subsidiary	—	27,687	43,245	32,857

The Target Group and the Target Company placed a certain portion of its cash at China Shipping Finance Co., Ltd. ("CS Finance"), a fellow subsidiary. All deposits at each of the end of Relevant Periods were demand deposits and were included in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

(d) ***Key management compensation***

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries	4,140	2,906	3,727	1,585
Social welfare	186	205	258	237
Pension and others welfare	146	200	179	100
	4,472	3,311	4,164	1,922

20. **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Target Group

Financial assets — loans and receivables

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivable	126,594	167,310	244,554	175,192
Financial assets included in other receivables	1,382	8,150	21,054	4,527
Due from related parties	110,584	154,053	209,177	235,462
Pledged deposits	—	600	—	—
Cash and cash equivalents	57,598	38,303	48,501	41,924
	296,158	368,416	523,286	457,105

Financial liabilities at amortised cost

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	70,024	83,784	155,188	139,129
Financial liabilities included in other payables	69,187	89,465	102,561	117,142
Due to related parties	131,644	168,955	270,709	286,842
	270,855	342,204	528,458	543,113

Target Company

Financial assets — loans and receivables

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivable	126,593	165,651	243,677	173,621
Financial assets included in other receivables	1,273	8,150	21,117	4,413
Due from subsidiaries	3,114	1,743	6,280	6,273
Due from related parties	110,574	154,005	204,725	230,755
Pledged deposits	—	600	—	—
Cash and cash equivalents	57,167	34,294	45,174	36,028
	298,721	364,443	520,973	451,090

Financial liabilities at amortised cost

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	62,278	130,470	148,764	131,060
Financial liabilities included in other payables	68,246	88,595	101,588	115,949
Due to subsidiaries	10,571	12,528	29,630	29,247
Due to related parties	131,544	121,856	267,860	283,261
	272,639	353,449	547,842	559,517

21. **Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivable, trade payables, financial assets included in prepayments, deposits and other receivables, amounts due from the related parties, financial liabilities included in other payables and accruals, amounts due to the related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

22. **Financial risk management objectives and policies**

The Target Group's principal financial instruments comprise cash. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar ("US$") exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate %	**Increase/ (decrease) in profit before tax RMB'000**
Year ended 31 December 2012		
If RMB weakens against US$	5	(1,265)
If RMB strengthens against US$	(5)	1,265
Year ended 31 December 2013		
If RMB weakens against US$	5	99
If RMB strengthens against US$	(5)	(99)
Year ended 31 December 2014		
If RMB weakens against US$	5	43
If RMB strengthens against US$	(5)	(43)
Nine months ended 30 September 2015		
If RMB weakens against US$	5	13
If RMB strengthens against US$	(5)	(13)

Credit risk

The Companies has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. The Target Group has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade and bills receivable, prepayments and other receivables and cash and cash equivalents represents the maximum credit exposure of the Target Group. The Target Group has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Group performs periodic credit evaluations of its customers.

Further quantitative data in respect of the Target Group exposure to credit risk arising from trade receivables are disclosed in note 11 to the Financial Information.

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Target Group maintains a balance between continuity of funding and flexibility through the use of trade payables and due to related parties.

The maturity profile of the Target Group's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Group

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	70,024	—	70,024
Other payables	69,187	—	—	69,187
Due to related parties	131,644	—	—	131,644
	200,831	70,024	—	270,855

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	83,784	—	83,784
Other payables	89,465	—	—	89,465
Due to related parties	168,955	—	—	168,955
	258,420	83,784	—	342,204

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	155,188	—	155,188
Other payables	102,561	—	—	102,561
Due to related parties	270,709	—	—	270,709
	373,270	155,188	—	528,458

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	139,129	—	139,129
Other payables	117,142	—	—	117,142
Due to related parties	286,842	—	—	286,842
	403,984	139,129	—	543,113

Target Company

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	62,278	—	62,278
Other payables	68,246	—	—	68,246
Due to subsidiaries	—	10,571	—	10,571
Due to related parties	15	131,529	—	131,544
	68,261	204,378	—	272,639

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	130,470	—	130,470
Other payables	88,595	—	—	88,595
Due to subsidiaries	—	12,528	—	12,528
Due to related parties	12,308	109,548	—	121,856
	100,903	252,546	—	353,449

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	148,764	—	148,764
Other payables	101,588	—	—	101,588
Due to subsidiaries	—	29,630	—	29,630
Due to related parties	18,603	249,257	—	267,860
	120,191	427,651	—	547,842

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	131,060	—	131,060
Other payables	115,949	—	—	115,949
Due to subsidiaries	—	29,247	—	29,247
Due to related parties	18,346	264,915	—	283,261
	134,295	425,222	—	559,517

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade payables, financial liabilities included in other payables and accruals and amounts due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	70,024	83,784	155,188	139,129
Other payables and accruals	69,187	89,465	102,561	117,142
Due to related parties	131,644	168,955	270,709	286,842
Less: Cash and cash equivalents	(57,598)	(38,303)	(48,501)	(41,924)
Net debt	213,257	303,901	479,957	501,189
Total capital	29,056	36,171	33,401	36,478
Total capital and net debt	242,313	340,072	513,358	537,667
Gearing ratio	88%	89%	93%	93%

23. **Events after the reporting period**

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

24. **Subsequent financial statements**

No audited financial statements have been prepared by the Target Company or any of its subsidiaries comprising the Target Group in respect of any period subsequent to 30 September 2015.

Yours faithfully

Certified Public Accountants
Hong Kong

3.9 **China Shipping Container Lines Hainan Company Limited (中海集裝箱運輸海南有限公司)**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China COSCO Holdings Company Limited.

Dear Sirs,

We set out below our report on the financial information of China Shipping Container Lines Hainan Company Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of the Target Group (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 14 June 2001.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business and were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)") registered in the PRC.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiary as set out in note 1 of Section II below. All companies in the Target Group have adopted

31 December as their financial year end date. The statutory financial statements of the companies in the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the financial statements of the Target Group (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014, and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance HKFRSs issued by the HKICPA , and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, and of the financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

	Notes	Year ended 31 December			Nine months ended 30 September	
		2012	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
REVENUE	4	19,390	28,502	28,560	21,021	16,955
Cost of sales		(10,737)	(18,345)	(18,334)	(13,085)	(9,668)
Gross profit		8,653	10,157	10,226	7,936	7,287
Other income and gains	4	251	318	326	289	264
Administrative expenses		(7,850)	(7,252)	(7,263)	(5,944)	(5,030)
Other expenses		(16)	(74)	—	—	—
Profit before tax	5	1,038	3,149	3,289	2,281	2,521
Income tax expense	6	(906)	(1,003)	(1,289)	(571)	(399)
Profit and total comprehensive income for the year/period		132	2,146	2,000	1,710	2,122

Consolidated statements of financial position

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	8	6,156	5,525	5,044	5,000
Total non-current assets		6,156	5,525	5,044	5,000
CURRENT ASSETS					
Trade receivables	10	45,935	68,429	64,301	62,444
Prepayments, and other receivables	11	6	359	180	460
Amounts due from related parties	18(b)	21,209	16,554	29,654	40,270
Cash and cash equivalents	12	4,662	5,874	7,169	7,513
Total current assets		71,812	91,216	101,304	110,687
CURRENT LIABILITIES					
Trade payables	13	16,451	21,749	26,997	27,345
Other payables and accruals	14	2,186	1,103	2,075	2,189
Tax payable		359	951	183	416
Amounts due to related parties	18(b)	40,583	54,057	58,281	64,803
Total current liabilities		59,579	77,860	87,536	94,753
NET CURRENT ASSETS		12,233	13,356	13,768	15,934
TOTAL ASSETS LESS CURRENT LIABILITIES		18,389	18,881	18,812	20,934

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 September 2015 RMB'000
Net assets		18,389	18,881	18,812	20,934
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	15	10,000	10,000	10,000	10,000
Reserves		8,389	8,881	8,812	10,934
Total equity		18,389	18,881	18,812	20,934

Consolidated statements of changes in equity

	Attributable to owners of the parent			
	Paid-in capital	**Reserve**	**Retained earings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	10,000	1,773	7,112	18,885
Profit and total comprehensive income for the year	—	—	132	132
Dividends paid to shareholders	—	—	(628)	(628)
Transferred from retained earnings	—	3	(3)	—
At 31 December 2012	10,000	1,776	6,613	18,389
At 1 January 2013	10,000	1,776	6,613	18,389
Profit and total comprehensive income for the year	—	—	2,146	2,146
Dividends paid to shareholders	—	—	(1,654)	(1,654)
Transferred from retained earnings	—	208	(208)	—
At 31 December 2013	10,000	1,984	6,897	18,881
At 1 January 2014	10,000	1,984	6,897	18,881
Profit and total comprehensive income for the year ended 31 December 2014	—	—	2,000	2,000
Dividends paid to shareholders	—	—	(2,069)	(2,069)
Transferred from retained earnings	—	192	(192)	—
At 31 December 2014	10,000	2,176	6,636	18,812

	Attributable to owners of the parent			
	Paid-in capital	**Reserve**	**Retained earings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	10,000	2,176	6,636	18,812
Profit and total comprehensive income for the period	—	—	2,122	2,122
At 30 September 2015	10,000	2,176	8,758	20,934
At 1 January 2014	10,000	1,984	6,897	18,881
Profit and total comprehensive income for the period	—	—	1,710	1,710
Dividends paid to shareholders	—	—	(2,069)	(2,069)
At 30 September 2014 (unaudited)	10,000	1,984	6,538	18,522

Consolidated statements of cash flows

					Nine months ended 30 September	
		Year ended 31 December				
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		1,038	3,149	3,289	2,281	2,521
Adjustments for:						
Depreciation of items of property, plant and equipment	8	751	736	572	429	417
Interest income	4	(23)	(18)	(12)	(9)	(20)
(Gain)/loss on disposal of items of property, plant and equipment	4	(228)	1	4	—	—
		1,538	3,868	3,853	2,701	2,918
Decrease/(increase) in trade receivables		3,373	(22,494)	4,128	(38,931)	1,857
(Increase)/decrease in prepayments, deposits and other receivables		(321)	(353)	179	(251)	(280)
Decrease/(increase) in amounts due from related parties		—	4,655	(13,100)	6,554	(10,616)
(Decrease)/increase in trade payables		(1,806)	5,298	5,248	34,005	348
Increase/(decrease) in other payables and accruals		2,805	(1,083)	972	860	114
Increase/(decrease) in amounts due to related parties		—	13,474	4,224	(4,057)	6,522
Income tax paid		(3,317)	(411)	(2,057)	(1,336)	(166)
Net cash flows generated from/(used in) operating activities		2,272	2,954	3,447	(455)	697

	Notes	Year ended 31 December			Nine months ended 30 September	
		2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		23	18	12	9	20
Purchases of items of property, plant and equipment		(430)	(107)	(95)	(68)	(373)
Proceeds from disposal of items of property,plant and equipment		228	1	—	—	—
Net cash flows used in investing activities		(179)	(88)	(83)	(59)	(353)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		(628)	(1,654)	(2,069)	(2,069)	—
Net cash flows used in financing activities		(628)	(1,654)	(2,069)	(2,069)	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,465	1,212	1,295	(2,583)	344
Cash and cash equivalents at beginning of year/period	12	3,197	4,662	5,874	5,874	7,169
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	12	4,662	5,874	7,169	3,291	7,513

Statements of financial position

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 September 2015 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	8	5,486	5,069	4,681	4,450
Investments in subsidiary	9	7,700	7,700	7,700	7,700
Total non-current assets		13,186	12,769	12,381	12,150
CURRENT ASSETS					
Trade receivables	10	34,406	56,859	38,183	48,251
Prepayments, and other receivables	11	6	359	180	407
Amounts due from related parties	18(b)	1,684	2,088	9,582	24,681
Cash and cash equivalents	12	1,346	816	1,599	797
Total current assets		37,442	60,122	49,544	74,136
CURRENT LIABILITIES					
Trade payables	13	5,451	13,125	14,042	18,840
Other payables and accruals	14	539	237	585	494
Tax payable		156	945	114	183
Amounts due to a subsidiary	18(b)	4,108	874	674	892
Amounts due to related parties	18(b)	22,863	39,768	28,716	47,764
Total current liabilities		33,117	54,949	44,131	68,173
NET CURRENT ASSETS		4,325	5,173	5,413	5,963
TOTAL ASSETS LESS CURRENT LIABILITIES		17,511	17,942	17,794	18,113

		As at 31 December			**As at 30 September**
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets		17,511	17,942	17,794	18,113
EQUITY					
Paid-in capital	15	10,000	10,000	10,000	10,000
Reserves	16	7,511	7,942	7,794	8,113
Total equity		17,511	17,942	17,794	18,113

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

China Shipping Container Lines Hainan Company Limited was established in the People's Republic of China (the "PRC") as a company with limited liability on 14 June 2001. The registered office of the Target Company is located at Room 0601-0602, 6/F, Xinpu Tower, Yangpu, Hainan, the PRC.

China Shipping Container Lines Hainan Company Limited (the "Target Company") and its subsidiary (hereinafter collectively referred to as the "Target Group") are principally engaged in the provision of services of international cargo shipping agency and domestic shipping agency, freight agency and the related businesses in Yangpu Port and Yangpu Economic Development Zone.

The ultimate holding company of the Target Company is China Shipping (Group) Company, which is established in the PRC.

As at the date of this report, the Target Company had direct interests in its subsidiary, which is a private company with limited liability, the particulars of which are set out below:

Company	Place of incorporation	Nominal value of issued shares/ paid-up capital	Percentage of interest attributable to the Target Company	Principal activity
China Shipping Container Lines (Haikou) Co., Ltd.*	PRC	RMB3,000,000	100%	Agency services

* Statutory audited financial statements for years ended 31 December 2012, 2013 and 2014 of the subsidiary were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)").

2.1 Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, (HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015 have been early adopted in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The Financial Information incorporates the financial statements of the Target Company and its subsidiary for the Relevant Periods. The financial statements of the subsidiary are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of the subsidiary are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiary below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 **New and revised HKFRSs not yet adopted**

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations*[1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

[1] Effective for annual periods beginning on or after 1 January 2016

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Group

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Group's operation and may result in changes in the Target Group's accounting policies and changes in presentation and measurement of certain items in the Target Group's Financial Information.

2.3 **Summary of significant accounting policies**

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company and/or its other subsidiaries. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Company's voting rights and potential voting rights.

The results of the subsidiary are included in the Target Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Target Company's investment in the subsidiary that is not classified as held for sale in accordance with HKFRS 5 is stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Dividends

Dividends are simultaneously proposed and declared, because the Target Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same company;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) Revenue comprises shipping agent service income from related parties and third parties. The revenue is recognized when relevant services have been rendered; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Retirement benefits

The Target Company and its subsidiary established and operating in Mainland China are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiary's employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Subsequent measurement

The subsequent measurement of loans and receivables as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The annual depreciation rate of property, plant and equipment are as follows:

Category	**Annual depreciation rate**
Buildings	2.38% - 3.17%
Motor vehicles	11.88% - 15.83%
Computer, office equipment and furniture	11.88% - 31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Foreign currencies

The Financial Information is presented in RMB, which is also the functional currency of the Target Company and its subsidiaries. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

3. **Significant accounting judgements and estimates**

The preparation of the Target Group's financial information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade receivables amounted to RMB1,762,000, RMB1,918,000, RMB1,417,000 and RMB1,372,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

4. **Revenue, other income and gains**

Revenue, which is also the Target Group's turnover, represents the value of services rendered during the Relevant Period.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue					
Shipping agency income	19,390	28,502	28,560	21,021	16,955
Other income and gains					
Interest income	23	18	12	9	20
Government grants related to income	—	301	310	272	227
Gain/(loss) on disposal of items of property, plant and equipment	228	(1)	(4)	—	—
Others	—	—	8	8	17
	251	318	326	289	264

5. **Profit before tax**

The Target Company's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Nine months ended 30 September	
		2012	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Employee benefit expenses		12,808	11,799	13,846	9,134	8,991
Operating lease charges		45	48	34	23	33
Depreciation	8	751	736	572	429	417
Auditors' remuneration		20	—	—	—	7
Provision for/(reversal of) impairment of trade receivables		402	541	(796)	—	(45)
Loss on disposal of items of property, plant and equipment		—	1	4	—	—

6. **Income tax**

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the Target Company and its subsidiary as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax	906	1,003	1,289	571	399
Total tax charge for the year/period	906	1,003	1,289	571	399

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Target Group is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	1,038	3,149	3,289	2,281	2,521
Tax at the applicable tax rate of 25%	259	787	822	570	630
Adjustments in respect of current tax of previous periods	—	—	—	—	(248)
Temporary differences not recognised	101	135	(199)	1	(11)
Expense not deductible for tax	546	81	666	—	28
Tax charge at the effective tax rate	906	1,003	1,289	571	399

7. **Dividends**

The Target Group declared and paid dividends of RMB628,000, RMB1,654,000, RMB2,069,000 and nil to the shareholders for the years ended 31 December 2012, 2013 and 2014, and the nine months ended 30 September 2015.

8. **Property, plant and equipment**

Target Group

	Buildings	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012				
Cost	5,926	1,246	1,390	8,562
Accumulated depreciation	(777)	(504)	(804)	(2,085)
Net carrying amount	5,149	742	586	6,477
At 1 January 2012, net of accumulated depreciation	5,149	742	586	6,477
Additions	—	380	50	430
Depreciation provided during the year (note 5)	(264)	(229)	(258)	(751)
At 31 December 2012, net of accumulated depreciation	4,885	893	378	6,156
At 31 December 2012				
Cost	5,926	1,626	1,387	8,939
Accumulated depreciation	(1,041)	(733)	(1,009)	(2,783)
Net carrying amount	4,885	893	378	6,156
At 1 January 2013, net of accumulated depreciation	4,885	893	378	6,156
Additions	—	—	107	107
Disposals	—	—	(2)	(2)
Depreciation provided during the year (note 5)	(263)	(240)	(233)	(736)
At 31 December 2013, net of accumulated depreciation	4,622	653	250	5,525
At 31 December 2013				
Cost	5,847	1,626	1,405	8,878
Accumulated depreciation	(1,225)	(973)	(1,155)	(3,353)
Net carrying amount	4,622	653	250	5,525

Target Group

	Buildings	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014				
Cost	5,847	1,626	1,405	8,878
Accumulated depreciation	(1,225)	(973)	(1,155)	(3,353)
Net carrying amount	4,622	653	250	5,525
At 1 January 2014, net of accumulated depreciation	4,622	653	250	5,525
Additions	—	—	95	95
Disposals	—	—	(4)	(4)
Depreciation provided during the year (note 5)	(237)	(213)	(122)	(572)
At 31 December 2014, net of accumulated depreciation	4,385	440	219	5,044
At 31 December 2014				
Cost	5,847	1,626	1,366	8,839
Accumulated depreciation	(1,462)	(1,186)	(1,147)	(3,795)
Net carrying amount	4,385	440	219	5,044
At 1 January 2015, net of accumulated depreciation	4,385	440	219	5,044
Additions	—	—	373	373
Depreciation provided during the period (note 5)	(178)	(165)	(74)	(417)
At 30 September 2015, net of accumulated depreciation	4,207	275	518	5,000
At 30 September 2015				
Cost	5,847	1,626	1,738	9,211
Accumulated depreciation	(1,640)	(1,351)	(1,220)	(4,211)
Net carrying amount	4,207	275	518	5,000

Target Company

	Buildings	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012				
Cost	5,847	534	921	7,302
Accumulated depreciation	(751)	(156)	(471)	(1,378)
Net carrying amount	5,096	378	450	5,924
At 1 January 2012, net of accumulated depreciation	5,096	378	450	5,924
Additions	—	91	—	91
Disposals	—	—	—	—
Depreciation provided during the year	(237)	(94)	(198)	(529)
At 31 December 2012, net of accumulated depreciation	4,859	375	252	5,486
At 31 December 2012				
Cost	5,847	624	867	7,338
Accumulated depreciation	(988)	(249)	(615)	(1,852)
Net carrying amount	4,859	375	252	5,486
At 1 January 2013, net of accumulated depreciation	4,859	375	252	5,486
Additions	—	—	107	107
Disposals	—	—	(2)	(2)
Depreciation provided during the year	(237)	(99)	(186)	(522)
At 31 December 2013, net of accumulated depreciation	4,622	276	171	5,069
At 31 December 2013				
Cost	5,847	624	885	7,356
Accumulated depreciation	(1,225)	(348)	(714)	(2,287)
Net carrying amount	4,622	276	171	5,069

Target Company

	Machinery	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014				
Cost	5,847	624	885	7,356
Accumulated depreciation	(1,225)	(348)	(714)	(2,287)
Net carrying amount	4,622	276	171	5,069
At 1 January 2014, net of accumulated depreciation	4,622	276	171	5,069
Additions	—	—	25	25
Disposals	—	—	(3)	(3)
Depreciation provided during the year	(237)	(100)	(73)	(410)
At 31 December 2014, net of accumulated depreciation	4,385	176	120	4,681
At 31 December 2014				
Cost	5,847	624	813	7,284
Accumulated depreciation	(1,462)	(448)	(693)	(2,603)
Net carrying amount	4,385	176	120	4,681
At 1 January 2015, net of accumulated depreciation	4,385	176	120	4,681
Additions	—	—	61	61
Disposals	—	—	—	—
Depreciation provided during the period	(178)	(74)	(40)	(292)
At 30 September 2015, net of accumulated depreciation	4,207	102	141	4,450
At 30 September 2015				
Cost	5,847	624	875	7,346
Accumulated depreciation	(1,640)	(522)	(734)	(2,896)
Net carrying amount	4,207	102	141	4,450

9. **Investment in a subsidiary**

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	7,700	7,700	7,700	7,700

The amounts due to subsidiaries included in the Target Company's current liabilities of RMB4,108,000, RMB874,000, RMB674,000 and RMB892,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, were unsecured, interest-free and had no fixed terms of repayment.

10. **Trade receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	42,563	67,330	47,216	45,711
Bills receivable	5,044	3,017	18,502	18,105
Provision of impairment	(1,672)	(1,918)	(1,417)	(1,372)
	45,935	68,429	64,301	62,444

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	32,505	56,190	26,247	38,304
Bills receivable	3,112	2,427	12,932	11,215
Provision of impairment	(1,211)	(1,758)	(996)	(1,268)
	34,406	56,859	38,183	48,251

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

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	43,918	70,347	51,256	48,476
Between 4 and 6 months	3,689	—	14,462	15,340
	47,067	70,347	65,718	63,816
Less: Provision for impairment of trade receivables	(1,672)	(1,918)	(1,417)	(1,372)
	45,935	68,429	64,301	62,444

The Target Group's trading terms with its customers are mainly on credit. Credit terms within three months are granted to those customers with good repayment history.

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	32,739	58,617	28,728	38,677
Between 4 and 6 months	2,878	—	10,451	10,842
	35,617	58,617	39,179	49,519

The Target Company's trading terms with its customers are mainly on credit. Credit terms within three months are granted to those customers with good repayment history.

Movements in the provision for impairment of trade receivables were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	(1,270)	(1,672)	(1,918)	(1,417)
Provision for impairment of trade receivables	(402)	(246)	—	—
Write off	—	—	501	45
At end of year/period	(1,672)	(1,918)	(1,417)	(1,372)

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	(855)	(1,211)	(1,758)	(996)
Provision for impairment of trade receivables	(356)	(574)	—	(272)
Write off	—	—	762	—
At end of year/period	(1,211)	(1,758)	(996)	(1,268)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered. The Target Group and the Target Company do not hold any collateral or other credit enhancements over these balances.

11. **Prepayments and other receivables**

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	—	—	—	339
Prepayments	6	359	180	121
	6	359	180	460

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	—	—	—	286
Prepayments	6	359	180	121
	6	359	180	407

12. **Cash and cash equivalents**

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	1,427	1,254	377	103
USD	3,235	4,620	6,792	7,410
Cash and bank balances	4,662	5,874	7,169	7,513

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	1,346	816	374	103
USD	—	—	1,225	694
Cash and bank balances	1,346	816	1,599	797

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the reporting period.

13. **Trade payables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	16,451	21,749	26,997	27,345

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	5,451	13,125	14,042	18,840

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

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	16,451	21,749	26,997	27,345

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	5,451	13,125	14,042	18,840

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

14. **Other payables and accruals**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	187	213	714	324
Payroll payables	1,296	58	233	359
Taxes other than income tax	346	222	309	54
Other payables	357	610	819	1,452
	2,186	1,103	2,075	2,189

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	7	2	9	37
Payroll payables	390	39	153	239
Taxes other than income tax	111	165	225	43
Other payables	31	31	198	175
	539	237	585	494

Other payables are non-interest-bearing and have an average term of three months.

15. **Paid-in capital**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	10,000	10,000	10,000	10,000

16. **Reserves**

The amounts of the Target Company's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity of the Financial Information.

Target Company

	Capital surplus	Statutory surplus reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2012	529	1,283	6,302	8,114
Profit for the year	—	—	25	25
Dividends to shareholder	—	—	(628)	(628)
Transfer from retained profits	—	2	(2)	—
Balance at 31 December 2012	529	1,285	5,697	7,511
Balance at 1 January 2013	529	1,285	5,697	7,511
Profit for the year	—	—	2,085	2,085
Dividends to shareholder	—	—	(1,654)	(1,654)
Transfer from retained profits	—	208	(208)	—
Balance at 31 December 2013	529	1,493	5,920	7,942
Balance at 1 January 2014	529	1,493	5,920	7,942
Profit for the year	—	—	1,921	1,921
Dividends to shareholder	—	—	(2,069)	(2,069)
Transfer from retained profits	—	192	(192)	—
Balance at 31 December 2014	529	1,685	5,580	7,794
Balance at 1 January 2015	529	1,685	5,580	7,794
Profit for the period	—	—	319	319
Balance at 30 September 2015	529	1,685	5,899	8,113

17. **Operating lease commitments**

As lessee

The Target Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging within one year.

The Target Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	26	43	32	34
	26	43	32	34

The Target Company leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging within one year.

The Target Company had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	14	39	17	25
	14	39	17	25

18. **Related party transactions**

(a) ***Transactions with related parties***

In addition to the related party transactions set out in the respective notes to the Financial Information, the Target Group entered into the following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Transactions with immediate holding company					
Shipping agent income	1,906	2,502	2,507	1,865	1,667
Transactions with fellow subsidiaries					
Interest income	—	—	115	89	94

(b) ***Outstanding balances with related parties:***

The Target Group had the following significant balances with its related parties during the Relevant Periods:

(i) *Due from related parties*

The Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding company				
Trade receivables	—	—	17,015	24,595
Balances with fellow subsidiaries				
Trade receivables	20,559	16,516	12,567	15,675
Less: impairment	—	(295)	—	—
	20,559	16,221	12,567	15,675
Prepayments	650	333	72	—

The Target Company had the following significant balances with its related parties during the Relevant Periods:

The Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding company				
Trade receivables	—	—	7,264	23,678
Balances with fellow subsidiaries				
Trade receivables	1,428	1,931	2,246	1,003
Prepayments	256	157	72	—

The amounts due from the related parties were interest-free, unsecured and had no fixed terms of repayment.

(ii) *Due to related parties*

The Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding company				
Trade payables	31,643	34,210	47,587	60,237
Balances with fellow subsidiaries				
Trade payables	8,914	19,600	10,308	4,461
Other payables	26	247	386	105

The Target Company had the following significant balances with its related parties during the Relevant Periods:

The Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with a subsidiary				
Trade payables	4,108	874	674	892
Balance with fellow subsidiaries				
Trade payables	18,004	31,158	25,941	46,231
Balance with fellow subsidiaries				
Trade payables	724	7,489	1,752	506
Other payables	4,135	1,121	1,023	1,027

Amounts due to the related parties were interest-free, unsecured and have no fixed terms of repayment.

(iii) *Balance with CS Finance*

The Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits	—	—	6,792	7,410

The Target Group placed a certain portion for its cash at China Shipping Finance Co., Ltd ("CS Finance"), a fellow subsidiary. All deposits at each of the end of Relevant Periods were demand deposits and were included in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

The Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits	—	—	1,225	694

The Target Company placed a certain portion for its cash at China Shipping Finance Co., Ltd ("CS Finance"), a fellow subsidiary. All deposits at each of the end of Relevant Periods were demand deposits and were included in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

(c) ***Key management compensation***

The Target Group

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Basic salaries	1,668	1,169	2,186	2,915	1,855
Social welfare	324	328	192	256	169
Pension and others welfare	130	143	119	159	62
	2,122	1,640	2,497	3,330	2,086

19. **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Target Group

Financial assets — loans and receivables

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	45,935	68,429	64,301	62,444
Financial assets included in prepayments, deposits and other receivables	—	—	—	339
Due from related parties	20,559	16,221	29,582	40,270
Cash and cash equivalents	4,662	5,874	7,169	7,513
	71,156	90,524	101,052	110,566

Financial liabilities at amortised cost

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	16,451	21,749	26,997	27,345
Financial liabilities included in other payables and accruals	357	610	819	1,452
Due to related parties	40,583	54,057	58,281	64,803
	57,391	76,416	86,097	93,600

Target Company

Financial assets — loans and receivables

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	34,406	56,859	38,183	48,251
Financial assets included in prepayments, deposits and other receivables	—	—	—	286
Due from related parties	1,428	1,931	9,510	24,681
Cash and cash equivalents	1,346	816	1,599	797
	37,180	59,606	49,292	74,015

Financial liabilities at amortised cost

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	5,451	13,125	14,042	18,840
Financial liabilities included in other payables and accruals	31	31	198	175
Due to a subsidiary	4,108	874	674	892
Due to related parties	22,863	39,768	28,716	47,764
	32,453	53,798	44,630	67,671

20. **Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments and other receivables, amounts due from related parties, financial liabilities included in other payables and accruals and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

21. **Financial risk management objectives and policies**

The Target Group's principal financial instruments comprise cash. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar ("US$") exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2012		
If RMB weakens against US$	5	(162)
If RMB strengthens against US$	(5)	162
Year ended 31 December 2013		
If RMB weakens against US$	5	(231)
If RMB strengthens against US$	(5)	231
Year ended 31 December 2014		
If RMB weakens against US$	5	(340)
If RMB strengthens against US$	(5)	340
Nine months ended 30 September 2015		
If RMB weakens against US$	5	(371)
If RMB strengthens against US$	(5)	371

Credit risk

The Target Group has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. The Target Group has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade receivables, prepayments and other receivables and cash and cash equivalents represents the maximum credit exposure of the Target Group. The Target Group has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Group performs periodic credit evaluations of its customers.

Further quantitative data in respect of the Target Group exposure to credit risk arising from trade receivables are disclosed in note 10 to the Financial Information.

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Target Group maintains a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The maturity profile of the Target Group's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Group

As at 31 December 2012

	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	16,451	16,451
Other payables	357	—	357
Due to related parties	40,583	—	40,583
	40,940	16,451	57,391

As at 31 December 2013

	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	21,749	21,749
Other payables	610	—	610
Due to related parties	54,057	—	54,057
	54,667	21,749	76,416

As at 31 December 2014

	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	26,997	26,997
Other payables	819	—	819
Due to related parties	58,281	—	58,281
	59,100	26,997	86,097

As at 30 September 2015

	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	27,345	27,345
Other payables	1,452	—	1,452
Due to related parties	64,803	—	64,803
	66,255	27,345	93,600

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Company

As at 31 December 2012

	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	5,451	5,451
Other payables	31	—	31
Due to a subsidiary	—	4,108	4,108
Due to related parties	4,135	18,728	22,863
	4,166	28,287	32,453

As at 31 December 2013

	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	13,125	13,125
Other payables	31	—	31
Due to a subsidiary	—	874	874
Due to related parties	1,121	38,647	39,768
	1,152	52,646	53,798

As at 31 December 2014

	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	14,042	14,042
Other payables	198	—	198
Due to a subsidiary	—	674	674
Due to related parties	1,023	27,693	28,716
	1,221	42,409	43,630

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	18,840	18,840
Other payables	175	—	175
Due to a subsidiary	—	892	892
Due to related parties	1,027	46,737	47,764
	1,202	66,469	67,671

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade payables, financial liabilities included in other payables and accruals and amounts due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	16,451	21,749	26,997	27,345
Other payables and accruals	357	610	819	1,452
Due to related parties	40,583	54,057	58,281	64,803
Less: Cash and cash equivalents	(4,662)	(5,874)	(7,169)	(7,513)
Net debt	52,729	70,542	78,928	86,087
Total capital	18,389	18,881	18,812	20,934
Total capital and net debt	71,118	89,423	97,740	107,021
Gearing ratio	74%	79%	81%	80%

22. **Events after the reporting period**

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

23. **Subsequent financial statements**

No audited financial statements have been prepared by the Target Company or its subsidiary in respect of any period subsequent to 30 September 2015.

Yours faithfully
Certified Public Accountants
Hong Kong

3.10 **China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. (中海(洋浦)冷藏儲運有限公司)**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Board of Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. (the "Target Company") and its subsidiary (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of the Target Group (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 13 December 2001.

The statutory financial statements of the Target Group for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Group in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business and were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)") registered in the PRC.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies in the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies in the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been

consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, and of the financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	4	70,647	73,024	68,792	50,810	48,126
Cost of sales		(64,648)	(64,087)	(57,101)	(42,458)	(39,292)
Gross profit		5,999	8,937	11,691	8,352	8,834
Other income and gains	4	2,317	1,523	771	306	22
Administrative expenses		(6,604)	(7,387)	(8,726)	(6,246)	(6,015)
Other expenses		(4)	—	(9)	—	(3,801)
Profit/(loss) before tax	5	1,708	3,073	3,727	2,412	(960)
Income tax expense	6	(596)	(883)	(875)	(617)	(104)
Profit and total comprehensive income/(loss and total comprehensive loss) for the year/period		1,112	2,190	2,852	1,795	(1,064)
Attributable to owners of the parent		1,112	2,190	2,852	1,795	(1,064)

Consolidated statements of financial position

		As at 31 December			As at 30 September
		2012	**2013**	**2014**	**2015**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	8	2,781	3,125	3,591	3,066
Intangible assets	9	—	—	345	525
Available-for-sale investments	10	3,800	3,800	3,800	—
Deferred tax assets	18	605	471	350	260
Total non-current assets		7,186	7,396	8,086	3,851
CURRENT ASSETS					
Inventories	12	1,508	1,536	1,239	1,570
Trade receivables	13	17	133	275	342
Prepayments and other receivables	14	896	1,195	796	1,423
Amounts due from related parties	22(b)	18,542	20,909	16,441	17,672
Cash and cash equivalents	15	6,234	4,174	4,214	3,634
Total current assets		27,197	27,947	22,965	24,641
CURRENT LIABILITIES					
Trade payables	16	13,600	14,811	3,761	10,768
Other payables and accruals	17	1,338	1,575	1,065	622
Tax payable		—	100	308	—
Amounts due to related parties	22(b)	31	7	5,062	167
Total current liabilities		14,969	16,493	10,196	11,557
NET CURRENT ASSETS		12,228	11,454	12,769	13,084
TOTAL ASSETS LESS CURRENT LIABILITIES		19,414	18,850	20,855	16,935

		As at 31 December			As at 30 September
		2012	**2013**	**2014**	**2015**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES					
Deferred tax liabilities	18	11	27	45	59
Total non-current liabilities		11	27	45	59
Net assets		19,403	18,823	20,810	16,876
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	19	6,000	6,000	6,000	6,000
Reserves	20	13,403	12,823	14,810	10,876
Total equity		19,403	18,823	20,810	16,876

Consolidated statements of changes in equity

	Paid in capital *RMB'000*	**Reserves** *RMB'000*	**Retained earnings** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2012	6,000	4,169	16,252	26,421
Profit and total comprehensive income for the year	—	—	1,112	1,112
Dividends paid to shareholders	—	—	(8,130)	(8,130)
At 31 December 2012	6,000	4,169	9,234	19,403
At 1 January 2013	6,000	4,169	9,234	19,403
Profit and total comprehensive income for the year	—	—	2,190	2,190
Dividends paid to shareholders	—	—	(2,770)	(2,770)
At 31 December 2013	6,000	4,169	8,654	18,823
At 1 January 2014	6,000	4,169	8,654	18,823
Profit and total comprehensive income for the year	—	—	2,852	2,852
Dividends paid to shareholders	—	—	(865)	(865)
At 31 December 2014	6,000	4,169	10,641	20,810
At 1 January 2014	6,000	4,169	8,654	18,823
Profit and total comprehensive income for the period	—	—	1,795	1,795
Dividends paid to shareholders	—	—	(865)	(865)
At 30 September 2014 (Unaudited)	6,000	4,169	9,584	19,753
At 1 January 2015	6,000	4,169	10,641	20,810
Loss and total comprehensive loss for the period	—	—	(1,064)	(1,064)
Dividends paid to shareholders	—	—	(2,870)	(2,870)
At 30 September 2015	6,000	4,169	6,707	16,876

Consolidated statements of cash flows

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax:		1,708	3,073	3,727	2,412	(960)
Adjustments for:						
Depreciation	8	769	624	689	517	560
Amortisation of intangible assets	9	—	—	33	25	90
Interest income	4	(109)	(33)	(51)	(44)	(21)
Impairment of available-for-sale investments	5	—	—	—	—	3,800
Loss on disposal of items of property, plant and equipment	5	3	—	7	—	1
		2,371	3,664	4,405	2,910	3,470
(Increase)/decrease in inventories		(222)	(28)	297	324	(331)
Decrease/(increase) in trade receivables		620	(116)	(142)	(375)	(67)
(Increase)/decrease in prepayments and other receivables		(292)	(299)	399	206	(627)
(Increase)/decrease in amounts due from related parties		(4,693)	(2,367)	4,468	4,487	(1,231)
Increase/(decrease) in trade payables		2,208	1,211	(11,050)	(5,402)	7,007
Increase/(decrease) in other payables and accruals		1,284	237	(510)	525	(443)
(Increase)/decrease in amounts due to related parties		3,614	(24)	5,055	(7)	(4,895)
Cash generated from operations		4,890	2,278	2,922	2,668	2,883
Income tax paid		(1,854)	(633)	(528)	(527)	(308)
Net cash flows generated from in operating activities		3,036	1,645	2,394	2,141	2,575

	Notes	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (unaudited)	Nine months ended 30 September 2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment and intangible assets		(2,047)	(1,047)	(1,542)	(1,000)	(321)
Interest received		109	33	51	44	21
Proceeds from disposal of items of property, plant and equipment		5	79	2	—	15
Net cash flows used in investing activities		(1,933)	(935)	(1,489)	(956)	(285)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		(8,130)	(2,770)	(865)	(865)	(2,870)
Net cash flows used in financing activities		(8,130)	(2,770)	(865)	(865)	(2,870)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(7,027)	(2,060)	40	320	(580)
Cash and cash equivalents at beginning of year/period		13,261	6,234	4,174	4,174	4,214
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	15	6,234	4,174	4,214	4,494	3,634

Statements of financial position

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	8	2,237	2,604	3,092	2,671
Intangible assets	9	—	—	345	525
Investment in subsidiary	11	2,000	2,000	2,000	2,000
Available-for-sale investments	10	3,800	3,800	3,800	—
Deferred tax assets	18	65	—	—	—
Total non-current assets		8,102	8,404	9,237	5,196
CURRENT ASSETS					
Inventories	12	1,271	1,289	1,089	1,353
Trade receivables		15	—	148	315
Prepayments and other receivables	14	855	733	501	1,066
Amounts due from a subsidiary	22(b)	—	—	690	—
Amounts due from related parties	22(b)	15,531	18,487	14,053	15,578
Cash and cash equivalents	15	3,220	3,610	1,848	3,314
Total current assets		20,892	24,119	18,329	21,626
CURRENT LIABILITIES					
Trade payables	16	10,807	13,266	7,581	9,127
Other payables and accruals	17	1,152	1,274	830	464
Tax payable		—	—	181	—
Amounts due to a subsidiary	22(b)	786	3,465	3,126	4,883
Amounts due to related parties	22(b)	31	7	77	160
Total current liabilities		12,776	18,012	11,795	14,634
NET CURRENT ASSETS		8,116	6,107	6,534	6,992
TOTAL ASSETS LESS CURRENT LIABILITIES		16,218	14,511	15,771	12,188

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES					
Deferred tax liabilities	18	11	27	45	59
Total non-current liabilities		11	27	45	59
Net assets		16,207	14,484	15,726	12,129
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	19	6,000	6,000	6,000	6,000
Reserves	20	10,207	8,484	9,726	6,129
Total equity		16,207	14,484	15,726	12,129

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. was established in the People's Republic of China as a company with limited liability on 13 December 2001. The registered office of the Companies is located at Room A401, Jinlan Shopping Center, Yuanyang Road, Yangpu Economic Development Zone, Hainan, the PRC.

China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. and its subsidiary are principally engaged in container storage, inspection of containers and other transport equipment, container equipment repairing, imports of power generation equipment and transportation refrigeration equipment, cold storage; import and export trade, equipment supplier agent, external technical advising and container repairing and washing agent.

In the opinion of the Directors, the ultimate holding company of the Company is China Shipping (Group) Company, which are incorporated in the PRC.

As at the date of this report, the Target Company had direct interests in its subsidiary, which is Shenzhen China Shipping Refrigeration Storage & Transportation Co., Ltd., the particulars of which are set out below:

Company	Place of incorporation	Nominal value of issued shares/ paid-up capital	Percentage of interest attributable to the Companies	Principal activity
Shenzhen China Shipping Refrigeration Storage & Transportation Co., Ltd.	PRC	RMB2 million	100%	Provision of shipping services

* Statutory audited financial statements of the subsidiary for the years ended 31 December 2012, 2013 and 2014 prepared in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)").

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all value are rounded to the nearest thousands, except when otherwise indicated.

Basis of consolidation

This consolidated Financial Information incorporates the financial statements of the Target Company and its subsidiary for the Relevant Periods. The financial statements of the subsidiary were prepared for the same reporting period as the Target Group, using consistent accounting policies. The results of subsidiary are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for the subsidiary below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 **Issued but not yet effective HKFRSs**

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments* [2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations* [1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception* [1]
HKFRS 14	*Regulatory Deferral Accounts* [3]
HKFRS 15	*Revenue from Contracts with Customers* [2]
Amendments to HKAS 1	*Disclosure Initiative* [1]

Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Group

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Group's operation and may result in changes in the Target Group's accounting policies and changes in presentation and measurement of certain items in the Target Group's Financial Information.

2.3 Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company and/or its other subsidiaries. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same company;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) Service income, revenue from the rendering of services is recognised when the relevant services have been rendered.

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Employee benefits

The Target Group are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Subsequent measurement

The subsequent measurement of loans and receivables is follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Target Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Target Group is unable to trade these financial assets due to inactive markets, the Target Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company financial liabilities include trade payables, financial liabilities included in other payables and accruals and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Target Company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal depreciation rates used for this purpose are as follows:

Machinery	4.80%~12.00%
Motor vehicles	11.88% ~ 15.83%
Computer, office equipment and furniture	11.88%~31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Dividends

Dividends are simultaneously proposed and declared, because the Target Company's articles of association grant the Directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Financial Information is presented in RMB, which is also the functional currency of the Target Company and its subsidiaries. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

3. **Significant accounting judgements and estimates**

The preparation of the Target Group Financial Information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Target assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade receivables amounted to RMB 1,000, nil, RMB 9,000 and RMB 11,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Useful lives of property, plant and equipment

The Target Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete or non-strategic assets that have been abandoned.

4. **Revenue, other income and gains**

Revenue, which is also the Target Company's turnover, represents the value of services rendered during the period.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue:					
Container repairing and maintenance	70,647	73,024	68,792	50,810	48,126
Other income and gains					
Interest income	109	33	51	44	21
Government grants	2,083	1,316	384	—	—
Gains on disposal of items of property, plant and equipment	3	—	7	—	1
Others	122	174	329	262	—
	2,317	1,523	771	306	22

5. **Profit before tax**

The Target Group's profit before tax is arrived at after charging/(crediting):

					Nine months ended	
		Year ended 31 December			30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Employee benefit expenses		15,782	19,295	20,878	15,656	13,692
Service charges for repairing and maintenance		46,833	38,541	30,396	22,797	20,757
Operating lease charges		371	861	1,088	801	842
Depreciation	8	769	624	689	517	560
Auditors' remuneration		3	29	8	8	45
Amortisation	9	—	—	33	25	90
Provision for/(reversal of) impairment of receivables		43	20	(39)	—	9
Gain on disposal of property, plant and equipment		3	—	7	—	1
Impairment of available-for sale investment		—	—	—	—	3,800

6. **Income tax**

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the Target Company and its subsidiary as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

					Nine months ended	
		Year ended 31 December			30 September	
	Note	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Current tax		586	733	736	617	—
Deferred tax	18	10	150	139	—	104
Total tax charge for the year/period		596	883	875	617	104

A reconciliation of the tax expense applicable to profit before tax at the statutory rates to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit/(loss) before tax	1,708	3,073	3,727	2,412	(960)
Tax calculated at an income tax rate of 25%	427	768	932	603	(240)
Adjustment in respect of current tax of prior year	—	—	(57)	—	104
Expenses not deductible for tax	158	110	—	14	—
Temporary differences not recognised	11	5	—	—	240
Tax charge at the effective rate	596	883	875	617	104

7. **Dividend**

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Dividend declared and paid	8,130	2,770	865	865	2,870

8. **Property, plant and equipment**

Target Group

	Machinery	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012				
Cost	7,115	650	355	8,120
Accumulated depreciation	(5,842)	(506)	(261)	(6,609)
Net carrying amount	1,273	144	94	1,511
At 1 January 2012, net of accumulated depreciation	1,273	144	94	1,511
Additions	1,436	523	88	2,047
Disposals	—	(8)	—	(8)
Depreciation provided during the year	(654)	(60)	(55)	(769)
At 31 December 2012, net of accumulated depreciation	2,055	599	127	2,781
At 31 December 2012				
Cost	8,551	1,004	444	9,999
Accumulated depreciation	(6,496)	(405)	(317)	(7,218)
Net carrying amount	2,055	599	127	2,781
At 1 January 2013, net of accumulated depreciation	2,055	599	127	2,781
Additions	89	—	958	1,047
Disposals	(79)	—	—	(79)
Depreciation provided during the year	(425)	(91)	(108)	(624)
At 31 December 2013, net of accumulated depreciation	1,640	508	977	3,125
At 31 December 2013				
Cost	7,065	1,004	1,402	9,471
Accumulated depreciation	(5,425)	(496)	(425)	(6,346)
Net carrying amount	1,640	508	977	3,125

Target Group

	Machinery *RMB'000*	Motor vehicles *RMB'000*	Computer, office equipment and furniture *RMB'000*	Total *RMB'000*
At 1 January 2014				
Cost	7,065	1,004	1,402	9,471
Accumulated depreciation	(5,425)	(496)	(425)	(6,346)
Net carrying amount	1,640	508	977	3,125
At 1 January 2014, net of accumulated depreciation	1,640	508	977	3,125
Additions	822	179	163	1,164
Disposals	(2)	—	(7)	(9)
Depreciation provided during the year	(258)	(73)	(358)	(689)
At 31 December 2014, net of accumulated depreciation	2,202	614	775	3,591
At 31 December 2014				
Cost	7,799	1,183	1,428	10,410
Accumulated depreciation	(5,597)	(569)	(653)	(6,819)
Net carrying amount	2,202	614	775	3,591
At 1 January 2015, net of accumulated depreciation	2,202	614	775	3,591
Additions	14	—	37	51
Disposals	—	(16)	—	(16)
Depreciation provided during the period	(226)	(70)	(264)	(560)
At 30 September 2015, net of accumulated depreciation	1,990	528	548	3,066
At 30 September 2015				
Cost	7,813	858	1,465	10,136
Accumulated depreciation	(5,823)	(330)	(917)	(7,070)
Net carrying amount	1,990	528	548	3,066

Target Company

	Machinery	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012				
Cost	1,808	566	280	2,654
Accumulated depreciation	(1,675)	(468)	(213)	(2,356)
Net carrying amount	133	98	67	298
At 1 January 2012, net of accumulated depreciation	133	98	67	298
Additions	1,436	523	86	2,045
Disposals	—	(8)	—	(8)
Depreciation provided during the year	(17)	(40)	(41)	(98)
At 31 December 2012, net of accumulated depreciation	1,552	573	112	2,237
At 31 December 2012				
Cost	3,244	921	366	4,531
Accumulated depreciation	(1,692)	(348)	(254)	(2,294)
Net carrying amount	1,552	573	112	2,237
At 1 January 2013, net of accumulated depreciation	1,552	573	112	2,237
Additions	74	—	731	805
Disposals	(79)	—	—	(79)
Depreciation provided during the year	(190)	(71)	(98)	(359)
At 31 December 2013, net of accumulated depreciation	1,357	502	745	2,604
At 31 December 2013				
Cost	1,743	921	1,097	3,761
Accumulated depreciation	(386)	(419)	(352)	(1,157)
Net carrying amount	1,357	502	745	2,604

Target Company

	Machinery	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014				
Cost	1,743	921	1,097	3,761
Accumulated depreciation	(386)	(419)	(352)	(1,157)
Net carrying amount	1,357	502	745	2,604
At 1 January 2014, net of accumulated depreciation	1,357	502	745	2,604
Additions	820	93	260	1,173
Disposals	(2)	—	(7)	(9)
Depreciation provided during the year	(252)	(71)	(353)	(676)
At 31 December 2014, net of accumulated depreciation	1,923	524	645	3,092
At 31 December 2014				
Cost	2,475	1,014	1,331	4,820
Accumulated depreciation	(552)	(490)	(686)	(1,728)
Net carrying amount	1,923	524	645	3,092
At 1 January 2015, net of accumulated depreciation	1,923	524	645	3,092
Additions	12	—	78	90
Disposals	—	(16)	—	(16)
Depreciation provided during the year	(222)	(62)	(211)	(495)
At 30 September 2015, net of accumulated depreciation	1,713	446	512	2,671
At 30 September 2015				
Cost	2,487	689	1,409	4,585
Accumulated depreciation	(774)	(243)	(897)	(1,914)
Net carrying amount	1,713	446	512	2,671

9. **Intangible assets**

Target Group

	Software
	RMB'000
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	—
Additions	378
Amortisation provided during the year	(33)
At 31 December 2014	345
At 31 December 2014:	
Cost	378
Accumulated amortisation	(33)
Net carrying amount	345
30 September 2015	
Cost at 1 January 2015, net of accumulated amortisation	345
Additions	270
Amortisation provided during the period	(90)
At 31 December 2015	525
At 30 September 2015:	
Cost	648
Accumulated amortisation	(123)
Net carrying amount	525

Target Company

	Software
	RMB'000
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	—
Additions	378
Amortisation provided during the year	(33)
At 31 December 2014	345
At 31 December 2014:	
Cost	378
Accumulated amortisation	(33)
Net carrying amount	345
30 September 2015	
Cost at 1 January 2015, net of accumulated amortisation	345
Additions	270
Amortisation provided during the period	(90)
At 30 September 2015	525
At 30 September 2015:	
Cost	648
Accumulated amortisation	(123)
Net carrying amount	525

10. **Available-for-sale investments**

Target Group & Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost:	3,800	3,800	3,800	—

As at 31 December 2012, 2013 and 2014, the Target Group and Target Company held 10% equity interest in the unlisted company, China Shipping Container Lines (Yangpu) Co., Ltd. ("CS Yangpu").

The fair value of unlisted equity investments could not be reliably measured because (a) the variability in the range of reasonable fair value estimates was significant for the investment, and (b) the probabilities of the various estimates within the range could not be reasonably assessed and used in estimating fair value. The investment was stated at cost less any impairment losses.

CS Yangpu was liquidated in 2015 and the impairment of the investment cost was fully provided for.

11. **Investment in the subsidiary**

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost:	2,000	2,000	2,000	2,000

The amounts due from a subsidiary included in the Target Company's current assets of RMB690,000 as at 31 December 2014 and the amounts due to subsidiaries included in the Target Company's current liabilities of RMB786,000, RMB3,456,000, RMB3,126,000 and RMB4,883,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, were unsecured, interest-free and had no fixed terms of repayment.

12. **Inventories**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	1,508	1,536	1,239	1,570

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	1,271	1,289	1,089	1,353

13. **Trade receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	18	133	284	353
Impairment	(1)	—	(9)	(11)
	17	133	275	342

An aged analysis of the trade receivables as at each of the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	18	133	266	353

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Between 4 and 6 months	—	—	18	—
Provision for impairment of trade receivables	(1)	—	(9)	(11)
	17	133	275	342

The Target Group' trading terms with its customers are mainly on credit. Credit terms up to three months are granted to those customers with a good payment history.

Movements in the provision for impairment of trade receivables are as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	—	1	—	9
Impairment losses recognised	1	—	9	3
Impairment losses reversed	—	(1)	—	(1)
At the end of the year/period	1	—	9	11

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered. The Target Group does not hold any collateral or other credit enhancements over these balances.

The trade receivables that are not individually nor collectively considered to be impaired.

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	15	—	152	318
Impairment	—	—	(4)	(3)
	15	—	148	315

An aged analysis of the trade receivables as at each of the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	15	—	139	318
Between 4 and 6 months	—	—	13	—
Provision for impairment of trade receivables		—	(4)	(3)
	15	—	148	315

The Target Company' trading terms with its customers are mainly on credit. Credit terms up to three months are granted to those customers with a good payment history.

Movements in the provision for impairment of trade receivables are as follows:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/ period	—	—	—	—
Impairment losses recognised	—	—	9	3
Impairment losses reversed	—	—	(5)	—
At the end of the year/ period	—	—	4	3

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered. The Target Company does not hold any collateral or other credit enhancements over these balances.

The trade receivables that are not individually nor collectively considered to be impaired.

14. **Prepayments and other receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	882	1,064	666	1,410
Prepayments	14	131	130	13
	896	1,195	796	1,423

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	843	604	373	1,065
Prepayments	12	129	128	1
	855	733	501	1,066

15. **Cash and cash equivalents**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	6,234	4,174	4,214	3,634

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	3,220	3,610	1,848	3,314

All of the cash and bank balances of the Target Group and the Target Company were denominated in RMB as at 31 December 2012, 2013 and 2014, and 30 September 2015.

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of each of the Relevant Period.

16. **Trade payables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	13,600	14,811	3,761	10,768

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	10,807	13,266	7,581	9,127

An ageing analysis of the trade payables as at each of the end of the Relevant Period, based on the invoice date, is as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	11,146	14,235	3,761	10,768
4 to 6 months	2,193	199	—	—
7 to 9 months	230	140	—	—
10 to 12 months	31	237	—	—
	13,600	14,811	3,761	10,768

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	9,565	12,813	7,576	9,127
4 to 6 months	985	182	—	—
7 to 9 months	226	133	5	—
10 to 12 months	31	138	—	—
	10,807	13,266	7,581	9,127

The trade payables are non-interest-bearing and are normally settled on three month terms.

17. **Other payables and accruals**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll payables	1,218	436	325	425
Indirect tax payables	—	891	663	131
Other payables	120	248	77	66
	1,338	1,575	1,065	622

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll payables	972	343	227	264
Indirect tax payables	—	694	520	128
Other payables	180	237	83	72
	1,152	1,274	830	464

18. **Deferred tax**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	605	471	350	260
Deferred tax liabilities	(11)	(27)	(45)	(59)
	594	444	305	201

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

Target Group

	Depreciation allowance in excess of related depreciation
	RMB'000
At 1 January 2012	610
Deferred tax credited to the income statement during the year (note 6)	(5)
At 31 December 2012	605
At 31 December 2012 and 1 January 2013	605
Deferred tax credited to the income statement during the year (note 6)	(134)
At 31 December 2013	471
At 31 December 2013 and 1 January 2014	471
Deferred tax credited to the income statement during the year (note 6)	(121)
At 31 December 2014	350

	Depreciation allowance in excess of related depreciation
	RMB'000
At 31 December 2014 and 1 January 2015	350
Deferred tax credited to the income statement during the period (note 6)	(90)
At 30 September 2015	260

Target Group

The movements in deferred tax liabilities during the Relevant Periods are as follows:

Deferred tax liabilities

Target Group

	Depreciation allowance in excess of related depreciation
	RMB'000
At 1 January 2012	6
Deferred tax charged to the income statement during the year (note 6)	5
At 31 December 2012	11
At 31 December 2012 and 1 January 2013	11
Deferred tax charged to the income statement during the year (note 6)	16
At 31 December 2013	27
At 31 December 2013 and 1 January 2014	27
Deferred tax charged to the income statement during the year (note 6)	18
At 31 December 2014	45
At 31 December 2014 and 1 January 2015	45
Deferred tax charged to the income statement during the period (note 6)	14
At 30 September 2015	59

There was no significant timing difference not provided for.

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	65	—	—	—
Deferred tax liabilities	(11)	(27)	(45)	(59)
	54	(27)	(45)	(59)

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

Target Company

	Accelerated depreciation for accounting purpose
	RMB'000
At 1 January 2012	70
Deferred tax credited to the income statement during the year	(5)
At 31 December 2012	65
At 31 December 2012 and 1 January 2013	65
Deferred tax credited to the income statement during the year	(65)
At 31 December 2013,2014 and 30 September 2015	—

Target Company

The movements in deferred tax liabilities during the Relevant Periods are as follows:

Deferred tax liabilities

Target Company

	Accelerated depreciation for accounting purpose
	RMB'000
At 1 January 2012	6
Deferred tax charged to the income statement during the year	5
At 31 December 2012	11
At 31 December 2012 and 1 January 2013	11
Deferred tax charged to the income statement during the year	16
At 31 December 2013	27
At 31 December 2013 and 1 January 2014	27
Deferred tax charged to the income statement during the year	18
At 31 December 2014	45
At 31 December 2014 and 1 January 2015	45
Deferred tax charged to the income statement during the period	14
At 30 September 2015	59

There was no sigificant timing difference not provided for.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

19. **Issued capital**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in-capital	6,000	6,000	6,000	6,000

20. **Reserves**

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity of the Financial Information.

21. **Operating lease commitments**

As lessee

The Target Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years, and those for office equipment are for terms ranging between two and five years.

Target Group

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	406	917	1,239	1,305
In the second to fifth years, inclusive	4,121	4,167	2,941	2,771
	44,527	5,084	4,180	4,076

Target Company

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	297	752	795	936
In the second to fifth years, inclusive	3,183	3,200	2,529	2,328
	3,480	3,952	3,324	3,264

22. **Related party transactions**

(a) ***Transactions with related parties***

The Target Group entered into the following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Transactions with immediate holding company and fellow subsidiaries					
Revenue:					
Interest Income	—	7	47	35	22
Container repairment and maintenance	70,410	70,325	65,815	49,361	46,042
	70,410	70,332	65,862	49,396	46,064

(b) ***Outstanding balances with related parties:***

The Target Group had the following significant balances with its related parties during the Relevant Periods:

(i) *Due from related party*

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with immediate holding Company				
Trade receivables	18,418	7,076	12	17,663
Balance with fellow subsidiaries				
Trade receivables	94	13,833	16,429	9
Other receivables	30	—	—	—
	18,542	20,909	16,441	17,672

Amounts due from the related parties were interest-free, unsecured and have no fixed terms of repayment.

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with a subsidiary				
Other receivables	—	—	690	—
Balances with fellow subsidiaries				
Trade receivables	15,501	18,314	14,020	15,578
Other receivables	30	173	33	—

Amounts due from the related parties were interest-free, unsecured and have no fixed terms of repayment.

(ii) *Due to related parties*

The Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding Company				
Other payables	—	—	—	88
Balances with fellow subsidiaries				
Trade payables	31	—	5,055	—
Other payables	—	7	7	79

The amounts due to the related parties were interest-free, unsecured and have no fixed terms of repayment.

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Target Company				
Balance with fellow subsidiaries				
Other payables	786	3,456	3,126	4,883
Balance with fellow subsidiaries				
Trade payables	31	—	77	—
Other payables	—	7	—	160

The amounts due to the related parties were interest-free, unsecured and have no fixed terms of repayment.

(iii) *Balance with CS Finance*

The Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits	—	—	4,214	3,634

The Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits	—	—	1,848	3,314

The Target Group and the Target Company placed a certain portion for its cash at China Shipping Finance Co., Ltd ("CS Finance"), a fellow subsidiary. All deposits at each of the end of Relevant Periods were demand deposits and were included in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

(c) **Key management compensation**

The Target Group

	Year ended 31 December			Nine months ended 30 Septmeber
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries	764	552	1,588	1,431
Social welfare	66	254	192	169
Pension and others welfare	42	92	133	52
	872	898	1,913	1,652

23. **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each of the end of the Relevant Periods are as follows:

Target Group

As at 31 December 2012

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	—	3,800	3,800
Trade receivables	17	—	17
Financial assets included in prepayments and other receivables	882	—	882
Due from related parties	18,542	—	18,542
Cash and cash equivalents	6,234	—	6,234
	25,675	3,800	29,475

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	13,600
Financial liabilities included in other payables and accruals	120
Due to related parties	31
	13,751

Target Group

As at 31 December 2013

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	—	3,800	3,800
Trade receivables	133	—	133
Financial assets included in prepayments and other receivables	1,064	—	1,064
Due from related parties	20,909	—	20,909
Cash and cash equivalents	4,174	—	4,174
	26,280	3,800	30,080

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	14,811
Financial liabilities included in other payables and accruals	248
Due to related parties	7
	15,066

Target Group

As at 31 December 2014

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	—	3,800	3,800
Trade and receivables	275	—	275
Financial assets included in prepayments and other receivables	666	—	666
Due from related parties	16,441	—	16,441
Cash and cash equivalents	4,214	—	4,214
	21,596	3,800	25,396

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	3,761
Financial liabilities included in other payables and accruals	77
Due to related parties	5,062
	8,900

Target Group

As at 30 September 2015

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	342
Financial assets included in prepayments and other receivables	1,410
Due from related parties	17,672
Cash and cash equivalents	3,634
	23,058

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	10,768
Financial liabilities included in other payables and accruals	66
Due to related parties	167
	11,001

Target Company

As at 31 December 2012

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	—	3,800	3,800
Trade receivables	15	—	15
Financial assets included in prepayments and other receivables	843	—	843
Due from related parties	15,531	—	15,531
Cash and cash equivalents	3,220	—	3,220
	19,609	3,800	23,409

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	10,807
Financial liabilities included in other payables and accruals	180
Due to a subsidiary	786
Due to related parties	31
	11,804

Target Company

As at 31 December 2013

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	—	3,800	3,800
Financial assets included in prepayments and other receivables	604	—	604
Due from related parties	18,487	—	18,487
Cash and cash equivalents	3,610	—	3,610
	22,701	3,800	26,501

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	13,266
Financial liabilities included in other payables and accruals	237
Due to a subsidiary	3,465
Due to related parties	7
	16,975

Target Company

As at 31 December 2014

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	—	3,800	3,800
Trade receivables	148	—	148
Financial assets included in prepayments and other receivables	373	—	373
Due from a subsidiary	690	—	690
Due from related parties	14,053	—	14,053
Cash and cash equivalents	1,848	—	1,848
	17,112	3,800	20,912

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	7,581
Financial liabilities included in other payables and accruals	83
Due to subsidiary	3,126
Due to related parties	77
	10,867

Target Company

As at 30 September 2015

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	315
Financial assets included in prepayments and other receivables	1,065
Due from related parties	15,578
Cash and cash equivalents	3,314
	20,272

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	9,127
Financial liabilities included in other payables and accruals	72
Due to a subsidiary	4,883
Due to related parties	160
	14,242

24. **Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, trade receivable, financial assets included in prepayment and other receivables, amounts due from related parties, trade payables, financial liabilities included in other payables and accruals and amounts due to related parties subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

25. **Financial risk management objectives and policies**

The main risks arising from the Target Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Target Group has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Target Group has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade and notes receivables, prepayments and other receivables and cash and cash equivalents represents the maximum credit exposure of the Target Group. The Target Group also has policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Group performs periodic credit evaluations of its customers.

Further quantitative data in respect of the Target Group exposure to credit risk arising from trade receivables are disclosed in note 13 to the Financial Information.

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables, other financial assets) and projected cash flows from operations.

The maturity profile of the Target Group's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Group

As at 31 December 2012

	On demand	**Less than 3 months**	**3 to 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	11,146	2,454	13,600
Financial liabilities included in other payables	120	—	—	120
Due to related parties	31	—	—	31
	151	11,146	2,454	13,151

As at 31 December 2013

	On demand	**Less than 3 months**	**3 to 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	14,235	576	14,811
Financial liabilities included in other payables	248	—	—	248
Due to related parties	7	—	—	7
	255	14,235	576	15,066

As at 31 December 2014

	On demand	**Less than 3 months**	**3 to 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	3,761	—	3,761
Financial liabilities included in other payables	77	—	—	77
Due to related parties	5,062	—	—	5,062
	5,139	3,761	—	8,900

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	10,728	—	10,728
Finaincial liabilities included in other payables	66	—	—	66
Due to related parties	167	—	—	167
	233	10,728	—	11,001

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows: (continued)

Target Company

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	9,565	1,242	10,807
Financial liabilities included in other payables	180	—	—	180
Due to a subsidiary	786	—	—	786
Due to related parties	31	—	—	31
	977	9,565	1,242	11,804

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	12,813	453	13,266
Financial liabilities included in other payables	237	—	—	237
Due to a subsidiary	3,456	—	—	3,456
Due to related parties	7	—	—	7
	3,709	12,813	453	16,975

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	7,576	5	7,581
Financial liabilities included in other payables	83	—	—	83
Due to a subsidiary	3,126	—	—	3,126
Due to related parties	77	—	—	77
	3,286	7,576	5	10,867

Target Company

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	9,127	—	9,127
Financial liabilities included in other payables	72	—	—	72
Due to a subsidiaty	4,883	—	—	4,883
Due to related parties	160	—	—	160
	5,115	9,127	—	14,242

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manage its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

The Target Group monitors capital using a gearing ratio, financial liabilities which is net debt divided by total capital plus net debt. Net debt includes trade payables, financial liabilities, other payables and accruals and amounts due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of each of the Relevant Period were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	13,600	14,811	3,761	10,768
Financial liabilities including other payables and accruals	1,338	1,575	1,065	622
Due to related parties	31	7	5,062	167
Cash and cash equivalents	(6,234)	(4,174)	(4,214)	(3,634)
Net debt	8,735	12,219	5,674	7,923
Total capital	19,403	18,823	20,810	16,876
Total capital and net debt	28,138	31,042	26,484	24,799
Gearing ratio	31%	39%	21%	32%

26. **Events after the reporting periods**

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

27. **Subsequent financial statements**

No audited financial statements have been prepared by the Target Company or the subsidiary comprising the Target Group in respect of any period subsequent to 30 September 2015.

Yours faithfully,
Certified Public Accountants
Hong Kong

3.11 **China Shipping Container Lines (Dalian) Data Processing Co., Ltd. (中海集運(大連)信息處理有限公司)**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping Container Lines (Dalian) Data Processing Co., Ltd. (the "Target Company") comprising the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 together with the notes thereto (the "Financial Information"), and the comparative statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Target Company for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of the Target Company (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 17 April 2009.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Accounting Standards for Business Enterprises and were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)") registered in the PRC.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the financial statements of the Target Company (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Statements of profit or loss and other comprehensive income

	Notes	Year ended 31 December			Nine months ended 30 September	
		2012	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
REVENUE	3	12,838	13,848	14,371	10,420	12,914
Cost of sales		(9,895)	(8,667)	(8,805)	(7,364)	(6,673)
Gross profit		2,943	5,181	5,566	3,056	6,241
Other income and gains	3	18	10	15	12	5
Administrative expenses		(3,232)	(2,999)	(4,509)	(3,071)	(5,320)
(Loss)/profit before tax	4	(271)	2,192	1,072	(3)	926
Income tax expense	5	—	(324)	(174)	—	(159)
(Loss and total comprehensive loss)/profit and total comprehensive income for the year/period		(271)	1,868	898	(3)	767

Details of the dividends for the Relevant Periods are disclosed in note 6 to the Financial Information.

Statements of financial position

	Notes	As at 31 December 2012 *RMB'000*	As at 31 December 2013 *RMB'000*	As at 31 December 2014 *RMB'000*	As at 30 September 2015 *RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	7	921	660	2,556	1,886
Intangible assets	8	7	2	—	—
Total non-current assets		928	662	2,556	1,886
CURRENT ASSETS					
Prepayments and other receivables	9	237	172	755	1,001
Cash and cash equivalents	10	2,729	4,307	2,945	2,657
Total current assets		2,966	4,479	3,700	3,658
CURRENT LIABILITIES					
Other payables and accruals	11	907	442	1,442	646
Tax payable		—	95	—	—
Amounts due to related parties	14(b)	—	—	—	41
Total current liabilities		907	537	1,442	687
NET CURRENT ASSETS		2,059	3,942	2,258	2,971
TOTAL ASSETS LESS CURRENT LIABILITIES		2,987	4,604	4,814	4,857
Net assets		2,987	4,604	4,814	4,857
EQUITY					
Paid-in capital	12	2,000	2,000	2,000	2,000
Reserves		987	2,604	2,814	2,857
Total equity		2,987	4,604	4,814	4,857

Statements of changes in equity

	Paid-in capital *RMB'000*	Statutory surplus reserves *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
At 1 January 2012	2,000	149	1,109	3,258
Loss and total comprehensive loss for the year	—	—	(271)	(271)
At 31 December 2012	2,000	149	838	2,987
At 1 January 2013	2,000	149	838	2,987
Profit and total comprehensive income for the year	—	—	1,868	1,868
Dividends paid to shareholder	—	—	(251)	(251)
Transfer from retained earnings	—	160	(160)	—
At 31 December 2013	2,000	309	2,295	4,604
At 1 January 2014	2,000	309	2,295	4,604
Profit and total comprehensive income for the year	—	—	898	898
Dividends paid to shareholder	—	—	(688)	(688)
Transfer from retained earnings	—	90	(90)	—
At 31 December 2014	2,000	399	2,415	4,814
At 1 January 2015	2,000	399	2,415	4,814
Profit and total comprehensive income for the year	—	—	767	767
Dividends paid to shareholder	—	—	(724)	(724)
At 30 September 2015	2,000	399	2,458	4,857
At 1 January 2014	2,000	309	2,295	4,604
Loss and total comprehensive loss for the year	—	—	(3)	(3)
Dividends paid to shareholder	—	—	(688)	(688)
At 30 September 2014 (unaudited)	2,000	309	1,604	3,913

Statements of cash flows

	Notes	**Year ended 31 December** 2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*	**Nine months ended 30 September** 2014 *RMB'000* *(unaudited)*	2015 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax		(271)	2,192	1,072	(3)	926
Interest income	3	(12)	(10)	(15)	(12)	(5)
Depreciation	7	345	265	207	155	711
Amortisation of intangible assets	8	6	5	2	2	—
		68	2,452	1,266	142	1,632
Decrease/(Increase) in prepayments, deposits and other receivables		418	65	(583)	(933)	(246)
Increase in other payables and accruals		3,375	(465)	1,000	1,247	(796)
Increase in amounts due to related parties		—	—	—	—	41
Income tax paid		(2,999)	(229)	(269)	(95)	(159)
Net cash flows from operating activities		862	1,823	1,414	361	472
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		12	10	15	12	5
Purchases of items of property, plant and equipment and construction in progress		(538)	(4)	(2,103)	(3)	(41)
Net cash flows (used in)/from investing activities		(526)	6	(2,088)	9	(36)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		—	(251)	(688)	(688)	(724)
Net cash flows used in financing activities		—	(251)	(688)	(688)	(724)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		336	1,578	(1,362)	(318)	(288)
Cash and cash equivalents at beginning of year/period	10	2,393	2,729	4,307	4,307	2,945
CASH ANDCASH EQUIVALENTS AT END OF YEAR/PERIOD	10	2,729	4,307	2,945	3,989	2,657

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

China Shipping Container Lines (Dalian) Data Processing Co., Ltd. (the "Target Company") was established in the People's Republic of China as a company with limited liability on 17 April 2009. The registered office of the Target Company is located at 3F, Haixiao Library, Linghai Road, Ganjingzi District, Dalian, the PRC.

The Target Company is principally engaged in computer data processing.

The ultimate holding company of the Target Company is China Shipping (Group) Company, which is incorporated in the PRC.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA. All HKFRSs effective for the accounting period commencing from 1 January 2015 have been early adopted in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 New and revised HKFRSs not yet adopted

The Target Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations*[1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

[1] Effective for annual periods beginning on or after 1 January 2016

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

The Target Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the directors of the Target Company anticipate that the application of the new and revised HKFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Financial Information.

2.3 Summary of significant accounting policies

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Dividends

Dividends are simultaneously proposed and declared, because the Target Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same Target Company;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) revenue from rendering of services is recognised when relevant services have been provided; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Retirement benefits

The Target Company are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the Target Company's employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Subsequent measurement

The subsequent measurement of loans and receivables is follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Target Company statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Impairment of financial assets

The Target Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company financial liabilities include other payables, amounts due to related parties.

Financial liabilities

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Target company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Category	**Annual Depreciation Rate**
Motor vehicles	11.88%~15.83%
Computer, office equipment and furniture	11.88%~31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.4. **Significant accounting estimates**

The preparation of the Target Company's financial information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives of property, plant and equipment

The Target Company's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete or non-strategic assets that have been abandoned.

3. **Revenue, other income and gains**

Revenue, which is also the Company's turnover, represents the value of services rendered during the period.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2015**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Information technology services	12,838	13,848	14,371	10,420	12,914
Other income and gains					
Interest income	12	10	15	12	5
Government grants related to income	6	—	—	—	—
	18	10	15	12	5

4. **(Loss)/profit before tax**

The Target Company's (loss)/profit before tax is arrived at after charging:

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Employee benefit expense		11,517	11,643	11,543	9,471	9,548
Operating lease charges		367	387	681	314	1,108
Depreciation	6	345	265	207	155	711
Auditors' remuneration		11	1	—	—	—
Amortisation	7	6	5	2	2	—

5. **Income tax**

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008. Pursuant to the new tax regulation, the Target Company enjoys a preferential tax rate of 15% as a new high-tech enterprise.

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax	—	324	174	—	159
Total tax charge for the year/period	—	324	174	—	159

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Target Company is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
(Loss)/profit before tax	(271)	2,192	1,072	(3)	926
Tax at a tax rate of 15%	(41)	329	161	(1)	139
Tax losses not recognised	41	—	—	1	—
Tax losses utilised	—	(41)	—	—	—
Expenses not deductible	—	36	13	—	20
Tax charge at the Target Company	—	324	174	—	159

6. **Dividends**

The Target Company declared and paid dividend of nil, RMB251,000, RMB688,000 and RMB724,000 to the shareholders in 2012, 2013, 2014 and the nine months ended 30 September 2015 respectively.

7. **Property, plant and equipment**

	Motor vehicles	**Computer, office equipment and furniture**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012			
Cost	298	1,089	1,387
Accumulated depreciation	(54)	(605)	(659)
Net book amount	244	484	728
Year ended 31 December 2012			
Opening net book amount	244	484	728
Additions	—	538	538
Depreciation (note 5)	(36)	(309)	(345)
Closing net book amount	208	713	921
At 31 December 2012			
Cost	298	1,627	1,925
Accumulated depreciation	(90)	(914)	(1,004)
Net book amount	208	713	921
Year ended 31 December 2013			
Opening net book amount	208	713	921
Additions	—	4	4
Depreciation (note 5)	(35)	(230)	(265)
Closing net book amount	173	487	660

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2013			
Cost	298	1,632	1,930
Accumulated depreciation	(125)	(1,145)	(1,270)
Net book amount	173	487	660
At 1 January 2014			
Cost	298	1,632	1,930
Accumulated depreciation	(125)	(1,145)	(1,270)
Net book amount	173	487	660
Year ended 31 December 2014			
Opening net book amount	173	487	660
Additions	—	2,103	2,103
Depreciation (note 5)	(36)	(171)	(207)
Closing net book amount	137	2,419	2,556
At 31 December 2014			
Cost	298	3,735	4,033
Accumulated depreciation	(161)	(1,316)	(1,477)
Net book amount	137	2,419	2,556
Year ended 30 September 2015			
Opening net book amount	137	2,419	2,556
Additions	—	41	41
Depreciation (note 5)	(26)	(685)	(711)
Closing net book amount	111	1,775	1,886
At 30 September 2015			
Cost	298	3,776	4,074
Accumulated depreciation	(187)	(2,001)	(2,188)
Net book amount	111	1,775	1,886

8. **Intangible assets**

	Software
	RMB'000
Year ended 31 December 2012	
Opening net book value	13
Amortisation charge for the year (note 5)	(6)
Closing net book amount	7
At 31 December 2012	
Cost	26
Accumulated amortisation	(19)
Net book amount	7
Year ended 31 December 2013	
Opening net book value	7
Amortisation charge for the year (note 5)	(5)
Closing net book amount	2
At 31 December 2013	
Cost	26
Accumulated amortisation	(24)
Net book amount	2
Year ended 31 December 2014	
Opening net book value	2
Amortisation charge for the year (note 5)	(2)
Closing net book amount	—
At 31 December 2014	
Cost	26
Accumulated amortisation	(26)
Net book amount	—

9. **Prepayments and other receivables**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	237	172	282	476
Prepayments	—	—	473	525
	237	172	755	1,001

10. **Cash and cash equivalents**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	2,729	4,307	2,945	2,657

All of the cash and bank balances of the Target Company are denominated in RMB at 31 December 2012, 2013 and 2014 and 30 September 2015.

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of each of the Relevant Periods.

11. **Other payables and accruals**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll payables	839	362	410	538
Taxes other than corporate income tax	63	80	59	34
Other payables	5	—	973	74
	907	442	1,442	646

Other payables are non-interest-bearing and payable on demand.

12. **Paid-in capital**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	2,000	2,000	2,000	2,000

13. **Operating lease commitments**

As lessee

The Target Company leases certain of its office properties and office equipment under operating lease arrangements. Leases for office properties are negotiated for terms ranging from three to six years, and those for office equipment are for terms ranging between two and five years.

At 31 December 2012, 2013, 2014 and 30 September 2015, the Target Company had total future minimum lease payments falling due as follows:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	51	57	86	44
In the second to fifth years, inclusive	—	—	746	702
	51	57	832	746

14. **Related party transactions**

(a) ***Transactions with related parties***

In addition to the related party transactions set out in the respective notes to the financial statements, the Target Company entered into the following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Transactions with a fellow subsidiary					
Revenue:					
Information technology services	12,838	13,848	14,371	10,420	12,914

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

The Target Company had the following significant balances with its related parties during the Relevant Periods:

Due to the holding company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	—	—	—	41

The amounts due to the related party was interest-free, unsecured and has no fixed terms of repayment.

(c) ***Key management compensation***

The Target Group

	Year ended 31 December			Nine months ended 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries	526	584	1259	1,546
Social welfare	102	130	224	209
Pension and others welfare	56	75	131	82
	684	789	1,614	1,837

15. **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

Loads and receivables

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments and other receivables	237	172	282	476
Cash and cash equivalents	2,729	4,307	2,945	2,657
	2,966	4,479	3,227	3,133

Financial liabilities

Financial liabilities at amortised cost

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	5	—	973	74
Due to related parties	—	—	—	41
	5	—	973	115

16. **Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals, due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

17. **Financial risk management objectives and policies**

The Target Company's principal financial instruments comprise financial liabilities included in other payables and accruals, due to related parties.

The main risks arising from the Target Company's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Target Company has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents. The Target Company has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of prepayments, deposits and other receivables and cash and cash equivalents represents the maximum credit exposure of the Target Company.

Liquidity risk

The Target Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets and projected cash flows from operations.

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	5	—	—	5

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	973	—	—	973

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	74	—	—	74
Due to related parties	41	—	—	41
	115	—	—	115

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

18. **Events after the reporting period**

To the date of this report, no material subsequent event requiring disclosure occurred.

19. **Subsequent financial statements**

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2015.

Yours faithfully
Ernst & Young
Certified Public Accountants
Hong Kong

3.12 **Golden Sea Shipping Pte. Ltd.**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of Golden Sea Shipping Pte. Ltd. (hereinafter referred to as the "Target Company") comprising the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for the period from 13 August 2012 (date of establishment) to 31 December 2012, and each of the years ended 31 December 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the statement of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, together with the notes thereto (the "Financial Information"), and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the Target Company for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of the Target Company (the "Acquisition") by the Company.

The Target Company was established in Singapore as a company with limited liability on 13 August 2012.

The statutory financial statements of the Target Company for the period from 13 August 2012 (date of establishment) to 31 December 2012, and each of the years ended 31 December 2013 and 2014 have been prepared by the Target Company in accordance with Singapore Financial Reporting Standards ("SFRSs") and were audited by Ernst & Young registered in Singapore.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the financial statements of the Target Company (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for the period from 13 August 2012 (date of establishment) to 31 December 2012, and each of the years ended 31 December 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, and of the financial performance and cash flows of the Target Company for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Statements of profit or loss and other comprehensive income

	Notes	**Period from 13 August 2012 (date of establishment) to 31 December 2012**	**Year ended 31 December 2013**	**Year ended 31 December 2014**	**Nine months ended 30 September 2014**	**Nine months ended 30 September 2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
REVENUE	4	85,033	651,770	754,137	561,653	438,886
Cost of sales	5	(79,273)	(622,854)	(709,071)	(531,156)	(411,985)
Gross profit		5,760	28,916	45,066	30,497	26,901
Other income and gains	4	2	15	3,236	1,033	6,421
Administrative expenses	5	(3,309)	(11,661)	(15,878)	(9,657)	(8,913)
Other expenses		—	(8)	—	—	—
Finance costs	6	(3)	(18)	(17)	(13)	(12)
Profit before tax		2,450	17,244	32,407	21,860	24,397
Income tax expense	7	—	(1,064)	(112)	(79)	—
Profit for the year/period		2,450	16,180	32,295	21,781	24,397
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign currency		(15)	(474)	(362)	66	4,817
Total comprehensive income for the year/period		2,435	15,706	31,933	21,847	29,214

Statements of financial position

					As at
		As at 31 December			30 September
		2012	2013	2014	2015
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	9	1,962	1,523	1,041	834
Total non-current assets		1,962	1,523	1,041	834
CURRENT ASSETS					
Inventories	10	5,527	9,154	5,769	5,165
Trade receivables	11	11,542	40,881	87,601	4,823
Prepayments and other receivables	12	6,963	29,710	63,407	5,871
Amounts due from related parties	18(b)	4,501	27,206	116,817	85,160
Cash and cash equivalents	13	19,510	20,978	36,153	89,315
Total current assets		48,043	127,929	309,747	190,334
CURRENT LIABILITIES					
Trade payables	14	13,585	33,567	91,460	35,955
Other payables and accruals	15	11,417	24,702	81,101	181
Dividends payable		—	—	7,050	—
Tax payable		—	1,048	—	—
Due to related parties	18(b)	16,465	46,085	20,708	15,582
Other current liabilities		—	147	121	—
Total current liabilities		41,467	105,549	200,440	51,718
NET CURRENT ASSETS		6,576	22,380	109,307	138,616
TOTAL ASSETS LESS CURRENT LIABILITIES		8,538	23,903	110,348	139,450
NON-CURRENT LIABILITIES					
Finance lease obligations		948	607	474	355
Total non-current liabilities		948	607	474	355
Net assets		7,590	23,296	109,874	139,095
EQUITY					
Equity attributable to owners of the parent					
Share capital	16	5,155	5,155	66,825	66,825
Reserves	17	2,435	18,141	43,049	72,270
Total equity		7,590	23,296	109,874	139,095

Statements of changes in equity

	Share capital	Reserves	Retained earnings	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the period from 13 August 2012 (date of establishment) to 31 December 2012	—	—	2,450	2,450
Exchange differences on translation of foreign currency	—	(15)	—	(15)
Total comprehensive income for the period	—	(15)	2,450	2,435
Capital injection	5,155	—	—	5,155
At 31 December 2012	5,155	(15)	2,450	7,590
At 1 January 2013	5,155	(15)	2,450	7,590
Profit for the year	—	—	16,180	16,180
Exchanges differences on translation of foreign operations	—	(474)	—	(474)
Total comprehensive income for the year	—	(474)	16,180	15,706
At 31 December 2013	5,155	(489)	18,630	23,296

	Share capital	Reserves	Retained earnings	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	5,155	(489)	18,630	23,296
Profit for the year	—	—	32,295	32,295
Exchanges differences on translation of foreign operations	—	(362)	—	(362)
Total comprehensive income for the year	—	(362)	32,295	31,933
Capital injection	61,670	—	—	61,670
Shareholder dividends	—	—	(7,050)	(7,050)
Others	—	—	25	25
At 31 December 2014	66,825	(851)	43,900	109,874
At 1 January 2015	66,825	(851)	43,900	109,874
Profit for the period	—	—	24,397	24,397
Exchanges differences on translation of foreign operations	—	4,817	—	4,817
Total comprehensive income for the period	—	4,817	24,397	29,214
Others	—	—	7	7
At 30 September 2015	66,825	3,966	68,304	139,095
At 1 January 2014	5,155	(489)	18,630	23,296
Profit for the period	—	—	21,781	21,781
Currency translation differences	—	66	—	66
Total comprehensive income for the period	—	66	21,781	21,847
Capital injection	61,670	—	—	61,670
At 30 September 2014	66,825	(423)	40,411	106,813

Statements of cash flows

	Notes	Period from 13 August 2012 (date of establishment) to 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Nine months ended 30 September 2014	Nine months ended 30 September 2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		2,450	17,244	32,407	21,860	24,397
Adjustments for:						
Depreciation	9	—	421	341	256	301
Gain on disposal of items of property, plant and equipment	4	—	—	(8)	(8)	—
Finance costs	6	3	18	17	13	12
Interest income	4	—	(15)	(25)	(14)	(62)
		2,453	17,668	32,732	22,107	24,648
(Increase)/decrease in trade receivables		(11,542)	(29,339)	(46,720)	(149,528)	82,778
(Increase)/decrease in prepayments and other receivables		(6,963)	(22,747)	(33,697)	(44,973)	57,536
(Increase)/decrease in amounts due from related parties		(4,501)	(22,705)	(89,611)	27,206	31,657
(Increase)/decrease in inventories		(5,527)	(3,627)	3,385	(2,949)	604
Increase/(decrease) in trade payables		13,585	19,982	57,893	65,766	(55,505)
Increase/(decrease) in other payables and accruals		11,451	14,619	54,592	83,079	(79,090)
Increase/(decrease) in amounts due to related parties		16,465	29,620	(25,377)	(46,085)	(5,126)
Increase/(decrease) in other current liabilities		—	147	(26)	(110)	(121)
Increase/(decrease) in other non-current liabilities		948	(341)	(133)	14	(119)

	Notes	Period from 13 August 2012 (date of establishment) to 31 December 2012	Year ended 31 December 2013	2014	Nine months ended 30 September 2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Cash generated from/(used in) operations		16,369	3,277	(46,962)	(45,473)	57,262
Income tax paid		—	(1,064)	(112)	(79)	—
Net cash flows from/(used in) operating activities		16,369	2,213	(47,074)	(45,552)	57,262
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		—	15	25	14	62
Purchases of items of property, plant and equipment		(1,964)	(35)	(68)	(51)	(94)
Proceeds from disposal of items of property, plant and equipment		—	—	222	192	—
Net cash flows (used in)/generated from investing activities		(1,964)	(20)	179	155	(32)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from Capital injection		5,155	—	61,670	61,670	—
Interest element of finance lease payments		(3)	(18)	(17)	(13)	(12)
Dividends paid		—	—	—	—	(7,050)
Net cash flows generated from/(used in) financing activities		5,152	(18)	61,653	61,657	(7,062)

	Notes	Period from 13 August 2012 (date of establishment) to 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Nine months ended 30 September 2014	Nine months ended 30 September 2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
NET INCREASE IN CASH AND CASH EQUIVALENTS		19,557	2,175	14,758	16,260	50,168
Cash and cash equivalents at beginning of year/period	13	—	19,510	20,978	20,978	36,153
Effect of foreign exchange rate changes, net		(47)	(707)	417	146	2,994
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		19,510	20,978	36,153	37,384	89,315

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

Golden Sea Shipping Pte. Ltd. was established in Singapore as a company with limited liability on 13 August 2012. The registered office of the Target Company is located at 80 Raffles Place #56-01 UOB Plaza 1(S) 048624, Singapore.

The "Target Company" is principally engaged in container shipping throughout Southeast Asia. The financial statements are presented in Renminbi ("RMB") and all value are rounded to the nearest thousand except when otherwise stated.

In the opinion of the Directors of the Target Company, the ultimate holding company of the Target Company is China Shipping Group Company, which is incorporated in the PRC.

2.1 Basis of preparation

These financial statements have been prepared in accordance with HKFRSs, which include all Hong Kong Financial Reporting Standards, ("HKASs") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in RMB and all values are rounded to the nearest thousands, except when otherwise indicated.

2.2 Issued but not yet effective HKFRSs

The Target Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations*[1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]

Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

The Target Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Company's operation and may result in changes in the Target Company's accounting policies and changes in presentation and measurement of certain items in the Target Company's Financial Information.

2.3 **Summary of significant accounting policies**

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) Liner services, freight revenues from the operation of the international and domestic containerised transportation business are recognised on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Retirement benefits

The Target Company are required to provide certain staff pension benefits to their employees under existing regulations of Singapore. Pension scheme contributions are provided at rates stipulated by Singapore regulations, and are made to a pension fund managed by government agencies which are responsible for administering the contributions for the subsidiaries' employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Subsequent measurement

The subsequent measurement of loans and receivables is follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Impairment of financial assets

The Target Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade payables, financial liabilities included in other payables and accruals, dividend payable and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Target Company's statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated annual depreciation rate of property, plant and equipment are as follows:

Category	**Annual Depreciation Rate**
Motor vehicles	11.88%-15.83%
Computer, office equipment and furniture	11.88%-31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Dividends

Dividends are simulataneously proposed and declared, because the Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The functional currency of the Target Company is the US dollar. Foreign currency transactions recorded by the Target Company are initially recorded using its functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

This Financial Information is presented in RMB. As at the end of the reporting period, the assets and liabilities of the Target Company are translated into the presentation currency (RMB) at the exchange rates prevailing at the end of the reporting period, and its statements of profit or loss and other comprehensive income are translated at the weighted average exchange rates for the year.

For the purpose of presentation of cash flows, the cash flows are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Target Company which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. **Significant accounting judgements and estimates**

The preparation of the Target Company's financial information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade receivables amounted to RMB510,000, nil, RMB2,539,000 and RMB1,637,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively..

4. **Revenue, other income and gains**

Revenue, which is also the Company's turnover, represents the value of services rendered during the period.

An analysis of revenue, other income and gains is as follows:

	Period from 13 August 2012 (date of establishment) to 31 December	Year ended 31 December		Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue:					
Container liner services	85,033	651,770	754,137	561,653	438,886
Other income and gains					
Interest income	—	15	25	14	62
Government grants	—	—	507	418	98
Gain on disposal of items of property, plant and equipment	—	—	8	8	—
Net foreign exchange gains	2	—	2,696	593	6,261
	2	15	3,236	1,033	6,421

5. **Profit before tax**

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Period from 13 August 2012 (date of establishment) to 31 December 2012	Year ended 31 December 2013	2014	Nine months ended 30 September 2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Container repositioning and management		32,349	254,104	216,950	162,712	135,720
Fuel cost		21,679	178,080	136,490	102,367	65,119
Operating lease expenses		13,296	102,953	130,891	98,166	96,396
Port charges		4,997	39,266	53,983	40,487	36,042
Employee benefit expenses		1,221	4,399	4,930	3,367	4,479
Depreciation	9	—	421	341	256	301
Auditors' remuneration		—	104	173	39	11
Provision for/(reversal of) impairment of trade receivable	11	510	994	1,047	—	(984)

6. **Finance costs**

	Period from 13 August 2012 (date of establishment) to 31 December 2012	Year ended 31 December 2013	2014	Nine months ended 30 September 2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Interest expenses:					
- Finance lease obligations	3	18	17	13	12

7. **Income tax**

The provision for Singapore current income tax is based on the statutory rate of 17% of the assessable profits as determined in accordance with the Singapore Corporate Income Tax Law.

	Period from 13 August 2012 (date of establishment) to 31 December	Year ended 31 December		Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax	—	1,064	112	79	—
Total tax charge for the year/period	—	1,064	112	79	—

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdiction in which the Target Company are domiciled to the tax expense at the effective tax rate is as follows:

	Period from 13 August 2012 (date of establishment) to 31 December	Year ended 31 December		Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	2,450	17,244	32,407	21,860	24,397
Tax at the statutory income tax rate of 17%	417	2,931	5,509	3,716	4,147
Income not subject to income tax	(417)	(1,867)	(5,397)	(3,637)	(4,147)
Tax charge at the Company's effective rate	—	1,064	112	79	—

8. **Dividend**

The Target Company declared a dividend of RMB7,050,000 in 2014 and paid the dividend to the shareholders in 2015.

9. **Property, plant and equipment**

	Motor vehicles	**Computer, office equipment and furniture**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Additions	1,077	887	1,964
Exchange difference	(1)	(1)	(2)
Closing net carrying amount	1,076	886	1,962
At 31 December 2012			
Cost	1,076	886	1,962
Accumulated depreciation and impairment losses	—	—	—
Net carrying amount	1,076	886	1,962
At 1 January 2013, net of accumulated depreciation	1,076	886	1,962
Additions	—	35	35
Depreciation	(130)	(291)	(421)
Exchange difference	(32)	(21)	(53)
Closing net carrying amount	914	609	1,523
At 31 December 2013			
Cost	1,044	894	1,938
Accumulated depreciation and impairment losses	(130)	(285)	(415)
Net carrying amount	914	609	1,523

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014			
Cost	1,044	894	1,938
Accumulated depreciation and impairment losses	(130)	(285)	(415)
Net carrying amount	914	609	1,523
At 1 January 2014, net of accumulated depreciation	914	609	1,523
Additions	—	68	68
Disposals	—	(214)	(214)
Depreciation	(133)	(208)	(341)
Exchange difference	4	1	5
Closing net carrying amount	785	256	1,041
At 31 December 2014			
Cost	1,047	657	1,704
Accumulated depreciation and impairment losses	(262)	(401)	(663)
Net carrying amount	785	256	1,041
At 1 January 2015, net of accumulated depreciation	785	256	1,041
Additions	—	58	58
Depreciation	(129)	(172)	(301)
Exchange difference	27	9	36
Closing net carrying amount	683	151	834
At 30 September 2015			
Cost	1,047	751	1,798
Accumulated depreciation and impairment losses	(364)	(600)	(964)
Net carrying amount	683	151	834

10. **Inventories**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bunkers	5,527	9,154	5,769	5,165

11. **Trade receivables**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	12,052	42,385	90,140	6,460
Impairment	(510)	(1,504)	(2,539)	(1,637)
	11,542	40,881	87,601	4,823

An aged analysis of the trade receivables as at the end of each reporting period, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	12,052	42,385	86,523	6,460
Between 4 and 6 months	—	—	3,617	—
Less: Provision for impairment of receivables	(510)	(1,504)	(2,539)	(1,637)
	11,542	40,881	87,601	4,823

The Target Company's trading terms with its customers are mainly on credit. Credit terms in a range within three months are granted to those customers with good payment history.

Movements in the provision for impairment of trade receivables are as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	—	510	1,504	2,539
Provision for impairment of trade receivables	510	994	1,035	—
Write off	—	—	—	(902)
At ending of year/period	510	1,504	2,539	1,637

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered. The Target Company does not hold any collateral or other credit enhancements over these balances.

The trade receivables that are not individually nor collectively considered to be impaired are trade receivable within one year and not overdue.

12. **Prepayments, deposits and other receivables**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	6,569	29,348	58,597	4,126
Other receivables	394	362	4,810	1,745
	6,963	29,710	63,407	5,871

13. **Cash and cash equivalents**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	19,510	20,978	36,153	89,315

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	16,452	20,445	34,716	86,824
SGD	3,058	533	1,437	2,491
Cash and cash equivalents	19,510	20,978	36,153	89,315

Cash and cash equivalents comprise cash on hand and cash at bank that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the Relevant Periods.

14. **Trade payables**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	13,585	33,567	91,460	35,955

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

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	13,585	33,567	91,460	35,955

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

15. **Other payables and accruals**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll payables	226	—	—	—
Other payables	—	3,220	6,367	59
Advance from client	11,191	21,482	74,734	122
	11,417	24,702	81,101	181

The other payables are non-interest-bearing and are normally settled on demand.

16. **Share capital**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid	5,155	5,155	66,825	66,825

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value. On 1 January 2014, the former holding company of the Company, Shanghai Puhai Shipping (Hong Kong) Company Limited had transferred all its shareholding (1,000,000 ordinary shares, 100%) in the Company to China Shipping Container Lines Company Limited (CSCL) and China Shipping Regional Holdings Pte Ltd (CSRHPL) of 600,000 ordinary. shares and 400,000 ordinary shares, respectively. On 16 September 2014, the Company issued additional ordinary shares of 7,475,702 to CSCL for a total consideration of USD6million and also, additional ordinary shares of 4,983,802 of shares to CSRHPL for a total consideration of USD4 million.

17. **Reserves**

The amounts of the Target Company's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity of the Financial Information.

18. **Related party transactions**

(a) ***Transactions with related parties***

In addition to the related party transactions set out in the respective notes to the financial statements, the Target Company entered into the following significant transactions with related parties during the Relevant Periods:

	Period from 13 August to 31 December	**Year ended 31 December**		**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Transactions with fellow subsidiaries					
Revenue:					
Container liner services	10,148	71,034	449,913	327,375	239,274
Expenditure:					
Supply of vessel fuel	81	951	98	73	3,281
Cargo agency services	630	891	395	296	3,038
Lease of properties	203	265	192	144	915
Information of technology service	—	33	—	—	114
Ship rental	17,435	18,602	20,905	15,679	15,692
Miscellaneous management services	370	482	81	61	1,665
	18,719	21,224	21,671	16,253	24,705

(b) ***Balance with related parties***

The Target Company had the following significant balances with its related parties during the Relevant Periods:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with fellow subsidiaries				
Trade receivables	4,501	23,596	111,886	77,164
Less: provision	—	—	—	—
	4,501	23,596	111,886	77,164
Other receivables	—	3,610	4,931	7,996
Less: provision	—	—	—	—
	4,501	27,206	116,817	85,160

Amounts due from the related parties were interest-free, unsecured and have no fixed terms of repayment.

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with fellow subsidiaries				
Trade payables	7,371	42,433	13,475	15,518
Advance from suppliers	2,079	—	—	—
Other payables	7,015	3,652	7,233	64

The amounts due to the related parties were interest-free, unsecured and have no fixed terms of repayment.

(c) ***Key management remuneration***

	Period from 13 August to 31 December 2012	Year ended 31 December 2013	2014	Nine months ended 30 September 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries	—	—	1,090	830
Social welfare	—	—	88	65
Housing fund	—	—	32	9
	—	—	1,210	904

19. **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2012

Financial assets

	Total
	RMB'000
Trade receivables	11,542
Financial assets included in prepayments and other receivables	394
Amounts due from related parties	4,501
Cash and cash equivalents	19,510
	35,947

Financial liabilities

	Total
	RMB'000
Trade payables	13,585
Financial liabilities included in other payables and accruals	—
Due to related parties	14,386
	27,971

As at 31 December 2013

Financial assets

	Total
	RMB'000
Trade receivables	40,881
Financial assets included in prepayments and other receivables	372
Amounts due from related parties	27,206
Cash and cash equivalents	20,978
	89,437

Financial liabilities

	Total
	RMB'000
Trade payables	33,567
Financial liabilities included in other payables and accruals	3,220
Amounts due to related parties	46,085
	82,872

As at 31 December 2014

Financial assets

	Total
	RMB'000
Trade receivables	87,601
Financial assets included in prepayments and other receivables	4,810
Amounts due from related parties	116,817
Cash and cash equivalents	36,153
	245,381

Financial liabilities

	Total
	RMB'000
Trade payables	91,460
Financial liabilities included in other payables and accruals	6,367
Dividends payable	7,050
Amounts due to related parties	20,708
	125,585

As at 30 September 2015

Financial assets

	Total
	RMB'000
Trade receivables	4,823
Financial assets included in prepayments and other receivables	1,745
Amounts due from related parties	85,160
Cash and cash equivalents	89,315
	181,043

Financial liabilities

	Total
	RMB'000
Trade payables	35,955
Financial liabilities included in other payables and accruals	59
Amounts due to related parties	15,582
	51,596

20. **Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, trade receivable, financial assets included in prepayments and other receivable, amounts due from related parties, trade payables, financial liabilities included in other payables and accruals, and amounts due related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

21. **Financial risk management objectives and policies**

The Target Company's principal financial instruments comprise receivables and cash. The Target Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar ("US$") and Singapore dollar ("SGD") exchange rates, with all other variables held constant, of the Target Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/(decrease) in foreign currency rate	**(Decrease)/Increase in profit before tax**
	%	*RMB'000*
Year ended 31 December 2014		
If US$ weakens against SGD	5	(1)
If US$ strengthens against SGD	(5)	1
Nine months ended 30 September 2015		
If US$ weakens against SGD	5	(125)
If US$ strengthens against SGD	(5)	125

Credit risk

The Target Company has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Target Company has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade and notes receivables, prepayments and other receivables and cash and cash equivalents represents the maximum credit exposure of the Target Company. The Target Company also has policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Company performs periodic credit evaluations of its customers.

Further quantitative data in respect of the Target Company exposure to credit risk arising from trade receivables are disclosed in note 11 to the Financial Information.

Liquidity risk

The Target Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables, other financial assets) and projected cash flows from operations.

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

As at 31 December 2012

	On demand	**Less than 3 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	13,585	13,585
Due to related parties	7,015	7,371	14,386
	7,015	20,956	27,971

As at 31 December 2013

	On demand	**Less than 3 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	33,567	33,567
Other payables	3,220	—	3,220
Due to related parties	3,652	42,433	46,085
	6,872	76,000	82,872

As at 31 December 2014

	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	91,460	91,460
Other payables	6,367	—	6,367
Dividends payable	7,050	—	7,050
Due to related parties	7,233	13,475	20,708
	20,650	104,935	125,585

As at 30 September 2015

	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	35,955	35,955
Other payables	59	—	59
Due to related parties	64	15,518	15,582
	123	51,473	51,596

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the period from 13 August 2012 (date of establishment) to 31 December 2012, and each of the years ended 31 December 2013 and 2014 and the nine months ended 30 September 2015.

The Target Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade payables, financial liabilities included in other payables and accruals, dividend payable and amounts due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the each end of the Relevant Periods were as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	13,585	33,567	91,460	35,955
Other payables and accruals	—	3,220	6,367	59
Dividends payable	—	—	7,050	—
Due to related parties	14,386	46,085	20,708	15,582
Less: Cash and cash equivalents	(19,510)	(20,978)	(36,153)	(89,315)
Net debt	8,461	61,894	89,432	(37,719)
Total capital	7,590	23,296	109,874	139,095
Total capital and net debt	16,051	85,190	199,306	101,376
Gearing ratio	53%	73%	45%	N/A

22. Events after the reporting periods

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

23. Subsequent financial statements

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2015.

Yours faithfully
Certified Public Accountants
Hong Kong

3.13 **China Shipping Container Lines (Hong Kong) Agency Co., Ltd.**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Board of Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping Container Lines (Hong Kong) Agency Co., Ltd. (the "Target Company") and its subsidiary (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012 and 2013, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for the year ended 31 December 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012 and 2013, and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 together with the notes thereto (the "Financial Information"), and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the Target Company for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of the Target Group (the "Acquisition") by the Company.

The Target Company was established in the Hong Kong as a company with limited liability on 5 January 2005.

The statutory consolidated financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Ernst & Young, registered in Hong Kong.

During the Relevant Periods, the Target Company had direct and indirect interests in the subsidiary as set out in note 1 of Section II below. All companies in the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the subsidiary in the Target Group were prepared in accordance with the relevant accounting principles applicable to the subsidiary in the country in which it was established. Details of its statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the consolidated financial statements of the Target Group for the years ended 31 December 2012 and 2013 and the financial statements of the Target Company for the each of the Relevant Periods (the "Underlying Financial Statements") in accordance with HKFRSs, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. The Underlying Financial Statements were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group as at 31 December 2012 and 2013 and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the consolidated financial performance and cash flows of the Target Group for the years ended 31 December 2012 and 2013 and the financial performance and cash flows of the Target Company for the year ended 31 December 2014 and the nine months ended 30 September 2015.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December	
	Notes	**2012**	**2013**
		RMB'000	*RMB'000*
REVENUE	4	90,037	48,599
Cost of sales		(30,972)	(14,998)
Gross profit		59,065	33,601
Other income and gains	4	1,808	8,162
Administrative expenses		(55,537)	(32,276)
Profit before tax	5	5,336	9,487
Income tax expense	6	(534)	(352)
Profit for the year		4,802	9,135
Attributable to:			
Owners of the parent		4,802	9,135
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(losses) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		752	(222)
Total comprehensive income for the year		5,554	8,913
Attributable to:			
Owners of the parent		5,554	8,913

Details of the dividends for the years ended 31 December 2012 and 2013 are disclosed in note 7 to the Financial Information.

Consolidated statements of financial position

	Notes	As at 31 December **2012** *RMB'000*	**2013** *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,485	457
Deferred tax assets	14	398	386
Total non-current assets		1,883	843
CURRENT ASSETS			
Trade receivables	10	105,475	77,892
Other receivables	11	4,842	3,319
Due from related parties	19(b)	176,034	152,315
Cash and cash equivalents	12	30,840	32,625
Total current assets		317,191	266,151
CURRENT LIABILITIES			
Trade payables	13	29,919	14,670
Other payables and accruals	15	12,569	8,378
Tax payable		—	363
Due to related parties	19(b)	236,410	210,271
Total current liabilities		278,898	233,682
NET CURRENT ASSETS		38,293	32,469
TOTAL ASSETS LESS CURRENT LIABILITIES		40,176	33,312
Net assets		40,176	33,312
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	10,403	10,403
Reserves		29,773	22,909
Total equity		40,176	33,312

Consolidated statements of changes in equity

	Share capital	**Exchange fluctuation reserve**	**Retained earnings**	**Total**
	RMB'000 *(note 16)*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	10,403	(9,922)	57,685	58,166
Profit for the year	—	—	4,802	4,802
Exchange differences on translation of foreign operations	—	752	—	752
Total comprehensive income for the year	—	752	4,802	5,554
Dividends paid	—	—	(23,544)	(23,544)
At 31 December 2012	10,403	(9,170)	38,943	40,176
At 1 January 2013	10,403	(9,170)	38,943	40,176
Profit for the year	—	—	9,135	9,135
Exchange differences on translation of foreign operations	—	(222)	—	(222)
Total comprehensive income for the year	—	(222)	9,135	8,913
Dividends paid	—	—	(13,684)	(13,684)
Disposal of a subsidiary (note 17)	—	(2,093)	—	(2,093)
At 31 December 2013	10,403	(11,485)	34,394	33,312

Consolidated statements of cash flows

		Year ended 31 December	
	Notes	**2012**	**2013**
		RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		5,336	9,487
Depreciation	8	644	412
Gain on disposal of a subsidiary	17	—	(3,839)
Gain on disposal of property, plant and equipment	4	(4)	(15)
Interest income	4	(120)	(41)
		5,856	6,004
Decrease/(increase) in trade receivables		20,584	(32,795)
(Increase)/decrease in other receivables		(9,736)	1,645
(Increase)/decrease in amounts due from related parties		(38,081)	89,964
Increase/(decrease) in trade payables		5,703	(15,249)
Increase in other payables		2,350	87
Increase/(decrease) in amounts due to related parties		38,669	(26,139)
Income tax paid		(4,749)	—
Net cash flows from operating activities		20,596	23,517
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets		(508)	(220)
Disposal of a subsidiary	17	—	(7,776)
Proceeds from disposal of property, plant and equipment		8	17
Interest received		120	41
Net cash flows used in investing activities		(380)	(7,938)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(23,544)	(13,684)
Net cash flows used in financing activities		(23,544)	(13,684)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3,328)	1,895
Cash and cash equivalents at beginning of year	12	34,005	30,840
Effect of foreign exchange rate changes, net		163	(110)
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	30,840	32,625

Statements of profit or loss and other comprehensive income

	Notes	**Year ended 31 December 2014** *RMB'000*	**Nine months ended 30 September 2014** *RMB'000* *(Unaudited)*	**Nine months ended 30 September 2015** *RMB'000*
REVENUE	4	50,912	42,376	45,047
Cost of sales		(12,966)	(10,325)	(18,059)
Gross profit		37,946	32,051	26,988
Other income and gains	4	3,192	3,517	2,038
Administrative expenses		(34,699)	(25,658)	(18,079)
Profit before tax	5	6,439	9,910	10,947
Income tax expense	6	(1,524)	—	—
Profit for the year/period		4,915	9,910	10,947
OTHER COMPREHENSIVE INCOME				
Other comprehensive (losses)/income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		(639)	(459)	1,146
Total comprehensive income for the year/period		4,276	9,451	12,093

Details of the dividends for the year ended 31 December 2014 and the nine months ended 30 September 2015 are disclosed in note 7 to the Financial Information.

Statements of financial position

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 September 2015 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	8	669	457	6,807	5,116
Intangible assets	9	—	—	—	23
Investments in a subsidiary	17	8,000	—	—	—
Deferred tax assets	14	398	386	33	34
Total non-current assets		9,067	843	6,840	5,173
CURRENT ASSETS					
Trade receivables	10	45,097	77,892	28,933	18,486
Other receivables	11	4,964	3,319	65	136
Amounts due from a subsidiary		79,073	—	—	—
Due from related parties	19(b)	165,793	152,315	117,909	195,214
Cash and cash equivalents	12	7,026	32,625	34,581	50,050
Total current assets		301,953	266,151	181,488	263,886
CURRENT LIABILITIES					
Trade payables	13	29,919	14,670	14,180	12,199
Other payables and accruals	15	8,724	8,378	6,515	5,327
Tax payable		—	363	280	291
Due to related parties	19(b)	236,410	210,271	137,683	216,183
Total current liabilities		275,053	233,682	158,658	234,000
NET CURRENT ASSETS		26,900	32,469	22,830	29,886
TOTAL ASSETS LESS CURRENT LIABILITIES		35,967	33,312	29,670	35,059
Net assets		35,967	33,312	29,670	35,059
EQUITY					
Share capital	16	10,403	10,403	10,403	10,403
Reserves		25,564	22,909	19,267	24,656
Total equity		35,967	33,312	29,670	35,059

Statements of changes in equity

	Share capital	**Exchange fluctuation reserve**	**Retained earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	10,403	(11,485)	34,394	33,312
Profit for the year and	—	—	4,915	4,915
Exchange differences on translation of foreign operations	—	(639)	—	(639)
Total comprehensive income for the year	—	(639)	4,915	4,276
Dividends paid	—	—	(7,918)	(7,918)
At 31 December 2014	10,403	(12,124)	31,391	29,670
At 1 January 2015	10,403	(12,124)	31,391	29,670
Profit for the period	—	—	10,947	10,947
Exchange differences on translation of foreign operations	—	1,146	—	1,146
Total comprehensive income for the period	—	1,146	10,947	12,093
Dividends paid	—	—	(6,704)	(6,704)
At 30 September 2015	10,403	(10,978)	35,634	35,059
At 1 January 2014	10,403	(11,485)	34,394	33,312
Profit for the period	—	—	9,910	9,910
Exchange differences on translation of foreign operations	—	(459)	—	(459)
Total comprehensive income for the periods	—	(459)	9,910	9,451
Dividends paid	—	—	(7,918)	(7,918)
At 30 September 2014 (unaudited)	10,403	(11,944)	36,386	34,845

Statements of cash flows

	Notes	**Year ended 31 December 2014**	**Nine months ended 30 September 2014**	**Nine months ended 30 September 2015**
		RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		6,439	9,910	10,947
Depreciation	8	1,050	788	1,944
Amortisation of intangible assets	9	—	—	6
Gain on disposal of property, plant and equipment	4	(3)	(3)	—
Interest income	4	(54)	(47)	(25)
		7,432	10,648	12,872
Decrease in trade receivables		48,959	27,481	10,447
Decrease/(increase) in other receivables		3,254	(6,124)	(71)
Decrease/(increase) in amounts due from related parties		34,406	9,824	(77,305)
Decrease in trade payables		(490)	(9,308)	(1,981)
(Decrease)/increase in other payables		(2,687)	2,782	(1,188)
(Decrease)/increase in amounts due to related parties		(72,588)	(34,512)	78,500
Income tax paid		(1,254)	(3)	(12)
Net cash flows from operating activities		17,032	788	21,262
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets		(7,388)	(7,325)	(71)
Proceeds from disposal of property, plant and equipment		3	3	—
Interest received		54	47	25
Net cash flows used in investing activities		(7,331)	(7,275)	(46)

	Notes	Year ended 31 December	Nine months ended 30 September	
		2014	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		(7,918)	(7,998)	(6,704)
Net cash flows used in financing activities		(7,918)	(7,998)	(6,704)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,783	(14,485)	14,512
Cash and cash equivalents at beginning of year/period	12	32,625	32,625	34,581
Effect of foreign exchange rate changes, net		173	311	957
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	12	34,581	18,451	50,050

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

China Shipping Container Lines (Hong Kong) Agency Co., Ltd. (the Company") is a limited company incorporated in Hong Kong. The address of its registered office is 31/F, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The principal activity of the Target Company is provision of shipping agency services. The financial statements are presented in Renminbi ("RMB") and all value are rounded to the nearest thousand except when otherwise stated.

In the opinion of the directors of the Target Company, the ultimate holding company of the Target Company is China Shipping (Group) Company & China Shipping Container Lines Co., Ltd., which is incorporated in the PRC.

During the Relevant Periods, the Target Company had direct interests in its subsidiary, which is a private limited liability company, the particulars of which are set out below:

Company	Place of incorporation	Established Date	Nominal value of issued shares/ paid-up capital	Percentage of interest attributable to the Companies 2012	2013	2014	2015	Principle activity
China Shipping Container Lines Agency (Shenzhen) Co., Ltd.	PRC	15 June 2006	RMB8 million	100%	—	—	—	Shipping agency

* Statutory audited financial statements of the subsidiary for the year ended 31 December 2012 and 2013 prepared in accordance with PRC General Accepted Accounting Principles ("PRC GAAP") were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)").

On 1 January 2013, the Target Company disposed of its 100% equity interest in China Shipping Container Lines Agency (Shenzhen) Co., Ltd to a fellow subsidiary, China Shipping Container Line (Hong Kong) Co., Ltd.

2.1 Basis of preparation

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The Financial Information incorporates the financial statements of the Target Company and its subsidiary for the Relevant Periods. The financial statements of the subsidiary are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of the subsidiary are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 **New and revised HKFRSs not yet adopted**

The Target Group has adopted the following revised standard and new interpretation for the first time for the current year's financial statement.

Amendments to HKAS 1	*Disclosure Initiative* [1]
HKFRS 9	*Financial Instruments* [2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations* [1]

HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Group's operation and may result in changes in the Target Group's accounting policies and changes in presentation and measurement of certain items in the Target Group's Financial Information.

2.3 Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company and/or its other subsidiaries. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the Financial Information is categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

   (i) has control or joint control over the Target Group;

   (ii) has significant influence over the Target Group; or

   (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

   (i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) revenue from the rendering of services is recognised when services are provided;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company and its subsidiary operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Employee benefits

The Target Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its eligible employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Target Group in an independently administered fund. The Target Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The subsidiary of Target Company established and operated in Mainland China is required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Subsequent measurement

The subsequent measurement of loans and receivables as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's trade payables, financial liabilities included in other payables and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose:

Category	**Annual Depreciation Rate**
Motor vehicles	11.88% ~ 15.83%
Computer, office equipment and furniture	11.88% ~ 31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Intangible assets (other than goodwill)

Intangible assets acquired are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Dividends

Dividends are simultaneously proposed and declared, because the Target Group's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

The functional currency of the Target Company is the Hong Kong dollar. As at the end of each of the Relevant Periods, the assets and liabilities of the Target Company are translated into the presentation currency of the Target Group (RMB) at the exchange rates prevailing at the end of each of the Relevant Periods, and its statements of profit or loss and other comprehensive income are translated at the weighted average exchange rates for each of the Relevant Period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

For the purpose of the consolidated statement of cash flows, the cash flows of the Target Company are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiary which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. **Significant accounting estimates**

The preparation of the Target Group's Financial Information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. There was no impairment on trade receivables as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

4. **Revenue, other income and gains**

An analysis of revenue, other income and gains is as follows:

Target Group

	Year ended 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Revenue		
Shipping agent service income	90,037	48,599
Other income and gains		
Interest income	120	41
Gain on disposal of property, plant and equipment	4	15
Gains on disposal of a subsidiary	—	3,839
Net foreign exchange gains	1,673	4,267
Others	11	—
	1,808	8,162

Target Company

	Year ended 31 December	**Nine months ended 30 September**	
	2014	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
		(Unaudited)	
Revenue			
Shipping agency service income	50,912	42,376	45,047
Other income and gains			
Interest income	54	47	25
Gain on disposal of property, plant and equipment	3	3	—
Gains on disposal of a subsidiary	—	—	—
Net foreign exchange gains	3,135	3,467	2,013
Others	—	—	—
	3,192	3,517	2,038

5. Profit before tax

The profit before tax is arrived at after charging:

Target Group

	Note	**Year ended 31 December**	
		2012	**2013**
		RMB'000	*RMB'000*
Employee benefit expenses		56,365	31,202
Operating lease charges		12,717	9,521
Depreciation	8	644	412

Target Company

	Notes	**Year ended 31 December**	**Nine months ended 30 September**	
		2014	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)	
Employee benefit expenses		28,016	18,686	16,415
Operating lease charges		10,655	7,805	6,652
Amortisation of intangible assets	9	—	—	6
Depreciation	8	1,050	788	1,944

6. Income tax

The Target Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Target Group are domiciled and operate.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

The provision for PRC profits tax is based on the statutory rate of 25% of the assessable profits as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

Target Group

	Note	Year ended 31 December	
		2012	**2013**
		RMB'000	*RMB'000*
Current tax		532	340
Deferred tax	14	2	12
		534	352

Target Company

	Note	**Year ended 31 December**	**Nine months ended 30 September**	
		2014	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)	
Current tax		1,171	3	1
Deferred tax	14	353	(3)	(1)
		1,524	—	—

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Target Company and its subsidiary are domiciled to the tax expense at the effective tax rate is as follows:

Target Group

	Year ended 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Profit before tax	5,336	9,487
Tax at an applicable tax rate of 16.5%	880	1,565
Effect of a different tax rate	74	—
Income not subject to income tax	(9,547)	(6,275)
Expenses not deductible for tax	9,127	5,062
Tax charge at the effective tax rate	534	352

Target Company

	Year ended 31 December 2014	Nine months ended 30 September 2014	Nine months ended 30 September 2015
	RMB'000	*RMB'000* *(Unaudited)*	*RMB'000*
Profit before tax	6,439	9,910	10,947
Tax at an applicable tax rate of 16.5%	1,062	1,635	1,806
Income not subject to income tax	(6,963)	(7,572)	(7,769)
Expenses not deductible for tax	7,425	5,937	5,963
Tax charge at the effective tax rate	1,524	—	—

7. **Dividend**

The Target Group declared and paid dividend of RMB23,544,000 and RMB13,684,000, to the shareholders for the years ended 31 December 2012 and 2013, respectively. The Target Company declared and paid dividend of RMB7,918,000 and RMB6,704,000 to the shareholders for the years ended 31 December 2014 and the nine months ended 30 September 2015, respectively.

8. **Property, plant and equipment**

Target Group

	Motor vehicles *RMB'000*	Computer, office equipment and furniture *RMB'000*	Total *RMB'000*
At 1 January 2012			
Cost	1,543	11,083	12,626
Accumulated depreciation	(1,246)	(9,756)	(11,002)
Net carrying amount	297	1,327	1,624
At 1 January 2012, net of accumulated depreciation	297	1,327	1,624
Additions	—	508	508
Disposals	—	(4)	(4)
Depreciation provided during the year	(119)	(525)	(644)
Exchange realignment	—	1	1
At 31 December 2012, net of accumulated depreciation	178	1,307	1,485
At 31 December 2012			
Cost	1,543	10,306	11,849
Accumulated depreciation	(1,365)	(8,999)	(10,364)
Net carrying amount	178	1,307	1,485
At 1 January 2013, net of accumulated depreciation	178	1,307	1,485
Additions	—	220	220
Disposals	—	(2)	(2)
Disposal of a subsidiary	—	(804)	(804)
Depreciation provided during the year (note 5)	(117)	(295)	(412)
Exchange realignment	(3)	(27)	(30)
At 31 December 2013, net of accumulated depreciation	58	399	457
At 31 December 2013			
Cost	1,540	5,375	6,915
Accumulated depreciation	(1,482)	(4,976)	(6,458)
Net carrying amount	58	399	457

Target Company

	Motor vehicles *RMB'000*	Computer, office equipment and furniture *RMB'000*	Total *RMB'000*
At 1 January 2012			
Cost	1,543	6,164	7,707
Accumulated depreciation	(1,246)	(5,603)	(6,849)
Net carrying amount	297	561	858
At 1 January 2012, net of accumulated depreciation	297	561	858
Additions	—	212	212
Disposals	—	(1)	(1)
Depreciation provided during the year	(119)	(282)	(401)
Exchange realignment	—	1	1
At 31 December 2012, net of accumulated depreciation	178	491	669
At 31 December 2012			
Cost	1,543	6,170	7,713
Accumulated depreciation	(1,365)	(5,679)	(7,044)
Net carrying amount	178	491	669
At 1 January 2013, net of accumulated depreciation	178	491	669
Additions	—	220	220
Disposals	—	(2)	(2)
Depreciation provided during the year	(117)	(283)	(400)
Exchange realignment	(3)	(27)	(30)
At 31 December 2013, net of accumulated depreciation	58	399	457
At 31 December 2013			
Cost	1,540	5,375	6,915
Accumulated depreciation	(1,482)	(4,976)	(6,458)
Net carrying amount	58	399	457

	Motor vehicles *RMB'000*	Computer, office equipment and furniture *RMB'000*	Total *RMB'000*
At 1 January 2014			
Cost	1,540	5,375	6,915
Accumulated depreciation	(1,482)	(4,976)	(6,458)
Net carrying amount	58	399	457
At 1 January 2014, net of accumulated depreciation	58	399	457
Additions	—	7,388	7,388
Depreciation provided during the year	(58)	(992)	(1,050)
Exchange realignment	—	12	12
At 31 December 2014, net of accumulated depreciation	—	6,807	6,807
At 31 December 2014			
Cost	1,540	12,010	13,550
Accumulated depreciation	(1,540)	(5,203)	(6,743)
Net carrying amount	—	6,807	6,807
At 1 January 2015, net of accumulated depreciation	—	6,807	6,807
Additions	—	43	43
Depreciation provided during the period	—	(1,944)	(1,944)
Exchange realignment	—	210	210
At 30 September 2015, net of accumulated depreciation	—	5,116	5,116
At 30 September 2015			
Cost	—	11,696	11,696
Accumulated depreciation	—	(6,580)	(6,580)
Net carrying amount	—	5,116	5,116

9. **Intangible assets**

Target Company

	Software
	RMB'000
Year ended 30 September 2015	
Opening net book value	—
Additions	28
Amortisation charge for period	(6)
Exchange realignment	1
Closing net book amount	23
At 30 September 2015	
Cost	29
Accumulated amortisation	(6)
Net book amount	23

10. **Trade receivables**

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Trade receivables	105,347	77,892

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	45,097	77,892	28,933	18,486

An aged analysis of the trade receivables as at each of the end of the Relevant Periods based on the invoice date, is as follows:

Target Group

	As at 31 December	
	2012	2013
	RMB'000	*RMB'000*
Less than 3 months	105,347	77,892
Between 4 and 6 months	128	—
	105,475	77,892

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	44,969	77,892	28,933	18,486
Between 4 and 6 months	128	—	—	—
	45,097	77,892	28,933	18,486

The trade receivables that are not individually nor collectively considered to be impaired are trade receivables are within 1 year and not overdue.

11. **Other receivables**

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Other receivables	4,842	3,319

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	4,964	3,319	65	136

12. **Cash and cash equivalents**

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Cash and bank balances	30,840	32,625

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	7,026	32,625	34,581	50,050

Cash and cash equivalents are denominated in the following currencies:

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
HKD	4,239	18,392
USD	19,125	13,201
RMB	7,476	1,032
	30,840	32,625

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HKD	3,672	18,392	22,290	26,302
USD	3,306	13,208	11,352	23,422
RMB	48	1,025	939	326
	7,026	32,625	34,581	50,050

Cash and cash equivalents comprise cash on hand and cash at bank that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the reporting period.

13. **Trade payables**

An aged analysis of the trade payables as at each of the end of the Relevant Periods, based on the invoice date, is as follows:

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Within 3 months	29,919	14,670

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	29,919	14,670	14,180	12,199

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

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	29,919	14,670	14,180	12,199

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

14. **Deferred tax**

Deferred tax assets

Target Group

	Accelerated depreciation
	RMB'000
At 1 January 2012	400
Charged to profit or loss	(2)
At 31 December 2012	398
At 31 December 2012 and 1 January 2013	398
Charged to profit or loss	(12)
At 31 December 2013	386

Target Company

	Accelerated depreciation
	RMB'000
At 1 January 2012	400
Charged to profit or loss	(2)
At 31 December 2012	398
At 31 December 2012 and 1 January 2013	398
Charged to profit or loss	(12)
At 31 December 2013	386
At 31 December 2013 and 1 January 2014	386
Charged to profit or loss	(353)
At 31 December 2014	33
At 31 December 2014 and 1 January 2015	33
Credited to profit or loss	1
At 30 September 2015	34

There are no income tax consequences attaching to the payment of dividends by the Target Company to its shareholders.

15. **Other payables and accruals**

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Payroll payables	6,984	—
Other payables	5,585	8,378
	12,569	8,378

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll payables	3,243	—	—	—
Other payables	5,481	8,378	6,515	2,317
Advanced from suppliers	—	—	—	3,010
	8,724	8,378	6,515	5,327

The trade payables are non-interest-bearing and payable on demand.

16. **Share capital**

Target Group and Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share capital	10,403	10,403	10,403	10,403

17. **Investment in a subsidiary**

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost:	8,000	—	—	—

On 1 January 2013, the Target Group disposed its 100% equity interest in China Shipping Container Lines (Shenzhen) Agency Co., Ltd. to China Shipping Container Lines (Hong Kong) Co., Ltd.

Details of the net assets disposed of and gain on disposal are as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	804
Trade and other receivables	68,840
Cash and cash equivalents	23,814
Trade and other payables	(83,352)
	10,106
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit or loss upon loss of control of the subsidiary	2,093
Gain on disposal of the subsidiary	3,839
	16,038
Satisfied by:	
Cash	16,038

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	RMB'000
Cash consideration	16,038
Cash and cash equivalents disposed of	(23,814)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(7,776)

18. **Operating lease commitments**

As lessee

The Target Group and the Target Company leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging within one year.

As at 31 December 2012, 2013, 2014 and 30 September 2015, the Target Group and the Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Within one year	12,879	9,850

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	9,030	9,850	9,528	10,540

19. **Related party transactions**

(a) *Transactions with related parties*

In addition to the related party transactions set out in the respective notes to the financial statements, the Target Group and the Target Company entered into the following significant transactions with related parties during the Relevant Periods:

Target Group

	Year ended 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Transactions with fellow subsidiaries		
Shipping agent services income	25,944	14,817

	Year ended 31 December	Nine months ended 30 September	
	2014	**2014**	**2015**
	RMB'000	*RMB'000* (Unaudited)	*RMB'000*
Transactions with fellow subsidiaries			
Shipping agent services income	23,478	17,608	7,890

These transactions are conducted in the ordinary course of business of the Target Group and the Target Company.

(b) *Outstanding balances with related parties:*

The Target Group and the Target Company had the following significant balances with its related parties during the Relevant Periods:

(i) Due from related parties

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Balances with fellow subsidiaries		
Trade receivables	10,241	—
Other receivables	165,793	152,315
	176,034	152,315

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with fellow subsidiaries				
Trade receivables	—	—	—	118,860
Other receivables	165,793	152,315	117,909	76,354
	165,793	152,315	117,909	195,214

The Target Group and the Target Company had the following significant balances with its related parties during the Relevant Periods:

(ii) Due to related parties

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Balances with fellow subsidiaries		
Trade payables	—	790
Advance from customers	177,319	136,094
Other payables	59,091	73,387
	236,410	210,271

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with fellow subsidiaries				
Trade payables	—	790	1,530	30,462
Advance from customers	177,319	136,094	99,012	—
Other payables	59,091	73,387	37,141	185,721
	236,410	210,271	137,683	216,183

The amounts due from/to the related parties were interest-free, unsecured and had no fixed terms of repayment.

(c) **Key management compensation**

Target Group

	Year ended 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Basic salaries	3,373	5,372
Social welfare	350	330
Pension and other welfare	103	146
	3,826	5,848

Target Company

	Year ended 31 December 2014	Nine months ended 30 September 2015
	RMB'000	*RMB'000*
Basic salaries	4,346	1,656
Social welfare	336	48
Pension and other welfare	208	19
	4,890	1,723

20. **Financial instruments by category**

Target Group

The carrying amounts of each of the categories of financial instruments as at each of the end of the Relevant Periods are as follows:

Financial assets

Loans and receivables

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Trade receivables	105,475	77,892
Other receivables	4,842	3,319
Due from related parties	176,034	152,315
Cash and cash equivalents	30,840	32,625
	317,191	266,151

Financial liabilities

Financial liabilities at amortised cost

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Trade payables	29,919	14,670
Financial liabilities included in other payables and accruals	5,585	8,378
Due to related parties	59,091	74,177
	94,595	97,225

Target Company

The carrying amounts of each of the categories of financial instruments as at each of the end of the Relevant Periods are as follows:

Financial assets

Loans and receivables

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	45,097	77,892	28,933	18,486
Other receivables	4,964	3,319	65	136
Due from a subsidiary	79,073	—	—	—
Due from related parties	165,793	152,315	117,909	195,214
Cash and cash equivalents	7,026	32,625	34,581	50,050
	301,953	266,151	181,488	263,886

Financial liabilities

Financial liabilities at amortised cost

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	29,919	14,670	14,180	12,199
Financial liabilities included in other payables and accruals	5,481	8,378	6,515	2,317
Due to related parties	59,091	74,177	38,671	216,183
	94,491	97,225	59,366	230,699

21. **Fair values and Fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, trade receivables, and other receivables, amounts due from related parties, trade payables, financial liabilities included in other payables and accruals and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

22. **Financial risk management objectives and policies**

The main risks arising from the Target Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the Hong Kong dollar ("HK$") exchange rates, with all other variables held constant, of profit before tax for the years ended 31 December 2012 and 2013, and of the Target Company's profit before tax for year ended 31 December 2014 and the nine months ended 30 September 2015 (due to changes in the fair value of monetary assets and liabilities).

Target Group

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2012		
If RMB weakens against HK$	5	(5,160)
If RMB strengthens against HK$	(5)	5,160
Year ended 31 December 2013		
If RMB weakens against HK$	5	(114)
If RMB strengthens against HK$	(5)	114

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2014		
If RMB weakens against HK$	5	(765)
If RMB strengthens against HK$	(5)	765
Nine months ended 30 September 2015		
If RMB weakens against HK$	5	(15,952)
If RMB strengthens against HK$	(5)	15,952

Credit risk

The Target Group has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Target Group has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade receivables, other receivables, amounts due from related parties and cash and cash equivalents represents the maximum credit exposure of the Target Group. The Target Group has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Group performs periodic credit evaluations of its customers.

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The maturity profile of the Target Group's financial liabilities as at 31 December 2012 and 2013, based on contractual undiscounted payments, is as follows:

Target Group

As at 31 December 2012

	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	29,919	29,919
Financial liabilities included in other payables and accruals	5,585	—	5,585
Due to related parties	59,091	—	59,091
	64,676	29,919	94,595

As at 31 December 2013

	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	14,670	14,670
Financial liabilities included in other payables and accruals	8,378	—	8,378
Due to related parties	74,177	—	74,177
	82,555	14,670	97,225

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Company

As at 31 December 2012

	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	29,919	29,919
Financial liabilities included in other payables and accruals	5,481	—	5,481
Due to related parties	59,091	—	59,091
	64,572	29,919	94,491

As at 31 December 2013

	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	14,670	14,670
Financial liabilities included in other payables and accruals	8,378	—	8,378
Due to related parties	74,177	—	74,177
	82,555	14,670	97,225

As at 31 December 2014

	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	14,180	14,180
Financial liabilities included in other payables and accruals	6,515	—	6,515
Due to related parties	38,671	—	38,671
	45,186	14,180	59,366

As at 30 September 2015

	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	12,199	12,199
Financial liabilities included in other payables and accruals	2,317	—	2,317
Due to related parties	216,183	—	216,183
	218,500	12,199	230,699

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade payables, financial liabilities included in other payables and amounts due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Trade payables	29,919	14,670
Financial liabilities included in other payables and accruals	5,585	8,378
Due to related parties	59,091	74,177
Less: Cash and cash equivalents	(30,840)	(32,625)
Net debt	63,755	64,600
Total capital	40,176	33,312
Total capital and net debt	103,931	97,912
Gearing ratio	61%	66%

Target Company

	As at 31 December 2014 *RMB'000*	As at 30 September 2015 *RMB'000*
Trade payables	14,180	12,199
Financial liabilities included in other payables and accruals	6,515	2,317
Due to related parties	38,671	216,183
Less: Cash and cash equivalents	(34,581)	(50,050)
Net debt	24,785	180,649
Total capital	29,670	35,059
Total capital and net debt	54,455	215,708
Gearing ratio	46%	84%

23. **Events after the reporting periods**

To the date of this report, no material subsequent event requiring disclosure occurred.

24. **Subsequent financial statements**

No audited financial statements have been prepared by the Target Group or any of the Company comprising the Target Group in respect of any period subsequent to 30 September 2015.

Yours faithfully

ERNST & YOUNG
Certified Public Accountants
Hong Kong

3.14 **China Shipping Container Lines Agency (Shenzhen) Co., Ltd. (中海集裝箱運輸代理(深圳)有限公司)**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Board of Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping Container Lines (Shenzhen) Agency Co., Ltd. (the "Target Company") comprising the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, together with the notes thereto (the "Financial Information"), and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Target Company for the nine months ended 30 September 2014 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of section II below, for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest in the Target Company (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 15 June 2006.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") and were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)") registered in the PRC.

As at the date of this report, the Target Company has adopted 31 December as their financial year end date.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the financial statements of the Target Company (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with 'HKFRSs', and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagement 2410 *Review of Interim Financial Information performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, and of the financial performance and cash flows of the Target Company for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Statements of profit or loss and other comprehensive income

			As at 31 December			**As at 30 September**
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	4	35,970	47,395	40,872	32,582	—
Cost of sales	5	(11,557)	(22,633)	(20,325)	(14,596)	—
Gross profit		24,413	24,762	20,547	17,986	—
Other income and gains	4	92	73	1,203	830	12
Administrative expenses		(23,218)	(19,472)	(20,013)	(14,850)	924
Other expenses		(411)	(1,647)	(231)	(77)	(243)
Profit before tax	5	876	3,716	1,506	3,889	693
Income tax expense	6	(56)	(805)	(251)	(972)	—
Profit and total comprehensive income for the year/period		820	2,911	1,255	2,917	693

Statements of financial position

	Notes	As at 31 December 2012	As at 31 December 2013	As at 31 December 2014	As at 30 September 2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	7	816	879	1,215	1,004
Total non-current assets		816	879	1,215	1,004
CURRENT ASSETS					
Trade receivables	8	58,285	61,142	30,344	—
Other receivables	9	312	—	514	—
Amounts due from related parties	15(b)	10,241	2,013	3,600	34,359
Cash and cash equivalents	10	23,814	8,317	11,655	1,435
Total current assets		92,652	71,472	46,113	35,794
CURRENT LIABILITIES					
Trade payables	11	—	1	2,236	2,490
Other payables and accruals	12	4,278	4,233	1,304	621
Tax payable		—	342	—	—
Amounts due to related parties	15(b)	79,074	54,748	29,506	18,712
Total current liabilities		83,352	59,324	33,046	21,823
NET CURRENT ASSETS		9,300	12,148	13,067	13,971
TOTAL ASSETS LESS CURRENT LIABILITIES		10,116	13,027	14,282	14,975

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		10,116	13,027	14,282	14,975
Net assets		10,116	13,027	14,282	14,975
EQUITY					
Paid-in capital	13	8,000	8,000	8,000	8,000
Reserves		2,116	5,027	6,282	6,975
Total equity		10,116	13,027	14,282	14,975

Statements of changes in equity

	Paid-in capital *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
At 1 January 2012	8,000	1,296	9,296
Profit for the year	—	820	820
At 31 December 2012	8,000	2,116	10,116
At 1 January 2013	8,000	2,116	10,116
Profit for the year	—	2,911	2,911
At 31 December 2013	8,000	5,027	13,027
At 1 January 2014	8,000	5,027	13,027
Profit for the year	—	1,255	1,255
At 31 December 2014	8,000	6,282	14,282
At 1 January 2015	8,000	6,282	14,282
Profit for the period	—	693	693
At 30 September 2015	8,000	6,975	14,975
At 1 January 2014	8,000	5,027	13,027
Profit for the period	—	2,917	2,917
At 30 September 2014 (Unaudited)	8,000	7,944	15,944

Statements of cash flows

		Year ended 31 December			**Nine months ended 30 September**	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		876	3,716	1,506	3,889	693
Adjustments for:						
Depreciation	5	241	288	293	220	211
Loss on disposal of items of property, plant and equipment	5	4	21	12	—	—
Interest income	4	(73)	(73)	(75)	(55)	(12)
		1,048	3,952	1,736	4,054	892
(Increase)/decrease in trade receivables		(13,896)	(2,857)	30,798	14,858	30,344
(Increase)/decrease in amounts due from related parties		(3,380)	8,228	(1,587)	(10,098)	(30,759)
(Increase)/decrease in other receivables		(14)	312	(514)	—	514
(Decrease)/increase in trade payables		(3,566)	1	2,235	24,269	254
Increase/(decrease) in amounts due to related parties		25,674	(24,326)	(25,242)	(23,743)	(10,794)
Increase/(decrease) in other payables and accruals		10,347	219	(2,917)	138	(683)
Income tax paid		(3,124)	(463)	(593)	(465)	—
Net cash flows from/(used in) operating activities		13,089	(14,934)	3,916	9,013	(10,232)

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		73	73	75	55	12
Purchases of items of property, plant and equipment		(295)	(372)	(641)	(631)	—
Net cash flows (used in)/ generated from investing activities		(222)	(299)	(566)	(576)	12
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		12,867	(15,233)	3,350	8,437	(10,220)
Cash and cash equivalents at beginning of year/period	10	10,837	23,814	8,317	8,317	11,655
Effect of foreign exchange rate changes, net		110	(264)	(12)	30	—
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	10	23,814	8,317	11,655	16,784	1,435

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

China Shipping Container Lines (Shenzhen) Agency Co., Ltd. was established in the People's Republic of China (the "PRC") as a company with limited liability on 15 June 2006. The operating registered number is 440301503352681. The registered office of the Target Company is located at No. 5201, 5202, 5209A, 5210, 5302, 5303, 5305, 5306 at the junction of Yitian Road and Fu Hua San Road which named Shenzhen International Chamber of Commerce Center.

China Shipping Container Lines (Shenzhen) Agency Co., Ltd. ("The Target Company") is principally engaged in shipping agency business.

In the opinion of the Directors, the ultimate holding company of the Target Company is China Shipping (Group) Company, which is incorporated in the PRC.

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods. The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Issued but not yet effective HKFRSs

The Target Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]

Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

[1] Effective for annual periods beginning on or after 1 January 2016

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

The Target Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Company's operation and may result in changes in the Target Company's accounting policies and changes in presentation and measurement of certain items in the Target Company's Financial Information.

2.3 **Summary of significant accounting policies**

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same company;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) Revenue comprises shipping agent service income from related parties and third parties. The revenue is recognized when relevant services have been rendered.

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Employee benefits

The Target Company are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Target Company statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Impairment of financial assets

The Target Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include other payables and accruals and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other expenses in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Target company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles	11.88%-15.83%
Computer, office equipment and furniture	11.88%-31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Foreign currencies

This Financial Information is presented in RMB, which is the functional and presentation currency of the Target Company. Foreign currency transactions recorded by the Target Company are initially recorded using its functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

3. **Significant accounting judgements and estimates**

The preparation of the Target Company financial information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade receivables amounted to RMB2,094,000, RMB1,891,000, RMB938,000 and nil as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

4. **Revenue, other income and gains**

Revenue, which is also the Target Company's turnover, represents the value of services rendered during the Relevant Periods.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue:					
Shipping agent service income	35,970	47,395	40,872	32,582	—
Other income and gains					
Interest income	73	73	75	55	12
Government grant related to income	—	—	1,083	775	—
Others	19	—	45	—	—
	92	73	1,203	830	12

5. **Profit before tax**

The Target Company profit before tax is arrived at after charging/(crediting):

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Employee benefit expenses	24,798	22,998	26,448	18,965	39
Operating lease expenses	3,401	3,424	3,424	2,568	—
Depreciation	241	288	293	214	211
Charge/(reversal) of impairment on trade receivables	810	(203)	(953)	—	(938)
Loss on disposal of items of property, plant and equipment	4	21	12	—	—
Foreign exchange losses	407	1,627	218	77	243

6. **Income tax**

The provision for PRC current income tax is based on the statutory rate of 25% of the assessable profits as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current income tax	56	805	251	972	—

A reconciliation of the tax expense applicable to profit before tax at the statutory rates to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	876	3,716	1,506	3,889	693
Tax at statutory income tax rate of 25%	219	929	377	972	173
Adjustment in respect of current tax of prior period	(378)	(73)	—	—	—
Expense not deductible for tax	12	—	112	75	—
Temporary differences not recognised	203	(51)	(238)	(75)	(173)
Tax charge at the effective rate	56	805	251	972	—

7. **Property, plant and equipment**

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012			
Cost	477	3,404	3,881
Accumulated depreciation	(430)	(2,685)	(3,115)
Net carrying amount	47	719	766
At 1 January 2012, net of accumulated depreciation	47	719	766
Additions	105	190	295
Disposals	—	(4)	(4)
Depreciation	(14)	(227)	(241)
At 31 December 2012, net of accumulated depreciation	138	678	816

	Motor vehicles *RMB'000*	Computer, office equipment and furniture *RMB'000*	Total *RMB'000*
At 31 December 2012			
Cost	582	3,554	4,136
Accumulated depreciation	(444)	(2,876)	(3,320)
Net carrying amount	138	678	816
At 1 January 2013, net of accumulated depreciation	138	678	816
Additions	98	274	372
Disposals	—	(21)	(21)
Depreciation	(35)	(253)	(288)
At 31 December 2013, net of accumulated depreciation	201	678	879
At 31 December 2013			
Cost	680	3,621	4,301
Accumulated depreciation	(479)	(2,943)	(3,422)
Net carrying amount	201	678	879
At 1 January 2014			
Cost	680	3,621	4,301
Accumulated depreciation	(479)	(2,943)	(3,422)
Net carrying amount	201	678	879
At 1 January 2014, net of accumulated depreciation	201	678	879
Additions	596	45	641
Disposals	—	(12)	(12)
Depreciation	(107)	(186)	(293)
At 31 December 2014, net of accumulated depreciation	690	525	1,215
At 31 December 2014			
Cost	1,277	3,539	4,816
Accumulated depreciation	(587)	(3,014)	(3,601)
Net carrying amount	690	525	1,215

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015, net of accumulated depreciation	690	525	1,215
Depreciation	(95)	(116)	(211)
At 30 September 2015, net of accumulated depreciation	595	409	1,004
At 30 September 2015			
Cost	1,277	3,539	4,816
Accumulated depreciation	(682)	(3,130)	(3,812)
Net carrying amount	595	409	1,004

8. **Trade receivables**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	60,379	63,033	31,282	—
Impairment	(2,094)	(1,891)	(938)	—
	58,285	61,142	30,344	—

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

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	60,379	63,033	31,282	—

Movements in the provision for impairment of trade receivables are as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	1,284	2,094	1,891	938
Impairment losses recognised	810	—	36	—
Impairment losses reversed	—	(203)	(989)	(938)
At the ending of the year/period	2,094	1,891	938	—

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered. The Target Company does not hold any collateral or other credit enhancements over these balances.

9. **Other receivables**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	312	—	514	—

10. **Cash and cash equivalents**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	23,814	8,317	11,655	1,435

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	7,428	1,626	—	314
USD	15,819	5,147	11,431	1,121
HKD	567	1,544	224	—
	23,814	8,317	11,655	1,435

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of each of the Relevant Periods.

11. **Trade payables**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	1	2,236	2,490

An aging analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	—	1	2,236	2,490

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

12. **Other payables and accruals**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	—	—	—	48
Payroll payables	3,740	113	645	572
Indirect tax payables	433	3,320	135	—
Other payables	105	800	524	1
	4,278	4,233	1,304	621

13. **Paid-in capital**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	8,000	8,000	8,000	8,000

14. **Operating lease commitments**

As lessee

The Target Company leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years, and those for office equipment are for terms ranging between one and three years.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,556	3,424	3,424	—
In the second to third years, inclusive	—	4,983	1,560	—
	1,556	8,407	4,984	—

15. **Related party transactions and balances**

(a) ***Transactions with related parties***

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Transactions with fellow subsidiaries					
Revenue:					
Interest income	—	4	74	55	9
Shipping agent service income	35,970	41,636	40,872	30,654	—
	35,970	41,640	40,946	30,709	9

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

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with immediate holding company				
Trade receivables	10,241	2,013	3,600	—
Trade payables	79,074	54,413	29,354	18,712
Balances with fellow subsidiaries				
Other receivables	—	—	—	34,359
Other payables	—	335	152	—

Amounts due from/to related parties were interest-free, unsecured and have no fixed terms of repayment.

Balance with CS Finance

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits	—	5,147	11,431	1,121

The Target Company placed a certain portion of tis cash at China Shipping Finance Co., Ltd. ("CS Finance"), a fellow subsidiary. All deposits at each of the end of Relevant Periods were demand deposits and were included in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

(c) ***Key management compensation***

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries	596	770	949	991
Social welfare	66	66	78	70
Pension and others welfare	26	32	48	31
	688	868	1,075	1,092

16. **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at each of the end of each of the Relevant Periods are as follows:

Financial assets — loans and receivables

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	58,285	61,142	30,344	—
Financial assets included in other receivables	312	—	514	—
Due from related parties	10,241	2,013	3,600	34,359
Cash and cash equivalents	23,814	8,317	11,655	1,435
	92,652	71,472	46,113	35,794

Financial liabilities at amortised cost

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	1	2,236	2,490
Financial liabilities included in other payables and accruals	105	800	524	1
Due to related parties	79,074	54,748	29,506	18,712
	79,179	55,549	32,266	21,203

17. **Fair value and fair value hierarchy of financial instruments**

Fair value

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Fair value hierarchy of financial instruments

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in other receivables, amounts due from related parties, trade payables, financial liabilities included in other payables and accruals and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Target Company's finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed with the board of directors once a year for annual financial reporting.

The Target Company did not have any financial instrument measured at fair value as at 31 December 2012, 2013 and 2014 and 30 September 2015.

18. **Financial risk management objectives and policies**

The Target Company's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Target Company's operations. The Target Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The following table demonstrates the sensitivity at each of the end of the Relevant Periods to a reasonably possible change in the United States dollar ("US$") and Hong Kong dollar ("HK$") exchange rates, with all other variables held constant, of the Target Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2012		
If RMB weakens against US$	5	(3,163)
If RMB strengthens against US$	(5)	3,163
If RMB weakens against HK$	5	(28)
If RMB strengthens against HK$	(5)	28
Year ended 31 December 2013		
If RMB weakens against US$	5	(4,536)
If RMB strengthens against US$	(5)	4,536
If RMB weakens against HK$	5	(350)
If RMB strengthens against HK$	(5)	350
Year ended 31 December 2014		
If RMB weakens against US$	5	(1,878)
If RMB strengthens against US$	(5)	1,878
If RMB weakens against HK$	5	(22)
If RMB strengthens against HK$	(5)	22
Nine months ended 30 September 2015		
If RMB weakens against US$	5	(3)
If RMB strengthens against US$	(5)	3
If RMB weakens against HK$	5	(12)
If RMB strengthens against HK$	(5)	12

Credit risk

The Target Company has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Target Company has policies that limit the amount of credit exposure to any financial institutions. The total carrying amount of other receivables and cash and cash equivalents represent the maximum credit exposure of Target Company. Target Company also has policies in place to ensure that services are rendered to customers with appropriate credit history and Target Company performs periodic credit evaluations of its customers.

Liquidity risk

The maturity profile of Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

As at 31 December 2012

	On demand	**Less than 3 months**	**3 to 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	105	—	—	105
Due to related parties	79,074	—	—	79,074
	79,179	—	—	79,179

As at 31 December 2013

	On demand	**Less than 3 months**	**3 to 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	1	—	1
Financial liabilities included in other payables and accruals	800	—	—	800
Due to related parties	54,748	—	—	54,748
	55,548	1	—	55,549

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	2,236	—	2,236
Financial liabilities included in other payables and accruals	524	—	—	524
Due to related parties	29,506	—	—	29,506
	30,030	2,236	—	32,266

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	2,490	—	2,490
Financial liabilities included in other payables and accruals	1	—	—	1
Due to related parties	18,712	—	—	18,712
	18,713	2,490	—	21,203

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Target Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

Target Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade payables, financial liabilities included in other payables and accruals and amounts due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	1	2,236	2,490
Financial liabilities included in other payables and accruals	105	800	524	1
Due to related parties	79,074	54,748	29,506	18,712
Less: Cash and cash equivalents	(23,814)	(8,317)	(11,655)	(1,435)
Net debt	55,365	47,232	20,611	19,768
Total capital	10,116	13,027	14,282	14,975
Total capital and net debt	65,481	60,259	34,893	34,743
Gearing ratio	85%	78%	59%	57%

19. **Events after the reporting period**

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

20. **Subsequent financial statements**

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2015.

Yours faithfully,

Certified Public Accountants
Hong Kong

3.15 **Universal Shipping (Asia) Co., Ltd.**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of Universal Shipping (Asia) Co., Ltd. (the "Target Company") and its subsidiary (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012 and 2013, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and statements of cash flows of the Target Company for the year ended 31 December 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012 and 2013, and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 together with the notes thereto (the "Financial Information"), and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the Target Company for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of the Target Group (the "Acquisition") by the Company.

The Target Company was established in Hong Kong as a company with limited liability on 11 June 1999.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and were audited by Ernst & Young registered in Hong Kong.

During the Relevant Periods, the Target Group had direct and indirect interests in the subsidiary as set out in note 1 of Section II below. All companies in the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the subsidiary in the Target Group were prepared in accordance with the relevant accounting principles applicable to the subsidiary in the country in which it was established. Details of its statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the consolidated financial statements of the Target Group for the years ended 31 December 2012 and 2013 and the financial statements of the Target Company for each of the Relevant Periods (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagement 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group as at 31 December 2012 and 2013 and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the consolidated financial performance and cash flows of the Target Group for the years ended 31 December 2012 and 2013 and the financial performance and cash flows of the Target Company for the year ended 31 December 2014 and the nine months ended 30 September 2015.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December	
	Notes	**2012**	**2013**
		RMB'000	*RMB'000*
REVENUE	4	584,421	532,845
Cost of sales		(539,865)	(504,149)
Gross profit		44,556	28,696
Other income and gains	4	12,432	11,698
Administrative expenses		(20,682)	(19,759)
Others expenses		(796)	—
Profit before tax	5	35,510	20,635
Income tax expense	6	(2,026)	721
Profit for the year/period		33,484	21,356
Attributable to:			
Owners of the parent		33,484	21,356
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(losses) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		22	(4,448)
Total comprehensive income for the year/period		33,506	16,908
Attributable to:			
Owners of the parent		33,506	16,908

Consolidated statements of financial position

	Notes	As at 31 December **2012** *RMB'000*	**2013** *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,280	3
Intangible assets	9	2,394	1,741
Deferred tax assets	16	90	37
Total non-current assets		3,764	1,781
CURRENT ASSETS			
Inventories	10	7,002	7,451
Trade receivables	11	17,969	29,739
Prepayments and other receivables	12	5,342	4,249
Due from related parties	19(b)	58,725	127,116
Cash and cash equivalents	13	107,862	10,339
Total current assets		196,900	178,894
CURRENT LIABILITIES			
Trade payables	14	51,304	55,730
Other payables and accruals	15	3,708	1,913
Tax payable		2,392	—
Due to related parties	19(b)	20,438	4,997
Total current liabilities		77,842	62,640
NET CURRENT ASSETS		119,058	116,254
TOTAL ASSETS LESS CURRENT LIABILITIES		122,822	118,035
Net assets		122,822	118,035
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	54,071	54,071
Reserves		68,751	63,964
Total equity		122,822	118,035

Consolidated statements of changes in equity

	Share capital	**Reserves**	**Retained earnings**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	54,071	(22,122)	71,626	103,575
Profit for the year	—	—	33,484	33,484
Exchange differences on translation of foreign operations	—	22	—	22
Total comprehensive income for the year ended 31 December 2012	—	22	33,484	33,506
Dividends paid to shareholders	—	—	(14,259)	(14,259)
At 31 December 2012	54,071	(22,100)	90,851	122,822
At 1 January 2013	54,071	(22,100)	90,851	122,822
Profit for the year	—	—	21,356	21,356
Exchange differences on translation of foreign operations	—	(4,448)	—	(4,448)
Total comprehensive income for the year ended 31 December 2013	—	(4,448)	21,356	16,908
Disposal of subsidiary	—	(62)	(1,909)	(1,971)
Dividends paid to shareholder	—	—	(19,724)	(19,724)
At 31 December 2013	54,071	(26,610)	90,574	118,035

Consolidated statements of cash flows

		Year ended 31 December	
	Notes	**2012**	**2013**
		RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		35,510	20,635
Adjustments for:			
Depreciation	5	315	12
Amortisation of intangible assets	5	598	589
Gain on disposal of property, plant and equipment	4	(26)	(34)
Gain on disposal of a subsidiary	4	—	(2,963)
Interest income	4	(2,167)	(39)
		34,230	18,200
Decrease/(increase) in trade receivables		1,129	(11,770)
Decrease/(increase) in inventories		5,513	(449)
Decrease in prepayments, deposits and other receivables		2,131	1,093
Decrease/(increase) in amounts due from related parties		11,728	(20,432)
(Decrease)/increase in trade payables		(910)	4,426
(Decrease)/increase in other payables and accruals		(8,070)	4,385
Increase/(decrease) in amounts due to related parties		10,464	(15,441)
Income tax paid		(2,494)	(1,618)
Net cash flows generated from/(used in) operating activities		53,721	(21,606)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,167	39
Purchases of property, plant and equipment and intangible assets		(765)	(170)
Proceeds from disposal of property, plant and equipment		26	34
Disposal of a subsidiary	18	—	(55,434)
Net cash flows generated from/(used in) investing activities		1,428	(55,531)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(14,259)	(19,724)
Net cash flows used in financing activities		(14,259)	(19,724)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		40,890	(96,861)
Cash and cash equivalents at beginning of year		67,415	107,862
Effect of foreign exchange rate changes, net		(443)	(662)
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	107,862	10,339

Statements of profit or loss and other comprehensive income

	Notes	**Year ended 31 December 2014** *RMB'000*	**Nine months ended 30 September 2014** *RMB'000* *(Unaudited)*	**Nine months ended 30 September 2015** *RMB'000*
REVENUE	4	484,965	371,447	335,939
Cost of sales		(455,417)	(350,448)	(300,976)
Gross profit		29,548	20,999	34,963
Other income and gains	4	4,258	3,163	421
Administrative expenses		(21,411)	(15,211)	(12,543)
Other expenses		(310)	(546)	(3,159)
Profit before tax	5	12,085	8,405	19,682
Income tax expense	6	(418)	—	—
Profit for the year/period		11,667	8,405	19,682
OTHER COMPREHENSIVE INCOME				
Other comprehensive (losses)/income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		2,496	3,053	4,541
Total comprehensive income for the year/period		14,163	11,458	24,223

Statements of financial position

		As at 31 December			As at 30 September
		2012	2013	2014	2015
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	8	15	3	11	8
Investments in subsidiary	18	4,223	—	—	—
Intangible assets	9	2,394	1,741	1,164	757
Deferred tax assets	16	90	37	32	33
Total non-current assets		6,722	1,781	1,207	798
CURRENT ASSETS					
Inventories	10	7,002	7,451	4,160	3,264
Trade receivables	11	17,969	29,739	22,375	17,509
Prepayments and receivables	12	4,456	4,249	5,100	3,412
Amounts due from related parties	19(b)	125,298	127,116	127,714	132,950
Cash and cash equivalents	13	27,647	10,339	14,509	18,247
Total current assets		182,372	178,894	173,858	175,382
CURRENT LIABILITIES					
Trade payables	14	51,306	55,730	55,543	50,041
Other payables and accruals	15	1,824	1,912	1,061	1,207
Other current liabilities		—	—	(2)	—
Tax payable		2,484	—	246	256
Amounts due to related parties	19(b)	13,405	4,997	7,032	6,974
Total current liabilities		69,019	62,639	63,880	58,478
NET CURRENT ASSETS		113,353	116,255	109,978	116,904
TOTAL ASSETS LESS CURRENT LIABILITIES		120,075	118,036	111,185	117,702
Net assets		120,075	118,036	111,185	117,702
EQUITY					
Share capital	17	54,071	54,071	54,071	54,071
Reserves		66,004	63,965	57,114	63,631
Total equity		120,075	118,036	111,185	117,702

Statements of changes in equity

	Share capital	Reserves	Retained earnings	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	54,071	(26,610)	90,574	118,035
Profit for the year	—	—	11,667	11,667
Exchange differences on translation of foreign operations	—	2,496	—	2,496
Total comprehensive income for the year ended 31 December 2014	—	2,496	11,667	14,163
Dividends paid to shareholder	—	—	(21,210)	(21,210)
Others	—	—	197	197
At 31 December 2014	54,071	(24,114)	81,228	111,185
At 1 January 2015	54,071	(24,114)	81,228	111,185
Profit for the period	—	—	19,682	19,682
Exchange differences on translation of foreign operations	—	4,541	—	4,541
Total comprehensive income for the period ended 30 September 2015	—	4,541	19,682	24,223
Dividends paid to shareholder	—	—	(17,706)	(17,706)
At 30 September 2015	54,071	(19,573)	83,204	117,702
At 1 January 2014	54,071	(26,610)	90,574	118,035
Profit for the period	—	—	8,405	8,405
Exchange differences on translation of foreign operations	—	3,053	—	3,053
Total comprehensive income for the period ended 30 September 2014	—	3,053	8,405	11,458
Dividends paid to shareholder	—	—	(21,210)	(21,210)
At 30 September 2014 (unaudited)	54,071	(23,557)	77,769	108,283

Statements of cash flows

	Notes	Year ended 31 December 2014	Nine months ended 30 September 2014	Nine months ended 30 September 2015
		RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Adjustments for:				
Profit before tax		12,085	8,405	19,682
Depreciation	8	6	5	3
Amortisation of intangible assets	9	581	436	407
Gain on disposal of property, plant and equipment	4	(15)	(3)	—
Interest income	4	(28)	(22)	(30)
		12,629	8,821	20,062
Decrease in trade receivables		7,364	3,567	4,866
Decrease in inventories		3,291	1,426	896
(Increase)/decrease in prepayments, deposits and other receivables		(851)	(4,046)	1,688
(Increase)/decrease in amounts due from related parties		(598)	7,116	(5,236)
(Decrease)/increase in trade payables		(187)	4,270	(5,502)
Increase in other payables and accruals		1,745	3,620	3,881
Increase/(decrease) in amounts due to related parties		2,035	2,395	(58)
Income tax paid		(167)	(83)	9
Net cash flows from operating activities		25,261	27,086	20,606
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		28	22	30
Purchases of property, plant and equipment and intangible assets		(14)	(23)	
Proceeds from disposal of property, plant and equipment		30	3	
Net cash flows generated from investing activities		44	2	30

	Notes	Year ended 31 December 2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (Unaudited)	Nine months ended 30 September 2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		(21,210)	(21,210)	(17,706)
Net cash flows used in financing activities		(21,210)	(21,210)	(17,706)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,095	5,878	2,930
Cash and cash equivalents at beginning of year/period		10,339	10,339	14,509
Effect of foreign exchange rate changes, net		75	195	808
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	13	14,509	16,412	18,247

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

Universal Shipping (Asia) Company Limited (the "Target Company") was established in Hong Kong as limited liability on 11 June 1999. The address of its registered office is Room 3230, 32/F, China Merchants Tower, Shun Tak Centre, 168-200, Connaught Road Central, Hong Kong.

The Target Company and its subsidiary (hereinafter collectively referred to as the "Target Group") are principally engaged in provision of shipping services and related business.

In the opinion of the directors of the Target Company, the ultimate holding company of the Target Group is China Shipping (Group) Company, a company established in the PRC.

During the Relevant Periods, the Target Company had direct and indirect interests in its subsidiary which is Universal Logistic (Shenzhen) Co., Ltd., the particular of which is set out below:

Company	Place of incorporation	Established Date	Nominal value of issued shares/ paid-up capital	Percentage of interest attributable to the Companies 2012	2013	2014	2015	Principle activity
Logistic (Shenzhen) Co., Ltd.*	PRC	25 July 2007	RMB5 million	100%	—	—	—	Provision of shipping services

The statutory financial statements of the subsidiary for the year ended 31 December 2012 and 2013 prepared in accordance with the relevant accounting principles applicable to enterprise in the PRC ("PRC GAAP") were audited by Baker Tilly China Certified Public Accountants.

The Target Company disposed of its 100% equity interest in Universal Logistic (Shenzhen) Co., Ltd to a related party China Shipping Container Lines (Hong Kong) Co., Ltd. for cash consideration of RMB24,781,000 in January 2013.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs which include all Hong Kong Financial Reporting Standards, ("HKASs") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in RMB and all values are rounded to the nearest thousands, except when otherwise indicated.

Basis of consolidation

This consolidated Financial Information incorporates the financial statements of the Target Company and its subsidiary for the Relevant Periods. The financial statements of the subsidiary are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiary are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiary below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 **Impact of issued but not yet effective HKFRSs**

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations*[1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

[1] Effective for annual periods beginning on or after 1 January 2016

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Group

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Target Group's operation and may result in changes in the accounting policies but are unlikely to have a significant impact on the Target Group's results of operations and financial position.

2.3 **Summary of significant accounting policies**

Subsidiary

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company and/or its other subsidiaries. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Company's voting rights and potential voting rights.

The results of subsidiary are included in the Target Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Target Company's investments in subsidiary that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the assets is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for the revalued assets.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group when the revenue can be measured reliably, on the following bases:

(a) Liner services, freight revenues from the operation of the international and domestic containerised transportation business are recognised on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Employee benefits

The Target Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its eligible employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Target Group in an independently administered fund. The Target Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The subsidiary of Target Company established and operated in Mainland China is required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Subsequent measurement

The subsequent measurement of loans and receivables as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade and other payables and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated and company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Category	**Annual depreciation rate**
Buildings	2.38%-3.17%
Motor vehicles	11.88%-15.83%
Computer, office equipment and furniture	11.88%-31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Dividends

Dividends are simulataneously proposed and declared, because the Target Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Foreign currencies

The Financial Information is presented in RMB. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

The functional currency of the Target Company is the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of the Target Company are translated into the presentation currency of the Group (RMB) at the exchange rates prevailing at the end of the reporting period, and its statements of profit or loss and other comprehensive income are translated at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

For the purpose of the consolidated statement of cash flows, the cash flows of the Target Company are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiary which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. **Significant accounting judgements and estimates**

The preparation of the Target Group's financial information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. There was no provision for impairment of trade receivables at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

4. **Revenue, other income and gains**

An analysis of revenue, other income and gains is as follows:

Target Group

	Note	**Year ended 31 December 2012** *RMB'000*	**2013** *RMB'000*
Revenue			
Container transportation revenue		584,421	532,845
Other income and gains			
Interest income		2,167	39
Information technology services fees		10,019	7,147
Gains on disposal of a subsidiary	18	—	2,963
Gain on disposal of property, plant and equipment		26	34
Foreign exchange gains		—	925
Government grant		220	590
		12,432	11,698

Target Company

	Year ended 31 December	**Nine months ended 30 September**	
	2014	**2014**	**2015**
	RMB'000	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue			
Container transportation revenue	484,965	371,447	335,939
Other income and gains			
Interest income	28	22	30
Information technology services fees	3,618	3,138	—
Gain on disposal of property, plant and equipment	15	3	—
Government grant	597	—	391
	4,258	3,163	421

5. **Profit before tax**

The profit before tax is arrived at after charging:

Target Group

		Year ended 31 December	
	Notes	**2012**	**2013**
		RMB'000	*RMB'000*
Employee benefit expenses		26,770	10,887
Operating lease charges		3,736	3,590
Depreciation	8	315	12
Loss on disposal of a subsidiary	18	—	2,963
Auditors' remuneration		197	240
Amortisation of intangible assets	9	598	589

Target Company

		Year ended 31 December	**Nine months ended 30 September**	
	Notes	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)	
Employee benefit expenses		11,251	7,129	6,922
Operating lease charges		3,737	2,819	2,893
Depreciation	8	6	5	3
Auditors' remuneration		189	143	145
Amortisation of intangible assets	9	581	436	407

6. **Income tax**

The Target Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Target Group are domiciled and operate.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

The provision for PRC profits tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiary of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

Target Group

		Year ended 31 December	
	Note	**2012**	**2013**
		RMB'000	*RMB'000*
Current tax		2,116	(774)
Deferred tax	16	(90)	53
		2,026	(721)

Target Company

		Year ended 31 December	Nine months ended 30 September	
	Note	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)	
Current tax		413	—	1
Deferred tax	16	5	—	(1)
		418	—	—

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Target Company and the subsidiary are domiciled to the tax expense at the effective tax rate is as follows:

Target Group

	Year ended 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Profit before tax	35,510	20,356
Tax at an applicable tax rate of 16.5%	5,859	3,359
Effect of a different tax rate	916	—
Income not subject to income tax	(6,019)	(4,801)
Expenses not deductible for tax	1,270	721
Tax charge at the effective tax rate	2,026	(721)

Target Company

	Year ended 31 December	Nine months ended 30 September	
	2014	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
		(Unaudited)	
Profit before tax	12,085	8,405	19,682
Tax at an applicable tax rate of 16.5%	1,994	1,387	3,248
Income not subject to income tax	(2,931)	(2,203)	(4,642)
Expenses not deductible for tax	1,355	816	1,394
Tax charge at the effective tax rate	418	—	—

7. **Dividends**

The Target Group declared and paid dividend of RMB14,259,000 and RMB19,724,000, to the shareholders for the years ended 31 December 2012 and 2013, respectively. The Target Company declared and paid dividend of RMB21,210,000 and RMB17,706,000 to the shareholders for the years ended 31 December 2014 and the nine months ended 30 September 2015, respectively.

8. **Property, plant and equipment**

Target Group

	Buildings	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012				
Cost	2,185	1,649	2,479	6,313
Accumulated depreciation	(2,185)	(1,540)	(1,784)	(5,509)
Net carrying amount	—	109	695	804
At 1 January 2012, net of accumulated depreciation	—	109	695	804
Additions	—	488	277	765
Exchange differences	—	47	(21)	26
Depreciation provided during the year	—	(81)	(234)	(315)
At 31 December 2012, net of accumulated depreciation	—	563	717	1,280
At 31 December 2012				
Cost	2,185	1,635	2,423	6,243
Accumulated depreciation	(2,185)	(1,072)	(1,706)	(4,963)
Net carrying amount	—	563	717	1,280
At 1 January 2013, net of accumulated depreciation	—	563	717	1,280
Exchange difference	—	—	(49)	(49)
Additions	—	—	170	170
Disposal of a subsidiary	—	(563)	(823)	(1,386)
Depreciation provided during the year	—	—	(12)	(12)
At 31 December 2013, net of accumulated depreciation	—	—	3	3
At 31 December 2013				
Cost	2,185	338	1,254	3,777
Accumulated depreciation	(2,185)	(338)	(1,251)	(3,774)
Net carrying amount	—	—	3	3

Target Company

	Buildings	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012				
Cost	2,185	929	1,486	4,600
Accumulated depreciation	(2,185)	(929)	(1,426)	(4,540)
Net carrying amount	—	—	60	60
At 1 January 2012, net of accumulated depreciation	—	—	60	60
Depreciation provided during the year	—	—	(45)	(45)
At 31 December 2012, net of accumulated depreciation	—	—	15	15
At 31 December 2012				
Cost	2,185	480	1,486	4,151
Accumulated depreciation	(2,185)	(480)	(1,471)	(4,136)
Net carrying amount	—	—	15	15
At 1 January 2013, net of accumulated depreciation	—	—	15	15
Exchange difference	—	—	49	49
Disposals	—	—	(49)	(49)
Depreciation provided during the year	—	—	(12)	(12)
At 31 December 2013, net of accumulated depreciation	—	—	3	3
At 31 December 2013				
Cost	2,185	338	1,254	3,777
Accumulated depreciation	(2,185)	(338)	(1,251)	(3,774)
Net carrying amount	—	—	3	3

	Buildings	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014				
Cost	2,185	338	1,254	3,777
Accumulated depreciation	(2,185)	(338)	(1,251)	(3,774)
Net carrying amount	—	—	3	3
At 1 January 2014, net of accumulated depreciation	—	—	3	3
Exchange differences	—	—	15	15
Additions	—	—	14	14
Disposals	—	—	(15)	(15)
Depreciation provided during the year	—	—	(6)	(6)
At 31 December 2014, net of accumulated depreciation	—	—	11	11
At 31 December 2014				
Cost	2,185	338	721	3,244
Accumulated depreciation	(2,185)	(338)	(710)	(3,233)
Net carrying amount	—	—	11	11
At 1 January 2015, net of accumulated depreciation	—	—	11	11
Depreciation provided during the period	—	—	(3)	(3)
At 31 December 2015, net of accumulated depreciation	—	—	8	8
At 30 September 2015				
Cost	2,185	338	721	3,244
Accumulated depreciation	(2,185)	(338)	(713)	(3,236)
Net carrying amount	—	—	8	8

9. **Intangible assets**

Target Group

	Software
	RMB'000
Year ended 31 December 2012	
Opening net book value	2,991
Exchange difference	1
Amortisation charge for the year (note 5)	(598)
Closing net book amount	2,394
At 31 December 2012	
Cost	4,787
Accumulated amortisation	(2,393)
Net book amount	2,394
Year ended 31 December 2013	
Opening net book value	2,394
Exchange difference	(64)
Amortisation charge for the year (note 5)	(589)
Closing net book amount	1,741
At 31 December 2013	
Cost	4,642
Accumulated amortisation	(2,901)
Net book amount	1,741

Target Company

	Software
	RMB'000
Year ended 31 December 2012	
Opening net book value	2,991
Exchange difference	1
Amortisation charge for the year	(598)
Closing net book amount	2,394
At 31 December 2012	
Cost	4,787
Accumulated amortisation	(2,393)
Net book amount	2,394
Year ended 31 December 2013	
Opening net book value	2,394
Exchange difference	(64)
Amortisation charge for the year	(589)
Closing net book amount	1,741
At 31 December 2013	
Cost	4,642
Accumulated amortisation	(2,901)
Net book amount	1,741
Year ended 31 December 2014	
Opening net book value	1,741
Exchange difference	4
Amortisation charge for the year	(581)
Closing net book amount	1,164

	Software
	RMB'000
At 31 December 2014	
Cost	4,657
Accumulated amortisation	(3,493)
Net book amount	1,164
Year ended 30 September 2015	
Opening net book value	1,164
Amortisation charge for the year	(407)
Closing net book amount	757
At 30 September 2015	
Cost	4,642
Accumulated amortisation	(3,885)
Net book amount	757

10. **Inventories**

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Bunkers	7,002	7,451

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bunkers	7,002	7,451	4,160	3,264

11. **Trade receivables**

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Trade receivables	17,969	29,739

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	17,969	29,739	22,375	17,509

An ageing analysis of the trade receivables as at the end of the relevant period, based on the invoice date, is as follows:

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Less than 3 months	17,725	29,392
Between 4 and 6 months	81	338
Between 7 and 12 months	163	9
	17,969	29,739

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	17,725	29,392	22,375	17,509
Between 4 and 6 months	81	338	—	—
Between 7 and 12 months	163	9	—	—
	17,969	29,739	22,375	17,509

The Target Group' trading terms with its customers are mainly on credit. Credit terms in a range within three months are granted to those customers with a good payment history. There is no concentration of credit risk with respect to trade receivables, as the Target Company has a few of balance from third-parties. Trade receivables are non-interest-bearing.

12. **Prepayments and other receivables**

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Other receivables	1,692	471
Prepayments	3,650	3,778
	5,342	4,249

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	1,461	471	2,460	2,363
Prepayments	2,995	3,778	2,640	1,049
	4,456	4,249	5,100	3,412

13. **Cash and cash equivalents**

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Cash and bank balances	34,862	10,339
Short-term bank deposits	73,000	—
	107,862	10,339

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	27,647	10,339	14,509	18,247

Cash and cash equivalents are denominated in the following currencies:

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
HKD	7,110	—
USD	12,837	5,286
RMB	14,915	5,053
	34,862	10,339

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	12,732	5,286	7,909	9,946
HKD	14,915	5,053	6,600	8,301
Cash and cash equivalents	27,647	10,339	14,509	18,247

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the Relevant Periods.

14. **Trade payables**

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Trade payables	51,304	55,730

An ageing analysis of the trade payables as at 31 December 2012 and 2013, based on the invoice date, is as follows:

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Within 3 months	43,416	54,161
4 to 6 months	2,091	261
7 to 9 months	1,221	225
10 to 12 months	4,576	1,083
	51,304	55,730

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	51,306	55,730	55,543	50,041

An ageing analysis of the trade payables as at the end of the Relevant Period, based on the invoice date, is as follows:

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	45,343	54,161	54,162	48,257
4 to 6 months	1,581	261	139	677
7 to 9 months	923	225	89	114
10 to 12 months	3,459	1,083	1,153	993
	51,306	55,730	55,543	50,041

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

15. **Other payables and accruals**

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Advanced from suppliers	—	105
Payroll payables	1,641	413
Other payables	2,067	1,395
	3,708	1,913

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	—	105	66	—
Payroll payables	297	413	683	826
Other payables	1,527	1,394	312	381
	1,824	1,912	1,061	1,207

The other payables and accruals are non-interest-bearing and are normally settled on demand.

16. **Deferred tax assets**

The movements in deferred tax assets during the Relevant Periods are as follows:

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Deferred tax assets	90	37

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	90	37	32	33

Target Group

	Accelerated depreciation
	RMB'000
At 1 January 2012	—
Deferred tax charged to the income statement during the year	90
At 31 December 2012	90
At 31 December 2012 and 1 January 2013	90
Deferred tax credited to the income statement during the year	(53)
At 31 December 2013	37

Target Company

	Accelerated depreciation
	RMB'000
At 1 January 2012	—
Deferred tax charged to the income statement during the year	90
At 31 December 2012	90
At 31 December 2012 and 1 January 2013	90
Deferred tax credited to the income statement during the year	(53)
At 31 December 2013	37
At 31 December 2013 and 1 January 2014	37
Deferred tax credited to the income statement during the year	(5)
At 31 December 2014	32
At 31 December 2014 and 1 January 2015	32
Deferred tax charged credited to the income statement during the year	1
At 30 September 2015	33

17. **Share capital**

	As at 31 December			**As at 30 September**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share capital	54,071	54,071	54,071	54,071

18. **Investment in subsidiary**

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost:	4,223	—	—	—

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

On 1 January 2013, the Target Group disposed its 100% equity interest in Universal Logistic (Shenzhen) Co., Ltd. to a fellow subsidiary China Shipping Container Lines (Hong Kong) Co., Ltd..

Details of the net assets disposed of and gain on disposal are as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment (note 8)	1,386
Trade and other receivables	894
Cash and cash equivalents	80,215
Trade and other payables	(54,751)
	27,744
Loss on disposal of a subsidiary	(2,963)
	24,781
Satisfied by:	
Cash	24,781

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	24,781
Cash and cash equivalents disposed of	(80,215)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(55,434)

19. **Related party transactions**

(a) ***Transactions with related parties:***

The Target Group entered into the following significant transactions with related parties for the years ended 31 December 2012 and 2013:

	Year ended 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Transactions with fellow subsidiaries		
Revenue:		
Container transportation	335,740	393,165
Expenditure:		
Cargo agency service	17,443	16,814
Loading and unloading services	20,275	18,600
Lease management	3,005	2,634
Port agency service	247	—
Lease of container vessel	1,033	1,338
	42,003	39,386

The Target Company entered into the following significant transactions with related parties for the year ended 31 December 2014 and the nine months ended 30 September 2014 and 2015:

	Year ended 31 December	**Nine months ended 30 September**	
	2014	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
		(Unaudited)	
Transactions with fellow subsidiaries			
Revenue:			
Container transportation	339,476	254,607	193,474
Expenditure:			
Cargo agency service	16,814	12,613	16,814
Loading and unloading services	17,767	13,325	—
Lease management	3,664	2,748	—
Port agency service	190	142	—
	38,435	28,828	16,814

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

The Target Group had the following significant balances with its related parties during the Relevant Periods:

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Balances with fellow subsidiaries		
Trade receivables	58,520	55,723
Other receivables	205	71,393

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Balances with fellow subsidiaries		
Trade payables	(20,185)	(4,320)
Other payables	(247)	(677)
Advances from customers	(6)	—

Amounts due from and due to related parties are interest-free, unsecured and have no fixed terms of repayment.

The Target Company had the following significant balances with its related parties during the Relevant Periods:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with fellow subsidiaries				
Trade receivables	58,520	55,723	50,602	44,557
Other receivables	66,778	71,393	77,112	88,393

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	13,152	4,320	7,032	6,968
Other payables	253	677	—	6

Amounts due to related parties were interest-free, unsecured and have no fixed terms of repayment.

(c) ***Key management compensation***

Target Group

	Year ended 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Basic salaries	1,899	1,421
Social welfare	101	112
Pension and other welfare	83	90
	2,083	1,623

Target Company

	Year ended 31 December 2014	Nine months ended 30 September 2015
	RMB'000	*RMB'000*
Basic salaries	1,749	701
Social welfare	108	86
Pension and other welfare	89	47
	1,946	834

20. **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Target Group

Financial assets — loans and receivables

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Trade receivables	17,969	29,739
Financial assets included in prepayments, deposits and other receivables	1,692	471
Due from related parties	58,725	127,116
Cash and cash equivalents	107,862	10,339
	186,248	167,665

Financial liabilities at amortised cost

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Trade payables	51,304	55,730
Financial liabilities included in other payables and accruals	2,067	1,395
Due to related parties	20,432	4,997
	73,803	62,122

Target Company

Financial assets — loans and receivables

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	17,969	29,739	22,375	17,509
Financial assets included in prepayments, deposits and other receivables	1,461	471	2,460	2,363
Due from related parties	125,298	127,116	127,714	132,950
Cash and cash equivalents	27,647	10,339	14,509	18,247
	172,375	167,665	167,058	171,069

Financial liabilities at amortised cost

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	51,306	55,730	55,543	50,041
Financial liabilities included in other payables and accruals	1,527	1,394	312	381
Due to related parties	13,405	4,997	7,032	6,974
	66,238	62,121	62,887	57,396

21. **Financial risk management objectives and policies**

The Target Group's principal financial instruments comprise cash and cash equivalents. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar ("US$") exchange rates, with all other variables held constant, of the Target Group's profit before tax for the years ended 31 December 2012 and 2013, and of the Target Company's profit before tax for year ended 31 December 2014 and the nine months ended 30 September 2015 (due to changes in the fair value of monetary assets and liabilities).

Target Group

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2012		
If HKD weakens against US$	5	(1,096)
If HKD strengthens against US$	(5)	1,096
Year ended 31 December 2013		
If HKD weakens against US$	5	(5,918)
If HKD strengthens against US$	(5)	5,918

Target Company

	Increase/ (decrease) in foreign currency rate	Increase/ (decrease) in profit before tax
	%	*RMB'000*
Year ended 31 December 2014		
If HKD weakens against US$	5	(521)
If HKD strengthens against US$	(5)	521
Nine months ended 30 September 2015		
If HKD weakens against US$	5	(738)
If HKD strengthens against US$	(5)	738

Credit risk

The Target Group has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Target Group has policies that limit the amount of credit exposure to any financial institutions. The total carrying amount of trade receivables, prepayments and other receivables, amounts due to related parties and cash and cash equivalents represent the maximum credit exposure of the Target Group. The Target Group has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Group performs periodic credit evaluations of its customers.

Further quantitative data in respect of the Target Group exposure to credit risk arising from trade receivables are disclosed in note 11 to the Financial Information.

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables, other financial assets) and projected cash flows from operations.

The Target Group maintains a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The maturity profile of the Target Group's financial liabilities as at 31 December 2012 and 2013, based on contractual undiscounted payments, is as follows:

Target Group

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	43,416	7,888	51,304
Other payables	2,067	—	—	2,067
Due to related parties	20,432	—	—	20,432
	22,499	43,416	7,888	73,803

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	54,161	1,569	55,730
Other payables	1,395	—	—	1,395
Due to related parties	4,997	—	—	4,997
	6,392	54,161	1,569	62,122

The maturity profile of the Target Group's financial liabilities as at each of the end of the Relevant Periods, based on contractual undiscounted payments, is as follows:

Target Company

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	45,343	5,963	51,306
Other payables	1,527	—	—	1,527
Due to related parties	13,405	—	—	13,405
	14,932	45,343	5,963	66,238

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	54,161	1,469	55,730
Other payables	1,394	—	—	1,394
Due to related parties	4,997	—	—	4,997
	6,391	54,161	1,469	62,121

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	54,162	1,381	55,543
Other payables	312	—	—	312
Due to related parties	7,032	—	—	7,032
	7,344	54,162	1,381	62,887

As at 31 December 2015

	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	48,257	1,784	50,041
Other payables	381	—	—	381
Due to related parties	6,974	—	—	6,974
	7,355	48,257	1,784	57,396

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manage its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade payables, other payables and accruals and amounts due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of each of the relevant periods were as follows:

Target Group

	As at 31 December	
	2012	**2013**
	RMB'000	*RMB'000*
Trade payables	51,304	55,730
Financial liabilities included in other payables and accruals	2,067	1,395
Due to related parties	20,432	4,997
Less: Cash and cash equivalents	(107,862)	(10,339)
Net debt	(34,059)	51,783
Total capital	122,822	118,035
Total capital and net debt	88,763	169,818
Gearing ratio	(38%)	30%

Target Company

	As at 31 December 2014	As at 30 September 2015
	RMB'000	*RMB'000*
Trade payables	55,543	50,041
Financial liabilities included in other payables and accruals	310	381
Due to related parties	7,032	6,974
Less: Cash and cash equivalents	(14,509)	(18,247)
Net debt	48,376	39,149
Total capital	111,185	117,702
Total capital and net debt	159,561	156,851
Gearing ratio	30%	25%

22. **Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, trade receivable, trade payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals, due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

23. **Events after the reporting periods**

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

24. **Subsequent financial statements**

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2015.

Yours faithfully

Certified Public Accountants
Hong Kong

3.16 **Universal Logistics (Shenzhen) Co., Ltd. (深圳中海五洲物流有限公司)**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of Universal Logistic (Shenzhen) Co., Ltd. (the "Target Company") comprising the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, together with the notes thereto (the "Financial Information"), and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the Target Company for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of the Target Company (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 25 July 2007.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Accounting Standards for Business Enterprises and were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)") registered in the PRC.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the financial statements of the Target Company (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Statements of profit or loss and other comprehensive income

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	4	28,488	49,248	71,136	51,960	49,355
Cost of sales		(18,515)	(39,422)	(63,421)	(46,485)	(42,710)
Gross profit		9,973	9,826	7,715	5,475	6,645
Other income and gains	4	2,132	2,192	3,131	2,126	1,999
Administrative expenses		(10,734)	(11,718)	(10,491)	(7,344)	(7,498)
Other expenses		—	(23)	(1)	—	—
Profit before tax	5	1,371	277	354	257	1,146
Income tax expense	6	—	—	—	—	(247)
Profit and total comprehensive income for the year/period		1,371	277	354	257	899

Statements of financial position

		As at 31 December			As at 30 September
		2012	2013	2014	2015
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	7	1,265	1,039	1,450	1,031
CURRENT ASSETS					
Prepayments and other receivables	8	1,015	641	2,349	822
Amounts due from related parties	14(b)	—	13,929	—	35
Cash and cash equivalents	9	80,215	55,436	88,766	116,420
Total current assets		81,230	70,006	91,115	117,277
CURRENT LIABILITIES					
Other payables and accruals	10	1,921	1,759	1,445	4,595
Tax payable		—	—	—	247
Amounts due to related parties	14(b)	73,604	62,040	83,519	104,967
Total current liabilities		75,525	63,799	84,964	109,809
NET CURRENT ASSETS		5,705	6,207	6,151	7,468
TOTAL ASSETS LESS CURRENT LIABILITIES		6,970	7,246	7,601	8,499
Net assets		6,970	7,246	7,601	8,499
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	11	5,000	5,000	5,000	5,000
Reserves		1,970	2,246	2,601	3,499
Total equity		6,970	7,246	7,601	8,499

Statements of changes in equity

	Paid-in capital *RMB'000*	Reserves *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
At 1 January 2012	5,000	61	538	5,599
Profit and total comprehensive income for the year	—	—	1,371	1,371
At 31 December 2012	5,000	61	1,909	6,970
At 1 January 2013	5,000	61	1,909	6,970
Profit and total comprehensive income for the year	—	(1)	277	276
At 31 December 2013	5,000	60	2,186	7,246
At 1 January 2014	5,000	60	2,186	7,246
Profit and total comprehensive income for the year	—	1	354	355
At 31 December 2014	5,000	61	2,540	7,601
At 1 January 2015	5,000	61	2,540	7,601
Profit and total comprehensive income for the period	—	(1)	899	898
At 30 September 2015	5,000	60	3,439	8,499
At 1 January 2014	5,000	61	2,185	7,246
Profit and total comprehensive income for the period	—	—	257	257
At 30 September 2014	5,000	61	2,442	7,503

Statements of cash flows

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		1,371	277	354	257	1,146
Adjustments for:						
Depreciation of items of property, plant and equipment	5	271	393	489	367	425
Gain on disposal of items of property, plant and equipment	4	—	—	—	(1)	—
Interest income	4	(2,129)	(2,118)	(2,415)	(1,697)	(1,896)
		(487)	(1,448)	(1,572)	(1,074)	(325)
(Increase)/decrease in prepayments and other receivables		(379)	374	(1,708)	(1,251)	1,527
(Increase)/decrease in amount due from related parties		(360)	(13,929)	13,929	13,929	(35)
(Decrease)/increase in other payables and accruals		(577)	(162)	(314)	(1,759)	3,150
Increase/(decrease) in amount due to related parties		20,571	(11,542)	21,481	22,901	21,441
Income tax paid		(321)	—	—	—	—
Net cash flows generated from/(used in) operating activities		18,447	(26,707)	31,816	32,746	25,758

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Net cash flows from/(used in) operating activities		18,447	(26,707)	31,816	32,746	25,758
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		2,129	2,118	2,415	1,697	1,896
Purchases of property, plant and equipment	7	(853)	(167)	(900)	(842)	(6)
Net cash flows from investing activities		1,276	1,951	1,515	855	1,890
Effect of foreign exchange rate changes, net		(5)	(23)	(1)	(3)	6
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		19,718	(24,779)	33,330	33,598	27,654
Cash and cash equivalents at beginning of year/period		60,497	80,215	55,436	55,436	88,766
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	9	80,215	55,436	88,766	89,034	116,420

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

Universal Logistic (Shenzhen) Co., Ltd. (the "Target Company") was established in the People's Republic of China (the "PRC") as a company with limited liability on 25 July 2007. The registered office of the Target Company is located at No 5110 Fu Hua San Road, Shenzhen the PRC, which is the location of the Shenzhen International Chamber of Commerce Center.

The Target Company is principally engaged in logistic service.

In the opinion of the directors, the ultimate holding company of the Target Company is China Shipping (Group) Company which is established in the PRC.

2.1 Basis of preparation

The financial information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Financial information has been prepared under the historical cost convention. The Financial Information is presented in RMB and all values are rounded to the nearest thousands, except when otherwise indicated.

2.2 Issued but not yet effective HKFRSs

The Target Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]

Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

The Target Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Company's operation and may result in changes in the Target Company's accounting policies and changes in presentation and measurement of certain items in the Target Company's Financial Information.

2.3 **Summary of significant accounting policies**

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) Revenue comprises logistic service income from related parties and third parties. The revenue is recognized when relevant services have been rendered; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Retirement benefits

The Target Company is required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Subsequent measurement

The subsequent measurement of loans and receivables as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Impairment of financial assets

The Target Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include financial liabilities included in other payables and accruals and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other expense in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Target Company's statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The annual depreciation rate of property, plant and equipment are as follows:

Category	**Annual Depreciation Rate**
Motor vehicles	11.88% to 15.83%
Computer, office equipment and furniture	11.88% to 31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Foreign currencies

This Financial Information presented in RMB, which is the Target Company's functional currency. Foreign currency transactions recorded by the Target Company are initially recorded using its functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

3. **Significant accounting judgements and estimates**

The preparation of the Target Company's financial information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. There is no provision for impairment of trade receivables at 31 December 2012, 2013 and 2014 and 30 September 2015.

4. **Revenue, other income and gains**

Revenue, which is also the Target Company's turnover, represents the value of services rendered during the period.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Logistic services and others	28,488	49,248	71,136	51,960	49,355
Other income and gains					
Interest income	2,129	2,118	2,415	1,697	1,896
Government grants related to income	—	73	643	428	—
Gains on disposal of items of property, plant and equipment	—	—	—	1	—
Others	3	1	73	—	103
	2,132	2,192	3,131	2,126	1,999

5. **Profit before tax**

The Target Company's profit before tax is arrived at after charging:

		Year ended 31 December			**Nine months ended 30 September**	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Employee benefit expenses		24,137	24,720	22,245	17,289	18,216
Operating lease charges		107	250	301	219	208
Depreciation	7	271	393	489	367	425
Auditors' remuneration		2	2	14	14	4
Impairment of trade receivables		—	—	3	—	13

6. **Income tax expense**

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax	—	—	—	—	247
Total tax charge for the year/period	—	—	—	—	247

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Target Company is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	1,371	277	354	257	1,146
Tax at the statutory income tax rate of 25%	343	69	89	64	287
Expense not deductible for tax	—	—	33	—	67
Tax losses utilised from previous periods	(343)	(69)	(122)	(64)	(107)
Tax charge at the Target Company's effective rate	—	—	—	—	247

7. **Property, plant and equipment**

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012			
Cost	602	797	1,399
Accumulated depreciation and impairment losses	(501)	(215)	(716)
Net carrying amount	101	582	683
At 1 January 2012, net of accumulated depreciation	101	582	683
Additions	544	309	853
Depreciation provided during the year (note 5)	(81)	(190)	(271)
At 31 December 2012, net of accumulated depreciation	564	701	1,265
At 31 December 2012			
Cost	1,146	1,106	2,252
Accumulated depreciation and impairment losses	(582)	(405)	(987)
Net carrying amount	564	701	1,265
At 1 January 2013, net of accumulated depreciation	564	701	1,265
Additions	—	167	167
Depreciation provided during the year (note 5)	(133)	(260)	(393)
At 31 December 2013, net of accumulated depreciation	431	608	1,039

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2013			
Cost	1,146	1,273	2,419
Accumulated depreciation and impairment losses	(715)	(665)	(1,380)
Net carrying amount	431	608	1,039
At 1 January 2014			
Cost	1,146	1,273	2,419
Accumulated depreciation and impairment losses	(715)	(665)	(1,380)
Net carrying amount	431	608	1,039
At 1 January 2014, net of accumulated depreciation	431	608	1,039
Additions	524	376	900
Depreciation provided during the year (note 5)	(192)	(297)	(489)
At 31 December 2014, net of accumulated depreciation	763	687	1,450
At 31 December 2014			
Cost	1,670	1,649	3,319
Accumulated depreciation and impairment losses	(907)	(962)	(1,869)
Net carrying amount	763	687	1,450

	Motor vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015, net of accumulated depreciation	763	687	1,450
Additions	6	—	6
Depreciation provided during the period (note 5)	(168)	(257)	(425)
At 30 September 2015, net of accumulated depreciation	601	430	1,031
At 30 September 2015			
Cost	1,675	1,650	3,325
Accumulated depreciation and impairment losses	(1,074)	(1,220)	(2,294)
Net carrying amount	601	430	1,031

8. **Prepayments and other receivables**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	359	336	365	626
Prepayments	75	20	—	—
Interest receivables	581	285	1,984	196
	1,015	641	2,349	822

9. **Cash and cash equivalents**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balance	7,215	12,436	4,766	116,420
Short-term bank deposits	73,000	43,000	84,000	—
Cash and cash equivalents	80,215	55,436	88,766	116,420

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at 30 September
	2012	*2013*	*2014*	*2015*
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	80,110	43,137	84,000	116,420
USD	105	12,299	4,766	—
	80,215	55,436	88,766	116,420

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of each of the Relevant Periods.

10. **Other payables and accruals**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll payables	1,344	1140	1,270	1,529
Taxes other than CIT	238	325	42	127
Other payables	339	294	133	2,939
	1,921	1,759	1,445	4,595

The other payables are non-interest-bearing and are normally settled on demand.

11. **Paid-in capital**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	5,000	5,000	5,000	5,000

12. **Reserves**

The amounts of the Target Company's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity of the Financial Information.

13. **Operating lease commitments**

As lessee

The Target Company leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years, and those for office equipment are for terms ranging between two and five years.

The Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	250	301	319	213
In the second to fifth years, inclusive	95	101	107	113
	345	402	426	326

14. **Related party transactions**

(a) ***Transactions with related parties***

In addition to the related party transactions set out in the respective notes to the Financial Information, the Target Company entered into the following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Transactions with immediate holding company					
Logistic and other services	28,488	—	—	—	—
Transactions with fellow subsidiaries					
Revenue:					
Interest Income	1,241	1,161	2,354	1,765	1,896
Logistic and other services	—	49,248	71,136	51,960	49,355
	1,241	50,409	73,490	53,725	51,251

(b) ***Outstanding balances with related parties***

The Target Company had the following significant balances with its related parties during the Relevant Periods:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with fellow subsidiaries				
Other receivables	—	13,929	—	35

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with immediate holding company				
Other payables	(66,573)	—	(6,457)	(17,720)
Balance with fellow subsidiaries				
Other payables	(7,031)	(62,040)	(77,062)	(87,247)

The amounts due from and due to the related parties are interest-free, unsecured and have no fixed terms of repayment.

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with CS Finance				
Deposits	—	—	—	116,420

The Target Company placed a certain portion of its cash at China Shipping Finance Co., Ltd. ("CS Finance"), a fellow subsidiary. All deposits at each of the end of Relevant Periods were demand deposits and were included in cash and cash equivalents. Interest was charged according to the rates and terms agreed with CS Finance.

(c) ***Key management compensation***

The Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries	633	474	583	234
Social welfare	34	37	36	29
Pension and others welfare	28	30	30	16
	695	541	649	279

15. **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Target Company

Financial assets — loans and receivables

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments and other receivables	940	621	2,349	822
Amounts due from related parties	—	13,929	—	35
Cash and cash equivalents	80,215	55,436	88,766	116,420
	81,155	69,986	91,115	117,277

Financial liabilities at amortised cost

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	339	294	133	2,939
Amounts due to related parties	73,604	62,040	83,519	104,967
	73,943	62,334	83,652	107,906

16. **Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

17. **Financial risk management objectives and policies**

The Target Company's principal financial instruments comprise receivables and cash. The main purpose of these financial instruments is to raise finance for the Target Company's operations. The Target Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar ("US$") exchange rates, with all other variables held constant, of the Target Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2012		
If RMB weakens against US$	5	(5)
If RMB strengthens against US$	(5)	5
Year ended 31 December 2013		
If RMB weakens against US$	5	(7)
If RMB strengthens against US$	(5)	7
Year ended 31 December 2014		
If RMB weakens against US$	5	(6)
If RMB strengthens against US$	(5)	6
Nine months ended 30 September 2015		
If RMB weakens against US$	5	(6)
If RMB strengthens against US$	(5)	6

Credit risk

The Target Company has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Target Company has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade and notes receivables, prepayments and other receivables and cash and cash equivalents represents the maximum credit exposure of the Target Company. The Target Company has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Company performs periodic credit evaluations of its customers.

Liquidity risk

The Target Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

As at 31 December 2012

	On demand	**Total**
	RMB'000	*RMB'000*
Other payables	339	339
Amounts due to related parties	73,604	73,604
	73,943	73,943

As at 31 December 2013

	On demand	**Total**
	RMB'000	*RMB'000*
Other payables	294	294
Amounts due to related parties	62,040	62,040
	62,334	62,334

Liquidity risk

As at 31 December 2014

	On demand *RMB'000*	Total *RMB'000*
Other payables	133	133
Amounts due to related parties	83,519	83,519
	83,652	83,652

As at 30 September 2015

	On demand *RMB'000*	Total *RMB'000*
Other payables		
Amounts due to related parties	2,939	2,939
	104,967	104,967
	107,906	107,906

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

18. **Events after the reporting periods**

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

19. **Subsequent financial statements**

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2015.

Yours faithfully
Certified Public Accountants
Hong Kong

3.17 **Angang Vehicle Transportation Co., Ltd. (鞍鋼汽車)**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

EY安永

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December, 2015

The Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of Angang Vehicle Transportation Co., Ltd. (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2014 (the "Interim Comparative Information"),for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of the Target Group (the "Acquisition") by a subsidiary of the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 25 April 2005.

The statutory financial statements of the Target Group for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Group in accordance with Accounting Standards of Business Enterprises of China ("PRC GAAP") and were audited by RUIHUA CERTIFIED PUBLIC ACCOUNTANTS ("瑞華會計師事務所 (特殊普通合夥)") registered in the PRC.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies in the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies in the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagement 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been

consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the consolidated financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

	Notes	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (unaudited)	2015 RMB'000
REVENUE	4	682,401	756,189	978,855	679,772	757,156
Cost of sales	5	(587,702)	(645,866)	(880,511)	(612,048)	(680,706)
Gross profit		94,699	110,323	98,344	67,724	76,450
Other income and gains	4	5,263	1,519	3,691	1,886	1,685
Administrative expenses		(82,267)	(101,339)	(75,039)	(51,007)	(53,358)
Other expenses		(362)	144	(756)	(122)	(1,325)
Finance costs	6	(2,564)	(2,084)	(2,570)	(1,864)	(2,873)
Profit before tax	5	14,769	8,563	23,670	16,617	20,579
Income tax expense	7	(3,489)	(5,285)	(6,965)	(5,256)	(5,474)
Profit and total comprehensive income for the year/ period		11,280	3,278	16,705	11,361	15,105
Attributable to:						
Owners of the parent		4,210	1,836	15,280	10,343	12,818
Non-controlling interests		7,070	1,442	1,425	1,018	2,287
		11,280	3,278	16,705	11,361	15,105

Details of the dividends for the Relevant Periods are disclosed in note 8 to the Financial Information.

Consolidated statements of financial position

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 September 2015 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	9	167,418	213,626	294,689	284,516
Intangible assets	10	39	93	332	297
Investment properties		1,109	853	697	636
Available-for-sale investments	13	7,240	7,240	7,240	7,240
Prepaid land lease payments	11	62,036	60,729	59,423	58,443
Deferred tax assets	22	10,005	6,874	7,025	7,252
Total non-current assets		247,847	289,415	369,406	358,384
CURRENT ASSETS					
Inventories	14	22,635	21,230	12,643	12,772
Trade receivables	15	20,681	5,196	11,319	13,291
Prepayments, deposits and other receivables	16	30,305	35,516	38,694	18,349
Due from related parties	26(b)	59,544	53,550	82,412	93,786
Cash and cash equivalents	17	133,624	128,244	92,948	104,994
Total current assets		266,789	243,736	238,016	243,192
CURRENT LIABILITIES					
Trade payables	18	40,462	55,776	80,059	35,348
Other payables and accruals	19	16,445	28,048	39,001	32,346
Tax payables		704	178	795	1,768
Due to related parties	26(b)	6,878	23,420	28,988	54,439
Interest bearing bank and other borrowings	20	25,000	35,000	30,000	20,000
Total current liabilities		89,489	142,422	178,843	143,901
NET CURRENT ASSETS		177,300	101,314	59,173	99,291
TOTAL ASSETS LESS CURRENT LIABILITIES		425,147	390,729	428,579	457,675

		As at 31 December			**As at 30 September**
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		425,147	390,729	428,579	457,675
NON-CURRENT LIABILITIES					
Interest bearing bank and other borrowings	20	45,000	10,000	35,000	45,000
Deferred tax liabilities	22	3,333	3,333	3,191	3,064
Other liabilities	21	23,964	25,337	24,209	25,864
Total non-current liabilities		72,297	38,670	62,400	73,928
Net assets		352,850	352,059	366,179	383,747
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	23	136,599	136,599	136,599	136,599
Special reserves		6,428	6,574	6,221	6,219
Statutory surplus reserves		22,853	23,023	24,561	24,561
Accumulated profits		82,786	80,988	94,044	106,386
		248,666	247,184	261,425	273,765
Non-controlling interests		104,184	104,875	104,754	109,982
Total equity		352,850	352,059	366,179	383,747

Consolidated statements of changes in equity

	Attributable to owners of parent						
	Paid-in capital	Special reserves	Statutory surplus reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	136,599	6,340	22,491	85,856	251,286	98,071	349,357
Profit and total comprehensive income for the year	—	—	—	4,210	4,210	7,070	11,280
Provision of special reserves during the year	—	95	—	(95)	—	—	—
Utilization of special reserves during the year	—	(7)	—	7	—	—	—
Transfer from retained earnings	—	—	362	(362)	—	—	—
Dividends to non-controlling shareholders	—	—	—	—	—	(957)	(957)
Dividends to shareholders	—	—	—	(6,830)	(6,830)	—	(6,830)
At 31 December 2012	136,599	6,428	22,853	82,786	248,666	104,184	352,850
At 1 January 2013	136,599	6,428	22,853	82,786	248,666	104,184	352,850
Profit and total comprehensive income for the year	—	—	—	1,836	1,836	1,442	3,278
Provision of special reserves during the year	—	156	—	(156)	—	—	—
Utilization of special reserves during the year	—	(10)	—	10	—	—	—
Transfer from retained earnings	—	—	170	(170)	—	—	—
Dividends to non-controlling shareholders	—	—	—	—	—	(751)	(751)
Dividends to shareholders	—	—	—	(3,318)	(3,318)	—	(3,318)
At 31 December 2013	136,599	6,574	23,023	80,988	247,184	104,875	352,059

	Attributable to owners of parent						
	Paid-in capital	**Special reserves**	**Statutory surplus reserve**	**Accumulated profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	136,599	6,574	23,023	80,988	247,184	104,875	352,059
Profit and total comprehensive income for the year	—	—	—	15,280	15,280	1,425	16,705
Utilization of special reserves during the year	—	(353)	—	353	—	—	—
Transfer from retained profits during the year	—	—	1,538	(1,538)	—	—	—
Dividends to non-controlling shareholders	—	—	—	—	—	(1,546)	(1,546)
Dividends to shareholders	—	—	—	(1,039)	(1,039)	—	(1,039)
At 31 December 2014	136,599	6,221	24,561	94,044	261,425	104,754	366,179
At 1 January 2015	136,599	6,221	24,561	94,044	261,425	104,754	366,179
Profit and total comprehensive income for the period	—	—	—	12,818	12,818	2,287	15,105
Utilization of special reserves during the year	—	(2)	—	2	—	—	—
Capital injection from non-controlling shareholders	—	—	—	—	—	2,941	2,941
Dividends to shareholders	—	—	—	(478)	(478)	—	(478)
At 30 September 2015	136,599	6,219	24,561	106,386	273,765	109,982	383,747

	Attributable to owners of parent						
	Paid-in capital	**Special reserves**	**Statutory surplus reserve**	**Accumulated profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	136,599	6,574	23,023	80,988	247,184	104,875	352,059
Profit and total comprehensive income for the year	—	—	—	10,343	10,343	1,018	11,361
Utilization of special reserves during the year	—	(1)	—	1	—	—	—
Dividends to non-controlling shareholders	—	—	—	—	—	(1,546)	(1,546)
Dividends to shareholders	—	—	—	(1,039)	(1,039)	—	(1,039)
At 30 September 2014 (unaudited)	136,599	6,573	23,023	90,293	256,488	104,347	360,835

Consolidated statements of cash flows

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	5	14,769	8,563	23,670	16,617	20,579
Adjustments for:						
Provision for/(reversal of) impairment of trade receivables	5	186	(144)	546	—	617
Depreciation	9	41,393	37,044	47,969	35,977	40,856
Depreciation of investment properties		255	256	156	136	61
Amortisation of intangible assets	10	61	30	52	39	59
Amortisation of prepaid land lease payments	11	1,307	1,307	1,306	980	980
(Gain)/loss on disposal of items of property, plant and equipment		(4,211)	(255)	(861)	(298)	60
Financial costs	6	2,564	2,084	2,570	1,864	2,873
Interest income	4	(456)	(367)	(881)	(689)	(583)
		55,868	48,518	74,527	54,626	65,502
Decrease/(increase) in inventories		5,338	1,405	8,587	6,342	(129)
(Increase)/decrease in trade receivables		(14,762)	15,485	(6,123)	17,843	(1,972)
(Increase)/decrease in prepayments, deposits and other receivables		(15,942)	(5,211)	(3,178)	(745)	20,345
Decrease/(increase) in amount due from related parties		10,068	5,994	(28,862)	(39,471)	(11,374)
Increase/(decrease) in trade payables		7,639	15,314	24,283	(7,255)	(44,711)
Increase/(decrease) in other payables and accruals		2,386	(9,932)	(46,273)	5,453	7,862
Increase in amount due to related parties		2,235	16,542	5,568	12,500	25,451
Income tax paid		(5,656)	(2,680)	(6,641)	(5,520)	(4,855)
Net cash flows from operating activities		47,174	85,435	21,888	43,773	56,119

	Notes	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (unaudited)	Nine months ended 30 September 2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		456	367	881	689	583
Purchases of items of property, plant and equipment		(33,535)	(58,870)	(75,004)	(62,868)	(45,192)
Proceeds from disposal of items of property, plant and equipment		1,605	50	2,330	1,748	469
Net cash flows used in investing activities		(31,474)	(58,453)	(71,793)	(60,431)	(44,140)
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital injection from non-controlling shareholders		—	—	—	—	2,940
Proceed from bank loans		20,000	—	55,000	20,000	10,000
Repayment of bank loans		(20,000)	(25,000)	(35,000)	(35,000)	(10,000)
Interest paid		(4,453)	(3,293)	(2,806)	(2,105)	(2,395)
Dividends paid		(7,787)	(4,069)	(2,585)	(2,585)	(478)
Net cash flows (used in)/from financing activities		(12,240)	(32,362)	14,609	(19,690)	67
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,460	(5,380)	(35,296)	(36,348)	12,046
Cash and cash equivalents at beginning of year/period		130,164	133,624	128,244	128,244	92,948
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	10	133,624	128,244	92,948	91,896	104,994

Statements of financial position

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	9	138,743	164,367	236,442	238,838
Investment in subsidiaries	12	8,082	8,082	8,082	11,142
Investment properties		1,109	853	697	636
Deferred tax assets	22	8,381	6,699	6,841	7,002
Prepaid land lease payments	11	48,749	47,741	46,733	45,977
Intangible assets	10	39	93	332	274
Total non-current assets		205,103	227,835	299,127	303,869
CURRENT ASSETS					
Inventories	14	19,246	20,772	10,978	10,873
Trade receivables	15	20,520	4,950	10,904	13,113
Prepayments, deposits and other receivables	16	29,090	30,905	36,648	17,453
Due from subsidiaries		4,581	—	—	—
Due from related parties	26(b)	39,816	36,284	61,712	59,507
Cash and cash equivalents	17	69,124	91,149	62,836	50,578
Total current assets		182,377	184,060	183,078	151,524
CURRENT LIABILITIES					
Trade payables	18	23,311	46,987	65,891	31,019
Other payables and accruals	19	14,345	24,591	35,000	29,131
Interest bearing bank and other borrowings	20	25,000	35,000	30,000	20,000
Tax payables		575	136	745	587
Due to subsidiaries		11	—	6,533	8,536
Due to related parties	26(b)	6,725	22,917	23,905	23,079
Total current liabilities		69,967	129,631	162,074	112,352
NET CURRENT ASSETS		112,410	54,429	21,004	39,172
TOTAL ASSETS LESS CURRENT LIABILITIES		317,513	282,264	320,131	343,041

	Notes	As at 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	As at 30 September 2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		317,513	282,264	320,131	343,041
NON-CURRENT LIABILITIES					
Interest bearing bank and other borrowings	20	45,000	10,000	35,000	45,000
Other liabilities	21	23,964	25,337	24,209	25,864
Total non-current liabilities		68,964	35,337	59,209	70,864
Net assets		248,549	246,927	260,922	272,177
EQUITY					
Paid-in capital	23	136,599	136,599	136,599	136,599
Special reserves	24	6,341	6,341	5,989	5,989
Statutory surplus reserves	24	23,995	24,165	25,704	25,704
Accumulated profits	24	81,614	79,822	92,630	103,885
Total equity		248,549	246,927	260,922	272,177

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

Angang Vehicle Transportation Co., Ltd. ("鞍鋼汽車運輸有限責任公司") was established in the People's Republic of China (the "PRC") as a company with limited liability on 25 April 2005. The registered office of the Companies is located at No.8, He Ping Road, Tie Dong District, Anshan, Liaoning, Mainland China.

The Target Company and its subsidiaries (hereinafter collectively referred to as the "Target Group") are principally engaged in the road freight transportation including general freight, road transportation of dangerous goods, maintenance of vehicles transporting dangerous goods, vehicle sales not including auto cars, wholesale and retail of motor vehicle accessories, tire dealing, construction machinery maintenance (excluding hoisting equipment), leasing buildings and equipment, providing domestic labor services according to the regulation, Metal structure manufacturing (only branch), warehouse services, transportation loading and unloading, steel selling etc.

The ultimate holding company of the Target Company is Anshan Iron And Steel Group Corporation ("鞍山鋼鐵集團公司"), which is incorporated in the PRC.

As at the date of this report, the Target Company had direct interests in its subsidiaries, which are private limited liability companies. The particulars of subsidiaries are set out below:

Company	Place of incorporation	Nominal value of issued shares/ paid-up capital	Percentage of interest attributable to the Target Company	Principal activity
Ansteel Motor Testing Co., Ltd. ("鞍鋼汽車檢測有限責任公司")*	PRC	RMB1 million	100%	Testing
China Petroleum Ansteel Gas Trading Co., Ltd. ("中石油鞍鋼油氣銷售有限公司")*	PRC	RMB6 million	51%	Trading
Ansteel Mining Vehicles Transportation Co., Ltd. ("鞍鋼礦山汽車運輸有限公司")*	PRC	RMB52.24 million	6.08%**	Transportation

* The statutory financial statements of these entities for the years ended 31 December 2012, 2013 and 2014 prepared in accordance with the relevant accounting principles applicable to enterprises in the PRC (''PRC GAAP'') were audited by RUIHUA CERTIFIED PUBLIC ACCOUNTANTS ("瑞華會計師事務所(特殊普通合夥)").

** Due to proxy of voting rights of 48% from Anshan Iron And Steel Group Corporation, the Target Company is the controlling shareholder of this subsidiary.

2.1 **Basis of preparation**

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA. All HKFRSs effective for the accounting period commencing from 1 January 2015 have been early adopted in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

This consolidated Financial Information incorporates the financial statements of the Target Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Target Group, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 New and revised HKFRSs not yet adopted

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Group.

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the directors of the Target Group anticipate that the application of the new and revised HKFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Financial Information.

2.3 Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company and/or its other subsidiaries. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Group's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Target Group's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

The Target Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, income is recognised when the services have been rendered and the revenue can be reasonably estimated; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the regions in which the Target Group operates.

Deferred income tax

Deferred income tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Retirement benefits

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to the statement of profit or loss as incurred.

The Target Company and its subsidiaries established and operating in Mainland China are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investment, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognized in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" above.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Target Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Target Group is unable to trade these financial assets due to inactive markets, the Target Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For available-for-sale financial investments, the Target Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired. If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade and other payables, amounts due to related parties and interest-bearing banks and other borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated and company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

	Estimated useful lives	**Residual value (%)**
Buildings	8 to 45 years	5
Machinery	4 to 35 years	5
Vehicles	6 to 12 years	5
Office equipment	5 to 22 years	5

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plants under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are depreciated on the straight-line basis to write off the cost over its estimated useful life. The estimated useful lives of investment properties are 20 years.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Prepaid land lease payments

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Inventories

Inventories comprising raw materials, work-in-progress, finished goods and packaging materials, are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling price less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Dividends

Dividends are simultaneously proposed and declared, because the Target Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

3. **Significant accounting estimates and assumptions**

The preparation of the Target Group's financial information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation and assumptions

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Income tax

The Target Group is subject to income taxes in various regions. As a result, certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgments based on currently enacted tax laws, regulations and other related policies are required in determining the provision for corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the corporate income tax and tax provisions over the period in which the differences are realised.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. The provision for impairment of trade receivables amounted to RMB896,508, RMB612,167, RMB943,838 and RMB943,838 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Useful lives of property, plant and equipment

The Target Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete or non-strategic assets that have been abandoned.

4. **Revenue, other income and gains**

Revenue, which is also the Target Group's turnover, represents the value of services rendered during the period.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue:					
Transportation service	573,344	613,776	795,585	545,961	645,103
Auto spare parts	10,181	11,784	11,670	8,570	2,527
Vehicle sales	40,059	84,954	118,988	89,241	64,895
Vehicle repair services	24,384	21,058	20,248	14,331	17,991
Labor services	20,715	13,603	13,847	10,268	10,146
Others	13,718	11,014	18,517	11,401	16,494
Services	682,401	756,189	978,855	679,772	757,156
Other income and gains					
Interest income	456	367	881	689	583
Government grant related to income	505	895	1,824	846	1,062
Gain on disposal of items of property, plant and equipment	4,296	255	984	348	9
Other income	6	2	2	3	31
	5,263	1,519	3,691	1,886	1,685

5. **Profit before tax**

The Target Group's profit before tax is arrived at after charging/(credit):

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cost of inventory sold	182,555	187,715	237,386	178,225	133,967
Employee benefit expenses	186,044	215,400	263,111	191,808	199,567
Transportation cost	126,199	135,389	211,548	130,106	164,357
Depreciation	41,648	37,300	48,125	36,113	40,917
Amortization	1,368	1,337	1,358	1,019	1,039
Provision for/(reversal of) impairment of trade receivables	186	(144)	546	—	617
Loss on disposal of items of property, plant and equipment	176	—	123	49	69

6. **Finance costs**

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on interest-bearing bank and other borrowings wholly repayable within five years	2,564	2,084	2,570	1,864	2,873

7. **Income tax expense**

The Target Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Target Group are domiciled and operate.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Target Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Current tax	4,416	2,154	7,258	5,549	5,828
Deferred tax (note 22)	(927)	3,131	(293)	(293)	(354)
Total tax charge for the year/period	3,489	5,285	6,965	5,256	5,474

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Target Group are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Profit before tax	14,769	8,563	23,670	16,617	20,579
Tax at an applicable tax rate of 25%	3,692	2,141	5,918	4,154	5,145
Adjustments in respect of current tax of previous periods	(666)	—	—	—	—
Expenses not deductible for tax	463	3,144	1,047	1,102	329
Tax charge at the Target Group	3,489	5,285	6,965	5,256	5,474

8. **Dividends**

The Target Company declared and paid dividend of RMB6,830,000, RMB3,318,000, RMB1,039,000 and RMB478,000 to the shareholders in 2012, 2013, 2014 and the nine months ended 30 September 2015 respectively.

9. **Property, plant and equipment**

Target Group

	Buildings	Machinery	Vehicles	Office equipment	Consrtuction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012						
Cost	99,604	12,290	377,857	2,949	20,081	512,781
Accumulated depreciation and impairment losses	(38,120)	(7,026)	(291,292)	(2,170)	—	(338,608)
Net book amount	61,484	5,264	86,565	779	20,081	174,173
Year ended 31 December 2012						
Opening net book amount	61,484	5,264	86,565	779	20,081	174,173
Transfers	—	—	8,658	—	(8,658)	—
Additions	—	353	24,312	66	19,431	44,162
Disposals	(54)	(10)	(9,454)	(6)	—	(9,524)
Depreciation (note 5)	(4,356)	(864)	(35,831)	(342)	—	(41,393)
Closing net book amount	57,074	4,743	74,250	497	30,854	167,418
At 31 December 2012						
Cost	99,550	12,633	401,373	3,009	30,854	547,419
Accumulated depreciation and impairment losses	(42,476)	(7,890)	(327,123)	(2,512)	—	(380,001)
Net book amount	57,074	4,743	74,250	497	30,854	167,418
Year ended 31 December 2013						
Opening net book amount	57,074	4,743	74,250	497	30,854	167,418
Transfers	394	1,958	10,010	—	(12,362)	—
Additions	1,152	7,780	58,289	462	16,566	84,249
Disposals	—	(64)	(933)	—	—	(997)
Depreciation (note 5)	(4,216)	(823)	(31,725)	(280)	—	(37,044)
Closing net book amount	54,404	13,594	109,891	679	35,058	213,626
At 31 December 2013						
Cost	101,096	22,307	468,739	3,471	35,058	630,671
Accumulated depreciation and impairment losses	(46,692)	(8,713)	(358,848)	(2,792)	—	(417,045)
Net book amount	54,404	13,594	109,891	679	35,058	213,626

	Buildings	Machinery	Vehicles	Office equipment	Consrtuction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014						
Cost	101,096	22,307	468,739	3,471	35,058	630,671
Accumulated depreciation and impairment losses	(46,692)	(8,713)	(358,848)	(2,792)	—	(417,045)
Net book amount	54,404	13,594	109,891	679	35,058	213,626
Year ended 31 December 2014						
Opening net book amount	54,404	13,594	109,891	679	35,058	213,626
Transfers	—	10,555	—	—	(10,555)	—
Additions	—	4,163	94,954	42	45,198	144,357
Disposals	—	(7,364)	(7,961)	—	—	(15,325)
Depreciation (note 5)	(4,043)	(1,028)	(42,667)	(231)	—	(47,969)
Closing net book amount	50,361	19,920	154,217	490	69,701	294,689
At 31 December 2014						
Cost	101,096	29,661	555,732	3,513	69,701	759,703
Accumulated depreciation and impairment losses	(50,735)	(9,741)	(401,515)	(3,023)	—	(465,014)
Net book amount	50,361	19,920	154,217	490	69,701	294,689
Year ended 30 September 2015						
Opening net book amount	50,361	19,920	154,217	490	69,701	294,689
Transfers	92,452	—	—	—	(92,452)	—
Additions	—	1,917	6,701	49	26,188	34,855
Disposals	—	(30)	(4,141)	(1)	—	(4,172)
Depreciation (note 5)	(3,271)	(1,798)	(35,631)	(156)	—	(40,856)
Closing net book amount	139,542	20,009	121,146	382	3,437	284,516
At 30 September 2015						
Cost	193,548	31,548	558,292	3,561	3,437	790,386
Accumulated depreciation and impairment losses	(54,006)	(11,539)	(437,146)	(3,179)	—	(505,870)
Net book amount	139,542	20,009	121,146	382	3,437	284,516

The Target Group did not pledge any fixed assets.

Target Company

	Buildings	Machinery	Vehicles	Office equipment	Consrtuction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012						
Cost	87,535	9,613	225,145	2,093	20,081	344,467
Accumulated depreciation and impairment losses	(31,948)	(5,322)	(168,757)	(1,459)	—	(207,486)
Net book amount	55,587	4,291	56,388	634	20,081	136,981
Year ended 31 December 2012						
Opening net book amount	55,587	4,291	56,388	634	20,081	136,981
Transfers	—	—	8,658	—	(8,658)	—
Additions	—	151	17,826	19	19,432	37,428
Disposals	—	(32)	(19,428)	(14)	—	(19,474)
Depreciation	(3,875)	(633)	(11,421)	(263)	—	(16,192)
Closing net book amount	51,712	3,777	52,023	376	30,855	138,743
At 31 December 2012						
Cost	87,535	9,732	232,201	2,098	30,855	362,421
Accumulated depreciation and impairment losses	(35,823)	(5,955)	(180,178)	(1,722)	—	(223,678)
Net book amount	51,712	3,777	52,023	376	30,855	138,743
Year ended 31 December 2013						
Opening net book amount	51,712	3,777	52,023	376	30,855	138,743
Transfers	394	1,958	10,010	—	(12,362)	—
Additions	—	—	37,399	258	16,567	54,224
Disposals	—	(113)	(3,383)	—	—	(3,496)
Depreciation	(3,743)	(544)	(20,625)	(192)	—	(25,104)
Closing net book amount	48,363	5,078	75,424	442	35,060	164,367
At 31 December 2013						
Cost	87,929	11,577	276,227	2,356	35,060	413,149
Accumulated depreciation and impairment losses	(39,566)	(6,499)	(200,803)	(1,914)	—	(248,782)
Net book amount	48,363	5,078	75,424	442	35,060	164,367

	Buildings	Machinery	Vehicles	Office equipment	Consrtuction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014						
Cost	87,929	11,577	276,227	2,356	35,060	413,149
Accumulated depreciation and impairment losses	(39,566)	(6,499)	(200,803)	(1,914)	—	(248,782)
Net book amount	48,363	5,078	75,424	442	35,060	164,367
Year ended 31 December 2014						
Opening net book amount	48,363	5,078	75,424	442	35,060	164,367
Transfers	—	10,555	—	—	(10,555)	—
Additions	—	3,919	63,830	42	45,198	112,989
Disposals	—	—	(32,031)	—	—	(32,031)
Depreciation	(3,533)	(733)	(4,473)	(144)	—	(8,883)
Closing net book amount	44,830	18,819	102,750	340	69,703	236,442
At 31 December 2014						
Cost	87,929	26,051	308,026	2,398	69,703	494,107
Accumulated depreciation and impairment losses	(43,099)	(7,232)	(205,276)	(2,058)	—	(257,665)
Net book amount	44,830	18,819	102,750	340	69,703	236,442
Year ended 30 September 2015						
Opening net book amount	44,830	18,819	102,750	340	69,703	236,442
Transfers	92,452	—	—	—	(92,452)	—
Additions	—	1,564	6,699	10	26,187	34,460
Disposals	—	(65)	(6,416)	(10)	—	(6,491)
Depreciation	(2,904)	(1,536)	(21,048)	(85)	—	(25,573)
Closing net book amount	134,378	18,782	81,985	255	3,438	238,838
At 30 September 2015						
Cost	180,381	27,550	308,309	2,398	3,438	522,076
Accumulated depreciation and impairment losses	(46,003)	(8,768)	(226,324)	(2,143)	—	(283,238)
Net book amount	134,378	18,782	81,985	255	3,438	238,838

The Target Company did not pledge any fixed assets.

10. **Intangible assets**

Target Group

	Software
	RMB'000
Year ended 31 December 2012	
Opening net book value	100
Amortisation charge for the year	(61)
Closing net book amount	39
At 31 December 2012	
Cost	420
Accumulated amortisation	(381)
Net book amount	39
Year ended 31 December 2013	
Opening net book value	39
Additions	84
Amortisation charge for the year	(30)
Closing net book amount	93
At 31 December 2013	
Cost	504
Accumulated amortisation	(411)
Net book amount	93

	Software
	RMB'000
Year ended 31 December 2014	
Opening net book value	93
Additions	291
Amortisation charge for the year	(52)
Closing net book amount	332
At 31 December 2014	
Cost	795
Accumulated amortisation	(463)
Net book amount	332
Year ended 30 September 2015	
Opening net book value	332
Additions	24
Amortisation charge for the year	(59)
Closing net book amount	297
At 30 September 2015	
Cost	819
Accumulated amortisation	(522)
Net book amount	297

Target Company

	Software
	RMB'000
Year ended 31 December 2012	
Opening net book value	100
Additions	—
Disposals	—
Amortisation charge for the year	(61)
Closing net book amount	39
At 31 December 2012	
Cost	420
Accumulated amortisation	(381)
Net book amount	39
Year ended 31 December 2013	
Opening net book value	39
Additions	84
Disposals	—
Amortisation charge for the year	(30)
Closing net book amount	93
At 31 December 2013	
Cost	504
Accumulated amortisation	(411)
Net book amount	93

	Software
	RMB'000
Year ended 31 December 2014	
Opening net book value	93
Additions	291
Disposals	—
Amortisation charge for the year	(52)
Closing net book amount	332
At 31 December 2014	
Cost	795
Accumulated amortisation	(463)
Net book amount	332
Year ended 30 September 2015	
Opening net book value	332
Additions	—
Disposals	—
Amortisation charge for the year	(58)
Closing net book amount	274
At 30 September 2015	
Cost	795
Accumulated amortisation	(521)
Net book amount	274

11. **Prepaid land lease payments**

Target Group

	RMB'000
Carrying amount at 1 January 2012	63,343
Recognised during the year	(1,307)
Carrying amount at 31 December 2012 and 1 January 2013	62,036
Recognised during the year	(1,307)
Carrying amount at 31 December 2013 and 1 January 2014	60,729
Recognised during the year	(1,306)
Carrying amount at 31 December 2014 and 1 January 2015	59,423
Recognised during the period	(980)
Carrying amount at 30 September 2015	58,443

Target Company

	RMB'000
Carrying amount at 1 January 2012	49,757
Recognised during the year	(1,008)
Carrying amount at 31 December 2012 and 1 January 2013	48,749
Recognised during the year	(1,008)
Carrying amount at 31 December 2013 and 1 January 2014	47,741
Recognised during the year	(1,008)
Carrying amount at 31 December 2014 and 1 January 2015	46,733
Recognised during the period	(756)
Carrying amount at 30 September 2015	45,977

Prepaid lease payments are amortised over the term of the relevant rights. The land use rights relate to parcels of land located in Yinkou and Anshan in the PRC, both under medium-lease term leases of 50 years since 2007 and 2010 respectively.

12. **Investments in subsidiaries**

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	8,082	8,082	8,082	11,142

The amounts due from subsidiaries included in the Company's current assets of RMB4,581,000, nil, nil and nil and the amounts due to subsidiaries included in the Company's current liabilities of RMB11,000, nil, RMB6,533,000 and RMB8,536,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, were unsecured, interest-free and had no fixed terms of repayment.

13. **Available-for sale investments**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investment, at cost	7,240	7,240	7,240	7,240

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Group held a 14.44% equity interest in the unlisted company, Ansteel Construction Engineering Co., Ltd. ("鞍鋼建設剝岩工程有限公司"). Ansteel Construction Engineering Co., Ltd. is engaged in construction and engineering.

The fair value of the unlisted equity investment cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for the investment, and (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The investment was stated at cost less any impairment losses.

14. **Inventories**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	22,635	21,230	12,643	12,303
Finished products	—	—	—	469
	22,635	21,230	12,643	12,772

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	19,246	20,772	10,978	10,873

15. **Trade receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	4,167	3,456	9,160	9,719
Bill receivables	17,410	2,352	3,102	4,725
Less: Impairment	(896)	(612)	(943)	(1,153)
	20,681	5,196	11,319	13,291

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	3,845	2,973	8,745	9,539
Bill receivables	17,410	2,352	3,102	4,725
Less: Impairment	(735)	(375)	(943)	(1,151)
	20,520	4,950	10,904	13,113

The Target Group's trading terms with its customers are mainly on credit. Credit terms in a range within three months are granted to those customers with a good payment history. There is no concentration of credit risk with respect to trade receivables, as the Target Group has a few of balance from third-parties. Trade receivables are non-interest-bearing.

Movements in the provision for impairment of trade receivables were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning	(710)	(896)	(612)	(943)
Provision for impairment of trade receivables	(186)	(76)	(568)	(617)
Reverse	—	220	22	—
Write off	—	140	215	407
At ending	(896)	(612)	(943)	(1,153)

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning	(617)	(735)	(375)	(943)
Provision for impairment of trade receivables	(118)	—	(568)	(615)
Reverse	—	220	—	—
Write off	—	140	—	407
At ending	(735)	(375)	(943)	(1,151)

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

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	2,094	2,783	9,030	9,069
1 to 2 years	1,752	367	130	395
2 to 3 years	321	306	—	255
	4,167	3,456	9,160	9,719

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	2,093	2,595	8,615	9,014
1 to 2 years	1,752	367	130	395
2 to 3 years	—	11	—	130
	3,845	2,973	8,745	9,539

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	2,091	2,783	8,217	8,566

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	2,093	2,595	7,802	8,388

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

16. **Prepayments, deposits and other receivables**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	2,289	1,859	1,893	2,170
Prepayments	28,016	29,723	34,243	16,179
Tax recoverable	—	3,934	2,558	—
	30,305	35,516	38,694	18,349

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	2,030	1,657	1,678	1,898
Prepayments	27,060	27,449	32,820	15,555
Tax recoverable	—	1,799	2,150	—
	29,090	30,905	36,648	17,453

17. **Cash and cash equivalents**

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	133,624	128,244	92,948	104,994

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	69,124	91,149	62,836	50,578

All of the cash and bank balances of the Target Group and Target Company are denominated in RMB at the end of 31 December 2012, 2013 and 2014, and 30 September 2015.

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the reporting period.

18. **Trade payables**

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

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	37,150	52,677	76,617	29,047
1 to 2 years	3,298	18	417	3,114
2 to 3 years	8	3,067	3	165
Over 3 years	6	14	3,022	3,022
	40,462	55,776	80,059	35,348

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	19,999	43,888	62,467	25,036
1 to 2 years	3,298	18	399	2,796
2 to 3 years	8	3,067	3	165
Over 3 years	6	14	3,022	3,022
	23,311	46,987	65,891	31,019

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

19. **Other payables and accruals**

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income	505	1,127	1,127	1,127
Payroll payables	1,932	2,459	3,044	10,551
Other tax payables	4,002	1,307	844	3,326
Advance from customers	3,022	20,813	25,736	5,767
Other payables	6,984	2,342	8,250	11,575
	16,445	28,048	39,001	32,346

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income	505	1,127	1,127	1,127
Payroll payables	1,666	1,987	2,245	7,923
Other tax payables	3,603	1,062	837	2,587
Advance from customers	2,387	18,358	23,298	5,642
Other payables	6,184	2,057	7,493	11,852
	14,345	24,591	35,000	29,131

Other payables are non-interest-bearing and have an average term of three months.

20. **Interest-bearing bank and other borrowings**

Target Group and Target Company

	As at 31 December 2012		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Current			
Current portion of long term bank loans - unsecured	6.1-6.4	2013	25,000
Non-current			
Bank loans - unsecured	6.1-6.4	2014-2015	45,000
			70,000

	As at 31 December 2013		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Current			
Current portion of long term bank loans - unsecured	6.1-6.4	2014	35,000
Non-current			
Bank loans - unsecured	6.1-6.4	2015	10,000
			45,000

	As at 31 December 2014		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Current			
Current portion of long term bank loans - unsecured	5.6-6.15	2015	30,000
Non-current			
Bank loans - unsecured	5.6-6.15	2016-2017	35,000
			65,000

	As at 30 September 2015		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Current portion of long term bank loans - unsecured	5.5-6.15	2016	20,000
Non-current			
Bank loans - unsecured	5.5-6.15	2017-2018	45,000
			65,000

The carrying amount of the current portion of interest-bearing bank borrowings of the Target Group approximates to their fair value due to their short term maturity.

The fair value of the non-current portion of interest-bearing bank borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Target Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2012, 2013 and 2014 and 30 September 2015 was assessed to be insignificant. Management has assessed that the fair value of the non-current interest-bearing bank borrowings of the Target Group approximates to their fair value due to their floating interest rates.

21. **Other liabilities**

Target Group & Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income	24,469	26,464	25,336	26,991
Portion classified as current liabilities (note 19)	(505)	(1,127)	(1,127)	(1,127)
Non-current portion	23,964	25,337	24,209	25,864

Deferred income represents the government grant relating to land and energy saving vehicles and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal installments.

22. **Deferred tax**

Target Group

The movements in deferred tax assets and deferred tax liabilities during the Relevant Periods are as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	10,005	6,874	7,025	7,252
Deferred tax liabilities	(3,333)	(3,333)	(3,191)	(3,064)
	6,672	3,541	3,834	4,188

Deferred tax assets

	Impairment	**Accruals**	**Deferred income**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	271	3,069	6,243	9,583
Credited/(charged) to profit or loss	46	502	(126)	422
At 31 December 2012	317	3,571	6,117	10,005
Credited/(charged) to profit or loss	(36)	(2,970)	(125)	(3,131)
At 31 December 2013	281	601	5,992	6,874
Credited/(charged) to profit or loss	137	142	(128)	151
At 31 December 2014	418	743	5,864	7,025
Credited/(charged) to profit or loss	154	167	(94)	227
At 30 September 2015	572	910	5,770	7,252

22. **Deferred tax**

Target Group

Deferred tax liabilities

	Assets appraisal increment arising from restructuring*
	RMB'000
At 1 January 2012	3,838
Credited to profit or loss	(505)
At 31 December 2012	3,333
At 31 December 2012 and 1 January 2013	3,333
Credited to profit or loss	—
At 31 December 2013	3,333
At 31 December 2013 and 1 January 2014	3,333
Credited to profit or loss	(142)
At 31 December 2014	3,191
At 31 December 2014 and 1 January 2015	3,191
Credited to profit or loss	(127)
At 30 September 2015	3,064

* The assets appraisal increment resulted from the state-owned enterprise shareholding reform of Ansteel Mining Vehicles Transportation Co., Ltd., a subsidiary of the Target Company, in 2007.

Target Company

The movements in deferred tax assets during the Relevant Periods are as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	8,381	6,699	6,841	7,002

Deferred tax assets

	Deferred	**Impairment**	**Accruals income**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	239	1,913	6,244	8,396
Credited/(charged) to profit or loss	23	89	(127)	(15)
At 31 December 2012	262	2,002	6,117	8,381
Credited/(charged) to profit or loss	(51)	(1,505)	(126)	(1,682)
At 31 December 2013	211	497	5,991	6,699
Credited/(charged) to profit or loss	204	64	(126)	142
At 31 December 2014	415	561	5,865	6,841
Credited/(charged) to profit or loss	148	108	(95)	161
At 30 September 2015	563	669	5,770	7,002

23. **Paid-in capital**

Registered and paid-in:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Anshan Iron and Steel Group Corporation	65,382	65,382	65,382	65,382
China Shipping Container Lines Co., Ltd.	27,420	27,420	27,420	27,420
Angang Group International Trading Corporation	23,291	23,291	23,291	23,291
Ying Kou Port Group Corporation	20,506	20,506	20,506	20,506
	136,599	136,599	136,599	136,599

24. **Reserves**

(a) ***Special Reserves***

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	6,341	6,341	6,341	5,989
Utilised during the year/period	—	—	(352)	—
At the end of the year/period	6,341	6,341	5,989	5,989

The Target Group is required to make appropriations in accordance with CaiQi [2006] No 478 "Tentative measures for the financial management of the production safety fund for the high risk enterprises" that is issued by the Ministry of Finance and the State Administration of Work Safety. The reserves are for future enhancement of safety production environment and improvement of facilities and are not available for distribution to shareholders.

(b) ***Statutory surplus reserves***

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	23,633	23,995	24,165	25,704
Transfer from retained profits	362	170	1,539	—
At the end of the year/period	23,995	24,165	25,704	25,704

(c) ***Accumulated profits***

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	85,189	81,614	79,822	92,630
Profit for the year/period	3,617	1,696	15,385	11,733
Distributed to shareholders	(6,830)	(3,318)	(1,039)	(478)
Transfer to statutory surplus reserves	(362)	(170)	(1,538)	—
At the end of the year/period	81,614	79,822	92,630	103,885

25. **Commitments**

There are no outstanding commitments under non-cancellable operating leases in respect of land and buildings at 31 31 December 2012, 2013, 2014 and 30 September 2015.

26. **Related party transactions**

(a) ***Transactions with related parties***

In addition to the related party transactions set out in the respective notes to the consolidated financial statements, the Target Group entered into the following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Transactions with the holding company and the fellow subsidiaries:					
Sale of products	239,675	176,566	25,754	19,317	83,163
Services provided	376,535	452,369	760,322	570,241	403,660
	616,210	628,935	786,076	589,558	486,823
Purchase of products	—	—	—	—	18,183
Services received	—	—	—	—	21,700
	—	—	—	—	39,883

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

The Target Group had the following significant balances with its related parties during the Relevant Periods:

(i) *Due from related parties*

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-controlling shareholder of a subsidiary:				
Prepayments	—	—	—	801
Fellow subsidiaries:				
Trade receivables	59,441	53,508	82,278	68,750
Other receivables	30	30	83	119
Prepayments	73	12	51	24,116
	59,544	53,550	82,412	93,786

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fellow subsidiaries:				
Trade receivables	39,715	36,251	61,629	55,072
Other receivables	30	30	83	119
Prepayments	71	3	—	4,316
	39,816	36,284	61,712	59,507

(ii) *Due to related parties*

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The holding company:				
Other payables	2,700	2,700	2,700	2,700
Fellow subsidiaries:				
Trade payables	4,178	7,690	25,355	14,954
Other payables	—	1,628	371	341
Advances from customers	—	11,402	562	36,444
	6,878	23,420	28,988	54,439

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The holding company:				
Other payables	2,700	2,700	2,700	2,700
Fellow subsidiaries				
Trade payables	4,025	7,443	20,848	14,624
Other payables	—	1,616	57	141
Advances from customers	—	11,158	300	5,614
	6,725	22,917	23,905	23,079

Amounts due to the related parties were interest-free, unsecured and have no fixed terms of repayment.

(b) ***Key management compensation***

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries	1,128	1,177	1,607	634
Social welfare	77	76	84	64
Housing fund	275	285	312	257
	1,480	1,538	2,003	955

27. **Financial instruments by category**

Target Group

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

Loans and receivables

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	20,681	5,196	11,319	13,291
Financial assets included in prepayments, deposits and other receivables	2,289	1,859	1,893	2,170
Due from related parties	59,471	53,538	82,361	69,670
Cash and cash equivalents	133,624	128,244	92,948	104,994
	216,065	188,837	188,521	190,125

Financial liabilities

Financial liabilities at amortized cost

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	40,462	55,776	80,059	35,348
Financial liabilities included in other payables and accruals	6,984	2,342	8,250	11,575
Due to related parties	6,878	12,018	28,426	17,995
Interest-bearing bank and other borrowings	70,000	45,000	65,000	65,000
	124,324	115,136	181,735	129,918

Target Company

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

Loans and receivables

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	20,520	4,950	10,904	13,113
Financial assets included in prepayments, deposits and other receivables	2,030	1,657	1,678	1,898
Due from subsidiaries	4,581	—	—	—
Due from related parties	39,745	36,281	61,712	55,191
Cash and cash equivalents	69,124	91,149	62,836	50,578
	136,000	134,037	137,130	120,780

Financial liabilities

Financial liabilities at amortized cost

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	23,311	46,987	65,891	31,019
Financial liabilities included in other payables and accruals	6,184	2,057	7,493	11,852
Interest bearing bank and other borrowings	70,000	45,000	65,000	65,000
Due to subsidiaries	11	—	6,533	8,536
Due to related parties	6,725	11,759	23,605	17,465
	106,231	105,803	168,522	133,872

28. **Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and amounts due from/to related party companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

Management has assessed that the fair values of interest-bearing bank and other borrowings approximate to their carrying amounts due to floating interest rates.

The Target Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at end of each of the Relevant Periods was assessed to be insignificant.

29. **Financial risk management objectives and policies**

The Target Group's principal financial instruments comprise interest-bearing loans and borrowings and cash. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group's debt obligations with floating interest rates.

The Target Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in the Rmb interest rate, with all other variables held constant, of the Target Group's profit before tax (through the impact on floating rate borrowings).

	Target Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		RMB'000
As at 31 December 2012		
RMB	100	(700)
RMB	(100)	700
As at 31 December 2013		
RMB	100	(450)
RMB	(100)	450
As at 31 December 2014		
RMB	100	(650)
RMB	(100)	650
As at 30 September 2015		
RMB	100	(650)
RMB	(100)	650

Credit risk

The Target Group has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Target Group has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade receivables, prepayments and other receivables and cash and cash equivalents represents the maximum credit exposure of the Target Group. The Target Group has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Group performs periodic credit evaluations of its customers.

Further quantitative data in respect of the Target Group exposure to credit risk arising from trade receivables are disclosed in note 15 to the Financial Information.

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables, other financial assets) and projected cash flows from operations.

The Target Group maintains a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The maturity profile of the Target Group's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Group

As at 31 December 2012

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	15,221	10,235	50,257	75,713
Trade payables	—	40,462	—	—	40,462
Other payables	6,984	—	—	—	6,984
Due to related parties	6,878	—	—	—	6,878
	13,862	55,683	10,235	50,257	130,037

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	15,221	20,549	10,964	46,734
Trade payables	—	55,776	—	—	55,776
Other payables	2,342	—	—	—	2,342
Due to related parties	12,018	—	—	—	12,018
	14,360	70,997	20,549	10,964	116,870

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	—	36,849	34,155	71,004
Trade payables	—	80,059	—	—	80,059
Other payables	8,250	—	—	—	8,250
Due to related parties	28,426	—	—	—	28,426
	36,676	80,059	36,849	34,155	187,739

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	20,243	—	49,697	69,940
Trade payables	—	35,348	—	—	35,348
Other payables	11,575	—	—	—	11,575
Due to related parties	17,995	—	—	—	17,995
	29,570	55,591	—	49,697	134,858

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Company

As at 31 December 2012

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	15,221	10,235	50,257	75,713
Trade payables	—	23,311	—	—	23,311
Other payables	6,184	—	—	—	6,184
Due to subsidiaries	11	—	—	—	11
Due to related parties	6,725	—	—	—	6,725
	12,920	38,532	10,235	50,257	111,944

As at 31 December 2013

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	15,221	20,549	10,964	46,734
Trade payables	—	46,987	—	—	46,987
Other payables	2,057	—	—	—	2,057
Due to related parties	11,759	—	—	—	11,759
	13,816	62,208	20,549	10,964	107,537

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	—	36,849	34,155	71,004
Trade payables	—	65,891	—	—	65,891
Other payables	7,493	—	—	—	7,493
Due to subsidiaries	6,533	—	—	—	6,533
Due to related parties	23,605	—	—	—	23,605
	37,631	65,891	36,849	34,155	174,526

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	20,243	—	49,697	69,940
Trade payables	—	31,019	—	—	31,019
Other payables	11,852	—	—	—	11,852
Due to subsidiaries	8,536	—	—	—	8,536
Due to related parties	17,465	—	—	—	17,465
	37,853	51,262	—	49,697	138,812

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes trade payables, other payables and accruals, interest-bearing bank and other borrowings and amounts due to related parties, less cash and cash equivalents. Total equity represents equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	40,462	55,776	80,059	35,348
Other payables and accruals	16,445	28,048	39,001	32,346
Due to related parties	6,878	23,420	28,988	54,439
Interest-bearing bank and Other borrowings	70,000	45,000	65,000	65,000
Less: Cash and cash equivalents	(133,624)	(128,244)	(92,948)	(104,994)
Net debt	161	24,000	120,100	82,139
Total capital	352,850	352,059	366,179	383,747
Total capital and net debt	353,011	376,059	486,279	465,886
Gearing ratio	0%	6%	25%	18%

30. **Events after the reporting period**

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of the companies comprising the Target Group in respect of any period subsequent to 30 September 2015.

Yours faithfully
ERNST & YOUNG
Certified Public Accountants
Hong Kong

3.18 **Dalian Vanguard International Logistics Co., Ltd. (大連萬捷國際物流有限公司)**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of Dalian Vanguard International Logistics Co., Ltd. (the "Target Company) comprising the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, together with the notes thereto (the "Financial Information"), and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the Target Company for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of the Target Company (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 8 October 2008.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business and were audited by Baker Da Hua Certified Public Accountants ("大華會計師事務所(特殊普通合夥)") registered in the PRC.

As at the date of this report, the Target Company has adopted 31 December as their financial year end date.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the financial statements of the Target Company (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagement 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Statements of profit or loss and other comprehensive income

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	4	32,894	38,596	39,902	29,845	28,539
Cost of sales		(21,381)	(25,841)	(26,580)	(20,144)	(20,153)
Gross profit		11,513	12,755	13,322	9,701	8,386
Other income and gains	4	112	56	402	30	282
Administrative expenses		(4,993)	(4,911)	(6,155)	(4,379)	(4,725)
Other expenses		(10)	—	—	—	—
Finance costs	6	(6,441)	(7,787)	(7,365)	(5,539)	(4,942)
Profit/(loss) before tax	5	181	113	204	(187)	(999)
Income tax expense	7	—	—	—	—	113
Profit and total comprehensive income/(loss and total comprehensive loss) for the year/period		181	113	204	(187)	(886)

Statements of financial position

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	8	116,537	114,391	110,082	107,214
Prepaid land lease payments	10	65,996	64,449	62,902	61,742
Intangible assets	9	592	528	485	434
Total non-current assets		183,125	179,368	173,469	169,390
CURRENT ASSETS					
Inventories	11	813	1,197	1,309	1,465
Trade receivables	12	2,796	3,464	4,074	4,212
Prepayments and other receivables	13	526	556	164	142
Due from related parties	20(b)	1,659	1,846	2,264	4,182
Cash and cash equivalents	14	6,599	2,801	2,727	2,567
Total current assets		12,393	9,864	10,538	12,568
CURRENT LIABILITIES					
Trade payables	15	5,503	5,367	3,361	3,114
Other payables and accruals	16	864	2,328	1,905	1,989
Due to related parties	20(b)	727	—	—	—
Interest-bearing bank borrowings	17	7,000	11,000	5,000	4,000
Total current liabilities		14,094	18,695	10,266	9,103
NET CURRENT (LIABILITIES)/ASSETS		(1,701)	(8,831)	272	3,465
TOTAL ASSETS LESS CURRENT LIABILITIES		181,424	170,537	173,741	172,855

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		181,424	170,537	173,741	172,855
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	17	112,000	101,000	104,000	104,000
Total non-current liabilities		112,000	101,000	104,000	104,000
Net assets		69,424	69,537	69,741	68,855
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	18	74,000	74,000	74,000	74,000
Accumulated losses		(4,576)	(4,463)	(4,259)	(5,145)
Total equity		69,424	69,537	69,741	68,855

Statements of changes in equity

	Attributable to owners of parent		
	Paid-in capital	**Accumulated profits/ (losses)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012	74,000	(4,757)	69,243
Profit and total comprehensive income for the year	—	181	181
At 31 December 2012	74,000	(4,576)	69,424

	Attributable to owners of parent		
	Paid-in capital	**Accumulated profits/ (losses)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2013	74,000	(4,576)	69,424
Profit and total comprehensive income for the year	—	113	113
At 31 December 2013	74,000	(4,463)	69,537

	Attributable to owners of parent		
	Paid-in capital	**Accumulated profits/ (losses)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014	74,000	(4,463)	69,537
Profit and total comprehensive income for the year	—	204	204
At 31 December 2014	74,000	(4,259)	69,741

	Attributable to owners of parent		
	Paid-in capital	**Accumulated profits/ (losses)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015	74,000	(4,259)	69,741
Loss and total comprehensive loss for the period	—	(886)	(886)
At 30 September 2015	74,000	(5,145)	68,855

	Attributable to owners of parent		
	Paid-in capital	**Accumulated profits/ (losses)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014	74,000	(4,463)	69,537
Loss and total comprehensive loss for the period	—	(187)	(187)
At 30 September 2014	74,000	(4,650)	69,350

Statements of cash flows

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax	5	181	113	204	(187)	(999)
Adjustments for:						
Depreciation	5	3,679	4,445	4,504	3,378	3,232
Amortisation of intangible assets	5	66	77	79	60	60
Amortisation of prepaid land lease payments	5	1,547	1,547	1,547	1,160	1,160
Gain on disposal of items of property, plant and equipment	4	36	—	—	—	—
Finance cost		6,441	7,787	7,365	5,539	4,942
Interest income	4	(56)	(56)	(44)	(30)	(18)
		11,894	13,913	13,655	9,920	8,377
Increase in inventories		(366)	(384)	(112)	(133)	(156)
Increase in trade receivables		(1,238)	(668)	(610)	(4,104)	(138)
Decrease/(increase) in prepayments and other receivables		86	(30)	392	286	135
(Increase)/decrease in amounts due from related parties		(1,659)	(187)	(418)	1,846	(1,918)
Increase/(decrease) in trade payables		2,616	(136)	(2,006)	(1,194)	(247)
(Decrease)/increase in other payables and accruals		(15,105)	1,156	(673)	(1,843)	(91)
Increase/(decrease) in amounts due to related parties		727	(727)	—	—	
Net cash flows (used in)/from operating activities		(3,045)	12,937	10,228	4,778	5,962

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		56	56	44	30	18
Purchases of items of property, plant and equipment		(13,675)	(2,228)	(195)	(146)	(364)
Net cash flows used in investing activities		(13,619)	(2,172)	(151)	(116)	(346)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from short-term and long-term borrowings		22,900	—	—	—	—
Repayments of short-term and long-term bank borrowings		—	(7,000)	(3,000)	—	(1,000)
Interest paid		(6,202)	(7,563)	(7,151)	(5,539)	(4,776)
Net cash flows from/(used in) financing activities		16,698	(14,563)	(10,151)	(5,539)	(5,776)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		34	(3,798)	(74)	(877)	(160)
Cash and cash equivalents at beginning of year	14	6,565	6,599	2,801	2,801	2,727
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	6,599	2,801	2,727	1,924	2,567

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

Dalian Vanguard International Logistics Co., Ltd. (the "Target Company") was incorporated in October 2008 with the approval of the People's Government of Dalian.

The Target Company has registration in Dalian Administration for Industry & Commerce. The registered capital of the Target Company is RMB74 million, in which Dalian Port Jifa Logistics contributed RMB37 million to the registerd capital with an occupation of 50% of the registered capital and China Shipping Container Lines Co., Ltd. contributed RMB37 million to it with an occupation of 50%. The Target Company is registered in Dalian free trade zone. The Target Company engages in providing warehousing at the port, container depot, logistics information consulting, transit trade, container agent service and cargo agent service etc.

In the opinion of the directors, the ultimate and immediate holding Company of the Target Company is China Shipping (Company) Company, which is incorporated in the PRC.

2.1 Basis of preparation

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hongkong Accounting Standards and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Comparative Financial Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Issued but not yet effective HKFRSs

The Target Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments* [2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations* [1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception* [1]
HKFRS 14	*Regulatory Deferral Accounts* [3]

HKFRS 15	*Revenue from Contracts with Customers* [2]
Amendments to HKAS 1	*Disclosure Initiative* [1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

The Target Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Company's operation and may result in changes in the Target Company's accounting policies and changes in presentation and measurement of certain items in the Target Company's Financial Information.

2.3 Summary of significant accounting policies

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each relevant periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of services, when the services are rendered; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the regions in which the Target Company operates.

Deferred income tax

Deferred income tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Retirement benefits

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to the statement of profit or loss as incurred.

The Target Company established and operating in Mainland China are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Subsequent measurement

The subsequent measurement of loans and receivables as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade and other payables, amounts due to related parties and interest-bearing banks and other borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

	Annual depreciation rate
Buildings	1.9%-3.8%
Port and depot infrastructure	1.9%
Machinery	2.38%-9.50%
Vehicles	11.88%
Computer, office equipment and furniture	9.50%-19.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Prepaid land lease payments

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling price less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. **Significant accounting judgements and estimates**

The preparation of the Target Company's financial information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives of property, plant and equipment

The Target Company's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete or non-strategic assets that have been abandoned.

4. **Revenue, other income and gains**

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue:					
Logistic Services and others	32,894	38,596	39,902	29,845	28,539

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Other income and gains					
Interest income	56	56	44	30	18
Gain on disposal of items of property, plant and equipment	36	—	—	—	—
Others	20	—	358	—	264
	112	56	402	30	282

5. **Profit before tax**

The Target Company's profit before tax is arrived at after charging:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Employee benefit expenses	9,180	8,863	9,910	7,340	7,607
Depreciation	3,679	4,445	4,504	3,378	3,232
Amortization of intangible assets	66	77	79	60	60
Amortization of prepaid land lease payments	1,547	1,547	1,547	1,160	1,160
Freight and miscellaneous charges	5,601	9,014	10,010	7,708	8,562
Fuel and utilities expenses	1,764	1,820	1,501	1,154	908
Operating lease charges	174	159	184	139	139

6. **Finance costs**

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on bank borrowings	6,441	7,787	7,365	5,539	4,942

7. **Income tax expense**

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the Target Company as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current income tax	—	—	—	—	113

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Target Company are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	181	113	204	(187)	(999)
Tax at an applicable tax rate of 25%	45	28	51	(47)	(250)
Tax losses utilised for previous periods	(45)	(28)	(51)	—	—
Adjustments in respect of current tax of previous periods	—	—	—	—	113
Tax losses not recognised	—	—	—	47	250
Tax charge at the Target Company's effective rate	—	—	—	—	113

8. Property, plant and equipment

	Buildings	Port and depot infrastructure	Machinery	Vehicles	Computer, office equipment and furniture	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012							
Cost	17,542	76,152	9,607	597	2,630	740	107,268
Accumulated depreciation and impairment losses	(80)	(192)	(104)	(183)	(50)	—	(609)
Net book amount	17,462	75,960	9,503	414	2,580	740	106,659
Year ended 31 December 2012							
Opening net book amount	17,462	75,960	9,503	414	2,580	740	106,659
Additions	896	—	3,267	174	253	9,085	13,675
Disposals	—	—	(32)	(80)	(6)	—	(118)
Depreciation (note 5)	(598)	(1,722)	(992)	(84)	(283)	—	(3,679)
Closing net book amount	17,760	74,238	11,746	424	2,544	9,825	116,537
At 31 December 2012							
Cost	18,438	76,152	12,842	691	2,877	9,825	120,825
Accumulated depreciation and impairment losses	(678)	(1,914)	(1,096)	(267)	(333)	—	(4,288)
Net book amount	17,760	74,238	11,746	424	2,544	9,825	116,537
At 1 January 2013							
Cost	18,438	76,152	12,842	691	2,877	9,825	120,825
Accumulated depreciation and impairment losses	(678)	(1,914)	(1,096)	(267)	(333)	—	(4,288)
Net book amount	17,760	74,238	11,746	424	2,544	9,825	116,537

	Buildings	Port and depot infrastructure	Machinery	Vehicles	Computer, office equipment and furniture	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2013							
Opening net book amount	17,760	74,238	11,746	424	2,544	9,825	116,537
Additions	—	—	917	—	334	1,055	2,306
Transfer from construction in progress	10,880	—	—	—	—	(10,880)	—
Disposals	—	(7)	—	—	—	—	(7)
Depreciation (note 5)	(689)	(1,783)	(1,466)	(102)	(405)	—	(4,445)
Closing net book amount	27,951	72,448	11,197	322	2,473	—	114,391
At 31 December 2013							
Cost	29,318	76,145	13,759	691	3,211	—	123,124
Accumulated depreciation and impairment losses	(1,367)	(3,697)	(2,562)	(369)	(738)	—	(8,733)
Net book amount	27,951	72,448	11,197	322	2,473	—	114,391

	Buildings	**Port and depot infrastructure**	**Machinery**	**Vehicles**	**Computer, office equipment and furniture**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014						
Cost	29,318	76,145	13,759	691	3,211	123,124
Accumulated depreciation and impairment losses	(1,367)	(3,697)	(2,562)	(369)	(738)	(8,733)
Net book amount	27,951	72,448	11,197	322	2,473	114,391
Year ended 31 December 2014						
Opening net book amount	27,951	72,448	11,197	322	2,473	114,391
Additions	—	—	8	—	187	195
Depreciation (note 5)	(613)	(1,748)	(1,636)	(102)	(405)	(4,504)
Closing net book amount	27,338	70,700	9,569	220	2,255	110,082
At 31 December 2014						
Cost	29,318	76,145	13,767	691	3,398	123,319
Accumulated depreciation and impairment losses	(1,980)	(5,445)	(4,198)	(471)	(1,143)	(13,237)
Net book amount	27,338	70,700	9,569	220	2,255	110,082

	Buildings	Port and depot infrastructure	Machinery	Vehicles	Computer, office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015						
Cost	29,318	76,145	13,767	691	3,398	123,319
Accumulated depreciation and impairment losses	(1,980)	(5,445)	(4,198)	(471)	(1,143)	(13,237)
Net book amount	27,338	70,700	9,569	220	2,255	110,082
Year ended 30 September 2015						
Opening net book amount	27,338	70,700	9,569	220	2,255	110,082
Additions	—	—	362	—	2	364
Depreciation (note 5)	(570)	(1,348)	(949)	(53)	(312)	(3,232)
Closing net book amount	26,768	69,352	8,982	167	1,945	107,214
At 30 September 2015						
Cost	29,318	76,145	14,129	691	3,400	123,683
Accumulated depreciation and impairment losses	(2,550)	(6,793)	(5,147)	(524)	(1,455)	(16,469)
Net book amount	26,768	69,352	8,982	167	1,945	107,214

As at 31 December 2012, 2013, and 2014 and 30 September 2015, certain of the Target Company's property, plant and equipment with a net carrying value of RMB9,825,000, RMB10,880,000, RMB52,917,000 and RMB51,871,000, respectively, were pledged to banks to secure the Target Company's banking facilities (note 17).

9. **Intangible assets**

	Software
	RMB'000
Year ended 31 December 2012	
Opening net book value	613
Additions	45
Amortisation charge for the year	(66)
Closing net book amount	592
At 31 December 2012	
Cost	678
Accumulated amortisation	(86)
Net book amount	592
Year ended 31 December 2013	
Opening net book value	592
Additions	13
Amortisation charge for the year	(77)
Closing net book amount	528
At 31 December 2013	
Cost	691
Accumulated amortisation	(163)
Net book amount	528
Year ended 31 December 2014	
Opening net book value	528
Additions	36
Amortisation charge for the year	(79)
Closing net book amount	485
At 31 December 2014	
Cost	727
Accumulated amortisation	(242)
Net book amount	485

	Software
	RMB'000
Year ended 30 September 2015	
Opening net book value	485
Additions	9
Amortisation charge for the period	(60)
Closing net book amount	434
At 30 September 2015	
Cost	736
Accumulated amortisation	(302)
Net book amount	434

10. **Prepaid land lease payments**

	RMB'000
Carrying amount at 1 January 2012	67,543
Recognised during the year	(1,547)
Carrying amount at 31 December 2012 and 1 January 2013	65,996
Recognised during the year	(1,547)
Carrying amount at 31 December 2013 and 1 January 2014	64,449
Recognised during the year	(1,547)
Carrying amount at 31 December 2014 and 1 January 2015	62,902
Recognised during the period	(1,160)
Carrying amount at 30 September 2015	61,742

Prepaid lease payments are amortised over the term of the relevant rights. The land use rights relate to parcels of land located in Dalian in the PRC, and are under medium-lease term leases of 44.8 years since 2010.

As at 31 December 2012, 2013, and 2014 and 30 September 2015, certain of the Target Company's prepaid land lease payments with a net carrying value of RMB65,995,984, RMB64,449,203, RMB62,902,422 and RMB61,742,336, respectively, were pledged to banks to secure the Target Company's banking facilities (note 17).

11. **Inventories**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw Material	813	1,197	1,309	1,465

12. **Trade receivables**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	2,796	3,464	4,074	4,212

An aged analysis of the trade receivables as at the end of the relevant periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	2,796	3,464	4,074	4,212

The trade receivables that are not individually nor collectively considered to be impaired are within one year and not overdue.

13. **Prepayments and other receivables**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	526	552	163	141
Prepayments	—	4	1	1
	526	556	164	142

14. **Cash and cash equivalents**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and in hand	6,599	2,801	2,727	2,567

All of the cash and bank balances of the Target Company are denominated in RMB at the end of 31 December 2012, 2013 and 2014, and 30 September 2015.

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the relevant periods.

15. **Trade payables**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	5,503	5,367	3,361	3,114

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

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	5,503	5,367	3,361	3,114

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

16. **Other payables and accruals**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	69	127	2	104
Payroll payable	379	1,757	1,364	570
Tax payables other than income tax	157	144	177	92
Interest payable	239	224	214	166
Other payables	20	76	148	1,057
	864	2,328	1,905	1,989

17. **Interest-bearing bank borrowings**

	As at 31 December 2012		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Current			
Current portion of long term bank loans - secured	5.25%-5.75%	2013	7,000
Non-current			
Secured bank loans	5.25%-5.75%	2014-2021	112,000
			119,000

	As at 31 December 2013		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Current			
Current portion of long term bank loans - secured	5.25%-5.75%	2014	11,000
Non-current			
Secured bank loans	5.25%-5.75%	2015-2021	101,000
			112,000

	As at 31 December 2014		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Current			
Current portion of long term bank loans - secured	5.25%-5.75%	2015	5,000
Non-current			
Secured bank loans	5.25%-5.75%	2016-2021	104,000
			109,000

	As at 30 September 2015		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Current			
Current portion of long term bank loans - secured	5.25%-5.75%	2016	4,000
Non-current			
Secured bank loans	5.25%-5.75%	2017-2021	104,000
			108,000

The carrying amount of the current portion of interest-bearing bank borrowings of the Target Company approximates to their fair value due to their short term maturity.

The fair value of the non-current portion of interest-bearing bank borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Target Company's own non-performance risk for interest-bearing bank borrowings as at 31 December 2012, 2013 and 2014 and 30 September 2015 was assessed to be insignificant. Management has assessed that the fair value of the non-current interest-bearing bank borrowings of the Target Company approximates to their fair value due to their floating interest rates.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Company's bank loans were secured by the pledges of the Target Company's assets with carrying values as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	9,825	10,880	52,917	51,871
Prepaid land lease payments	65,996	64,449	62,902	61,742
	75,821	75,329	115,819	113,613

18. **Paid-in capital**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	74,000	74,000	74,000	74,000

19. Commitments

At 31 31 December 2012, 2013, 2014 and 30 September 2015, the Target Company had total future minimum outstanding commitments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	—	—	191

20. Related party transactions

(a) *Transactions with related parties*

The sales to the fellow subsidiaries were made according to the published prices and conditions offered to the major customers of the Target Company, except that a longer credit period of up to six months is normally granted.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Transactions with joint venture companies					
Revenue:					
Container depot					
Services income	1,037	1,202	1,237	991	1,072
Transactions with fellow subsidiaries					
Revenue:					
Container depot					
Services income	7,655	8,740	9,492	7,055	5,935
Others	—	571	571	428	451
	7,655	9,311	10,063	7,483	6,386

In addition to the related party transactions set out in the respective notes to the consolidated financial statements, the target company entered into the following significant transactions with related parties during the Relevant Periods:

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

(i) *Due from related parties*

The Target Company had the following significant balances with its related parties during the Relevant Periods:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with joint venture companies				
Trade receivables	193	118	73	529
Balances with fellow subsidiaries				
Trade receivables	1,466	1,728	2,191	3,653

Amounts due from the related parties were interest-free, unsecured and have no fixed terms of repayment.

(ii) *Due to related parties*

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with fellow subsidiaries				
Trade payables	727	—	—	—

Amounts due to the related parties were interest-free, unsecured and have no fixed terms of repayment.

(c) ***Key management payroll***

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries	252	496	833	989
Social welfare	59	110	110	85
Housing fund	34	78	68	41
	345	684	1,011	1,115

21. **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2012

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	2,796
Financial assets included in prepayments and other receivables	526
Due from related parties	1,659
Cash and cash equivalents	6,599
	11,580

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	5,503
Financial liabilities included in other payables and accruals	259
Interest-bearing bank borrowings	119,000
Due to related parties	727
	125,489

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows (continued):

As at 31 December 2013

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	3,464
Financial assets included in prepayments and other receivables	552
Due from related parties	1,846
Cash and cash equivalents	2,801
	8,663

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	5,367
Financial liabilities included in other payables and accruals	300
Interest-bearing bank borrowings	112,000
	117,667

As at 31 December 2014

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	4,074
Financial assets included in prepayments and other receivables	163
Due from related parties	2,264
Cash and cash equivalents	2,727
	9,228

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	3,361
Financial liabilities included in other payables and accruals	362
Interest-bearing bank borrowings	109,000
	112,723

As at 30 September 2015

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	4,212
Financial assets included in prepayments and other receivables	141
Due from related parties	4,182
Cash and cash equivalents	2,567
	11,102

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	3,114
Financial liabilities included in other payables and accruals	1,223
Interest-bearing bank borrowings	108,000
	112,337

Fair values and fair value hierarchy of financial instruments

Management has assessed that the fair values of trade receivables, financial assets included in prepayments and other receivables, due from/to related parties, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

22. **Financial risk management objectives and policies**

The Target Company's principal financial instruments comprise interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Target Company's operations. The Target Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

A principal part of the Target Company's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Target Company aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such risk measures to mitigate such risk.

The table below demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, to the Target Company's profit before tax.

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to repricing within the coming year.

Target Company

	Increase/ (decrease) in interest rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2012		
Increase	+1	(78)
Decrease	-1	78
Year ended 31 December 2013		
Increase	+1	(73)
Decrease	-1	73
Year ended 31 December 2014		
Increase	+1	(67)
Decrease	-1	67
Nine months ended 30 September 2015		
Increase	+1	(56)
Decrease	-1	56

Credit risk

The Target Company has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Target Company has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade and notes receivables, prepayments and other receivables and cash and cash equivalents represents the maximum credit exposure of the Target Company. The Target Company has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Company performs periodic credit evaluations of its customers.

Liquidity risk

The Target Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables, other financial assets) and projected cash flows from operations.

The Target Company maintains a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

As at 31 December 2012

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	5,503	—	—	—	5,503
Financial liabilities included in other payables and accruals	259	—	—	—	—	259
Interest-bearing bank borrowings	—	1,750	5,250	58,000	54,000	119,000
Due to related parties	727	—	—	—	—	727
	986	7,253	5,250	58,000	54,000	125,489

Liquidity risk

As at 31 December 2013

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	5,367	—	—	—	5,367
Financial liabilities included in other payables and accruals	300	—	—	—	—	300
Interest-bearing bank borrowings	—	750	2,250	59,000	50,000	112,000
	300	6,117	2,250	59,000	50,000	117,667

As at 31 December 2014

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	3,361	—	—	—	3,361
Financial liabilities included in other payables and accruals	362	—	—	—	—	362
Interest-bearing bank borrowings	—	1,250	3,750	104,000	—	109,000
	362	4,611	3,750	104,000	—	112,723

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	3,114	—	—	—	3,114
Financial liabilities included in other payables and accruals	1,223	—	—	—	—	1,223
Interest-bearing bank borrowings	—	5,750	5,250	97,000	—	108,000
	1,223	8,864	5,250	97,000	—	112,337

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

The Target Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade payables, other payables and accruals and amounts due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the relevant periods were as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	5,503	5,367	3,361	3,114
Other payables and accruals	864	2,328	1,905	1,989
Due to related parties	727	—	—	—
Less: Cash and cash equivalents	(6,599)	(2,801)	(2,727)	(2,567)
Net debt	495	4,894	2,539	2,536
Total capital	69,424	69,537	69,741	68,855
Total capital and net debt	69,919	74,431	72,280	71,391
Gearing ratio	1%	7%	4%	4%

23. **Events after the reporting period**

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

24. **Subsequent financial statements**

No audited financial statements have been prepared by the in respect of any period subsequent to 30 September 2015.

Yours faithfully
ERNST & YOUNG
Certified Public Accountants
Hong Kong

3.19 **Jinzhou Port Container and Railway Logistics Limited* (錦州港集鐵物流有限公司)**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Board of Directors
China COSCO Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of Jinzhou Port Railway Logistics Co., Ltd. (the "Target Company") comprising the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, together with the notes thereto (the "Financial Information"), and the comparative statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Target Company for the nine months ended 30 September 2014 (the "Interim Comparative Information"), prepared on the basis of preparation in note 2.1 of Section II below, for inclusion in the circular of China COSCO Holdings Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 45% equity interest of the Target Company (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China ("PRC") as a company with limited liability on 31 October 2011.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Generally Accepted Accounting Principles of the People's Republic of China ("PRC GAAP") and were audited by Huapu Tianjian Certified Public Accountants ("華普天健會計師事務所(特殊普通合夥)") registered in the PRC.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the financial statements of the Target Company (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting

Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, Financial Information and the Interim Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Financial Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagement 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Interim Comparative Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Statements of profit or loss and other comprehensive income

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	4	4,901	11,920	14,790	7,991	5,496
Cost of sales		(4,279)	(10,326)	(11,727)	(6,570)	(9,005)
Gross profit		622	1,594	3,063	1,421	(3,509)
Other income and gains	4	141	30	30	28	8
Administrative expenses		(1,038)	(1,492)	(2,569)	(1,010)	(1,152)
(Loss)/profit before tax	5	(275)	132	524	439	(4,653)
Income tax expense	6	—	58	325	110	—
(Loss and total comprehensive loss)/profit and total comprehensive income for the year/period		(275)	74	199	329	(4,653)

Statements of financial position

		As at 31 December			As at 30 September
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	7	4,920	4,803	6,505	4,399
Intangible assets	8	19	17	15	14
Total non-current assets		4,939	4,820	6,520	4,413
CURRENT ASSETS					
Inventories	9	82	317	220	261
Trade and bill receivables	10	1,386	212	4,894	450
Prepayments, deposits and other receivables	11	—	660	157	506
Due from related parties	16b(i)	1,161	1,100	2,838	3,141
Cash and cash equivalents	12	6,796	6,881	420	280
Total current assets		9,425	9,170	8,529	4,638
CURRENT LIABILITIES					
Trade and bill payables	13	1,178	933	1,744	509
Other payables and accruals	14	91	410	163	424
Tax payable		—	—	119	—
Due to related parties	16b(ii)	3,597	3,075	3,252	3,000
Total current liabilities		4,866	4,418	5,278	3,933
NET CURRENT ASSETS		4,559	4,752	3,251	705
TOTAL ASSETS LESS CURRENT LIABILITIES		9,498	9,572	9,771	5,118
Net assets		9,498	9,572	9,771	5,118

					As at
		As at 31 December			**30 September**
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	15	10,000	10,000	10,000	10,000
Reserves		(502)	(428)	(229)	(4,882)
Total equity		9,498	9,572	9,771	5,118

Statements of changes in equity

	Paid-in capital *RMB'000* *(note 16)*	**Special reserves** *RMB'000* *(note 17)*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*
At 1 January 2012	10,000	—	(227)	9,773
Loss for the year	—	—	(275)	(275)
At 31 December 2012	10,000	—	(502)	9,498
At 1 January 2013	10,000	—	(502)	9,498
Profit for the year	—	—	74	74
Accrued special reserve during the year	—	49	(49)	—
Used special reserve during the year	—	(49)	49	—
At 31 December 2013	10,000	—	(428)	9,572
At 1 January 2014	10,000	—	(428)	9,572
Profit for the year	—	—	199	199
Accrued special reserve during the year	—	119	(119)	—
Used special reserve during the year	—	(119)	119	—
At 31 December 2014	10,000	—	(229)	9,771
At 1 January 2015	10,000	—	(229)	9,771
Loss for the period	—	—	(4,653)	(4,653)
Accrued special reserve during the year	—	148	(148)	—
Used special reserve during the year	—	(148)	148	—
At 30 September 2015	10,000	—	(4,882)	5,118
At 1 January 2014	10,000	—	(428)	9,572
Profit for the period	—	—	329	329
At 30 September 2014 (unaudited)	10,000	—	(99)	9,901

Statements of cash flows

		Year ended 31 December			**Nine months ended 30 September**	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax		(275)	132	524	439	(4,653)
Adjustments for:						
Depreciation	5	258	328	496	272	430
Amortisation of intangible assets	8	—	2	2	1	1
Impairment of trade and bill receivables		—	—	1	—	4
Impairment of items of property plant and equipment		—	—	—	—	2,379
Interest income	4	(158)	432	993	684	(1,847)
(Increase)/decrease in inventories		(82)	(235)	96	(101)	(45)
(Increase)/Decrease in trade and bill receivables		(712)	1,174	(4,682)	(2,413)	4,444
Decrease/(increase) in prepayments, deposits and other receivables		189	(660)	503	(2,432)	(349)
(Increase)/decrease in amounts due from related parties		(1,000)	61	(1,738)	358	303
Increase/(decrease) in trade and bill payables		608	(245)	811	604	(1,235)
Increase/(decrease) in other payables and accruals		25	319	(247)	181	345
Increase/(decrease) in amounts due to related parties		400	(68)	(17)	144	(347)
Income tax paid		—	(58)	(206)	(110)	(119)
Net cash flows (used in)/ generated from operating activities		(730)	720	(4,487)	(3,085)	460

		Year ended 31 December			Nine months ended 30 September	
	Note	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		141	30	30	28	8
Purchases of items of property, plant and equipment		(1,734)	(665)	(2,004)	(1,796)	(608)
Purchases of items of intangible assets		19	—	—	—	—
Net cash flows used in investing activities		(1,612)	(635)	(1,974)	(1,768)	(600)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,342)	85	(6,461)	(4,853)	(140)
Cash and cash equivalents at beginning of year/period		9,138	6,796	6,881	6,881	420
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	12	6,796	6,881	420	2,028	280

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

The Target Company is a limited liability company established in PRC on 31 November 2011. The registered office of the Target Company is located at 1-1 Jin'gang avenue, Jinzhou Port, Jinzhou economic development district, Liaoning, PRC.

The Target Company engages in providing container storage service at the port, container LCL and devanning services, container depot, logistics information consulting, container repairing, container agent service and cargo agent service.

In the opinion of the Directors, the ultimate holding company of the Target Company is Port of Dalian Co., Ltd. which is established in the PRC.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, (HKASs) and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Issued but not yet effective HKFRSs

The Target Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]

Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company.

The Target Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the directors of the Target Company anticipate that the application of the new and revised HKFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Financial Information.

2.3 **Summary of significant accounting policies**

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same company;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) revenue from the rendering of services is recognised when the service has been rendered; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Income taxes

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Employee benefits

The Target Company are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Subsequent measurement

The subsequent measurement of loans and receivables as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Impairment of financial assets

The Target Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade and other payables, amounts due to related parties and interest-bearing banks and other borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual depreciation rates for this purpose are as follows:

Machine & equipment	9.5%
Buildings	2.38% - 9.5%
Vehicles	4.32% - 19.00%
Office equipment	4.32% - 19.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Foreign currencies

The Financial Information is presented in RMB, which is the Target Company's functional currency. Foreign currency transactions recorded by the entities in the Target Company are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the Reporting Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

3. **Significant accounting judgements and estimates**

The preparation of the Target Company's Financial Information requires management to make significant judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Target Company assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and impairment loss over the period in which such estimate has been changed. There is no provision as at 31 December 2012 and 2013. The provision for impairment of trade receivables amounted to nil, nil, RMB1,000 and RMB4,000 at each of the end of the relevant periods, respectively.

Useful lives of property, plant and equipment

The Target Company's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete or non-strategic assets that have been abandoned.

4. **Revenue and other income**

Revenue, which is also the Target Company's turnover, represents the value of services rendered during the Relevant Periods.

An analysis of revenue and other income is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue:					
Port services	4,901	11,920	14,790	7,991	5,496
Other income and gains					
Interest income	141	30	30	28	8

5. Profit before tax

The Target Company's profit before tax is arrived at after charging:

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Costs of sales		2,619	7,693	9,403	5,120	7,146
Employee benefit expenses:						
Salaries and other staff cost		1,168	1,921	1,523	982	1,191
Retirement benefit defined contribution fund		234	384	305	196	238
Depreciation	7	258	328	496	272	430
Impairment of trade receivables		—	—	1	—	3
Impairment of items of property, plant and equipment		—	—	—	—	2,379

6. Income tax expense

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the Target Company as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current income tax	—	58	325	110	—

A reconciliation of the tax expense applicable to profit before tax at the statutory rates to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
(Loss)/profit before tax	(275)	132	524	439	(4,653)
Tax at the statutory tax rate	(69)	33	131	110	(1,163)
Expense not deductible for tax	—	151	194	—	—
Tax loss not recognised	69	—	—	—	567
Tax loss utilised from previous periods	—	(126)	—	—	—
Temporary differences not recognised	—	—	—	—	596
Tax charge at the effective rate	—	58	325	110	—

As at each of the end of the Relevant Periods, deferred tax asset has not been recognised by the Target Company on cumulative tax losses and timing difference amounting to approximately RMB504,000, nil, nil and RMB4,652,000 respectively, as it is uncertain that taxable profits will be available against which the tax losses can be utilised.

7. **Property, plant and equipment**

	Machinery Equipment	Buildings	Office equipment	Vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012					
Cost	—	—	77	204	281
Accumulated depreciation	—	—	(1)	—	(1)
Net book amount	—	—	76	204	280
Year ended 31 December 2012					
Opening net book amount	—	—	76	204	280
Additions	47	44	130	4,677	4,898
Depreciation	—	(1)	(30)	(227)	(258)
Closing net book amount	47	43	176	4,654	4,920
At 31 December 2012					
Cost	47	44	207	4,881	5,179
Accumulated depreciation	—	(1)	(31)	(227)	(259)
Net book amount	47	43	176	4,654	4,920
Year ended 31 December 2013					
Opening net book amount	47	43	176	4,654	4,920
Additions	79	—	57	75	211
Depreciation	(5)	(4)	(42)	(277)	(328)
Closing net book amount	121	39	191	4,452	4,803
At 31 December 2013					
Cost	126	44	264	4,956	5,390
Accumulated depreciation	(5)	(5)	(73)	(504)	(587)
Net book amount	121	39	191	4,452	4,803

	Machinery Equipment	Buildings	Office equipment	Vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014					
Cost	126	44	264	4,956	5,390
Accumulated depreciation	(5)	(5)	(73)	(504)	(587)
Net book amount	121	39	191	4,452	4,803
Year ended 31 December 2014					
Opening net book amount	121	39	191	4,452	4,803
Additions	1,704	43	23	428	2,198
Depreciation	(4)	(4)	(62)	(426)	(496)
Closing net book amount	1,821	78	152	4,454	6,505
At 31 December 2014					
Cost	1,830	87	287	5,384	7,588
Accumulated depreciation	(9)	(9)	(135)	(930)	(1,083)
Net book amount	1,821	78	152	4,454	6,505
Year ended 30 September 2015					
Opening net book amount	1,821	78	152	4,454	6,505
Additions	1,670	—	33	—	703
Depreciation	(3)	(4)	(53)	(370)	(430)
Impairment	(2,352)	—	(27)	—	(2,379)
Closing net book amount	136	74	105	4,084	4,399
At 30 September 2015					
Cost	2,500	87	320	5,384	8,291
Accumulated depreciation and impairment losses	(2,364)	(13)	(215)	(1,300)	(3,892)
Net book amount	136	74	105	4,084	4,399

8. **Intangible assets**

	Software
	RMB'000
Year ended 31 December 2012	
Opening net book value	—
Additions	19
Closing net book amount	19
At 31 December 2012	
Cost	19
Accumulated amortisation	—
Net book amount	19
Year ended 31 December 2013	
Opening net book value	19
Amortisation charge for the year	(2)
Closing net book amount	17
At 31 December 2013	
Cost	19
Accumulated amortisation	(2)
Net book amount	17
Year ended 31 December 2014	
Opening net book value	17
Amortisation charge for the year	(2)
Closing net book amount	15

	Software
	RMB'000
At 31 December 2014	
Cost	19
Accumulated amortisation	(4)
Net book amount	15
Year ended 30 September 2015	
Opening net book value	15
Amortisation charge for the period	(1)
Closing net book amount	14
At 30 September 2015	
Cost	19
Accumulated amortisation	(5)
Net book amount	14

9. **Inventories**

	As at 31 December			**As at 30 September**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	82	317	220	261

10. **Trade and bill receivables**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	1,386	212	4,485	354
Bill receivables	—	—	410	100
	1,386	212	4,895	454
Less: Provision for impairment of receivables	—	—	(1)	(4)
	1,386	212	4,894	450

An aged analysis of the trade receivables as at each of the relevant period the end of the reporting period, based on the invoice date and net of provision, is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	1,386	212	4,895	454
Less: Provision for impairment of receivables	—	—	(1)	(4)
Less than 3 months	1,386	212	4,894	450

The Target Company's trading terms with its customers are mainly on credit. Credit terms in a range within three months.

Movements in the provision for impairment of trade receivables were as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	—	—	—	1
Impairment losses recognised (note 6)	—	—	1	3
At ending	—	—	1	4

11. **Prepayments, deposits and other receivables**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	—	415	39	250
Other receivables	—	245	118	256
	—	660	157	506

12. **Cash and cash equivalents**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	6,796	6,881	420	280

All of the cash and bank balances of the Target Company are denominated in RMB at each of the end of Relevant Periods.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at each of the end of the Relevant Periods.

13. **Trade payables**

An aged analysis of the trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	1,178	933	1,744	509

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

14. **Other payables and accruals**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll payables	1	279	1	198
Indirect tax payables	40	1	—	1
Other payables	38	28	61	57
Advance to suppliers	12	102	101	168
	91	410	163	424

15. **Paid-in capital**

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	10,000	10,000	10,000	10,000

16. **Related party transactions**

(a) ***Transactions with related parties***

The Target Company entered into the following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Transactions with immediate holding company					
Purchase of items of property plant and equipment	3,617	—	647	647	705
Transactions with fellow subsidiaries					
Loading and unloading services	2,973	4,856	5,145	3,158	2,398

(b) ***Outstanding balances with related parties:***

The Target Company had the following significant balances with its related parties during the Relevant Periods:

(i) *Due from related parties*

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Immediate holding company	3	—	—	—
Fellow subsidiaries	1,158	1,100	2,838	3,141
	1,161	1,100	2,838	3,141

Amounts due from the related parties were interest-free, unsecured and have no fixed terms of repayment.

(ii) *Due to related parties*

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Immediate holding company	3,187	2,741	2,955	3,000
Fellow subsidiaries	410	334	297	—
	3,597	3,075	3,252	3,000

Amounts due to the related parties were interest-free, unsecured and have no fixed terms of repayment.

(c) ***Key management remuneration***

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries	280	280	280	221
Social walfare	91	89	84	72
Pension and others welfare	25	25	29	25
	396	394	393	318

17. **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at each end of the Relevant Periods are as follows:

As at 31 December 2012

Financial assets

	Loans and receivables
	RMB'000
Trade and bill receivables	1,386
Amounts due from related parties	1,161
Cash and cash equivalents	6,796
	9,343

Financial liabilities

	Financial liabilities at amortised Total *RMB'000*
Trade and bill payables	1,178
Financial liabilities included in other payables and accruals	38
Amounts due to related parties	3,597
	4,813

As at 31 December 2013

Financial assets

	Loans and receivables *RMB'000*
Trade and bill receivables	212
Financial assets included in prepayments, deposits and other receivables	245
Amounts due from related parties	1,100
Cash and cash equivalents	6,881
	8,438

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bill payables	933
Financial liabilities included in accrued liabilities and other payables	28
Amounts due to related parties	3,075
	4,036

As at 31 December 2014

Financial assets

	Loans and receivables *RMB'000*
Trade and bill receivables	4,894
Financial assets included in prepayments, deposits and other receivables	118
Amounts due from related parties	2,838
Cash and cash equivalents	420
	8,270

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bill payables	1,744
Financial liabilities included in accrued liabilities and other payables	61
Amounts due to related parties	3,252
	5,057

As at 30 September 2015

Financial assets

	Loans and receivables *RMB'000*
Trade and bill receivables	450
Financial assets included in prepayments, deposits and other receivables	256
Amounts due from related parties	3,141
Cash and cash equivalents	280
	4,127

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bill payables	509
Financial liabilities included in accrued liabilities and other payables	57
Amounts due to related parties	3,000
	3,566

18. **Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of cash and cash equivalents, trade and bill receivables, financial assets included in prepayments, deposits and other receivables, amounts due from related parties, trade and bill payables, financial liabilities included in other payables and accruals and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

19. **Financial risk management objectives and policies**

The main risks arising from the Target Company's financial instruments are credit risk and liquidity risk. The Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Target Company have no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Target Company has policies that limit the amount of credit exposure to any financial institutions. The total carrying amounts of trade and bill receivables, prepayments, deposits and other receivables and cash and cash equivalents represents the maximum credit exposure of the Group. The Target Company has also policies in place to ensure that services are rendered to customers with appropriate credit history and the Target Company performs periodic credit evaluations of its customers.

Liquidity risk

The Target Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables, other financial assets) and projected cash flows from operations.

The Target Company maintains a balance between continuity of funding and flexibility through the use of interest-bearing bank and financial lease obligations.

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

As at 31 December 2012

	On demand	**Less than 3 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bill payables	—	1,178	1,178
Financial liabilities included in other payables and accruals	38	—	38
Amounts due to related parties	3,597	—	3,597
	3,635	1,178	4,813

As at 31 December 2013

	On demand	**Less than 3 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bill payables	—	933	933
Financial liabilities included in other payables and accruals	28	—	28
Amounts due to related parties	3,075	—	3,075
	3,103	933	4,036

Liquidity risk

As at 31 December 2014

	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bill payables	—	1,744	1,744
Financial liabilities included in other payables and accruals	61	—	61
Amounts due to related parties	3,252	—	3,252
	3,313	1,744	5,057

As at 30 September 2015

	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bill payables	—	509	509
Financial liabilities included in other payables and accruals	57	—	57
Amounts due to related parties	3,000	—	3,000
	3,057	509	3,566

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manage its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the relevant periods.

20. **Events after the reporting period**

To the date of approval of the financial statements, no material subsequent event requiring disclosure occurred.

21. **Subsequent financial statements**

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2015.

Yours faithfully
ERNST & YOUNG
Certified Public Accountants
Hong Kong

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE AGENCY COMPANIES

Set out below is the management discussion and analysis on the Agency Companies for the three financial years ended 31 December 2012, 2013 and 2014 and for the nine months ended 30 September 2015. The discussion and analysis relate to the consolidated results and financial position of the Agency Companies.

As CSCL Yingkou is a subsidiary of CSCL Dailian, the below management discussion and analysis on CSCL Dalian has included the results of CSCL Yingkou. As CSCL Qinhuangdao is a subsidiary of CSCL Tianjin, the below management discussion and analysis on CSCL Tianjin has included the results of CSCL Qinhuangdao. As CSCL Lianyungang and CSCL Longkou are subsidiaries of CSCL Qingdao, the below management discussion and analysis on CSCL Qingdao has included the results of CSCL Lianyungang and CSCL Longkou. As CSCL Zhejiang and CSCL Jiangsu are subsidiaries of CSCL Shanghai, the below management discussion and analysis on CSCL Shanghai has included the results of CSCL Zhejiang and CSCL Jiangsu. As CSCL Quanzhou and CSCL Fuzhou are subsidiaries of CSCL Xiamen, the below management discussion and analysis on CSCL Xiamen has included the results of CSCL Quanzhou and CSCL Fuzhou. As CSCL Shantou, CSCL Zhongshan, CSCL Fangchenggang, CSCL Zhanjiang CSCL Jiangmen and CSCL Dongguan are subsidiaries of CSCL Guangzhou, the below management discussion and analysis on CSCL Guangzhou has included the results of CSCL Shantou, CSCL Zhongshan, CSCL Fangchenggang, CSCL Zhanjiang CSCL Jiangmen and CSCL Dongguan.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE AGENCY COMPANIES

The following discussion and analysis should be read in conjunction with the accountants' report set out in headed "3. Accountants' Report on the Agency Companies" in this Appendix to this circular.

BUSINESS OVERVIEW

Shanghai Puhai Shipping Liners Co., Ltd. ("**Shanghai Puhai**") is principally engaged in the container transportation business, international ship management business, domestic coastal and the Yangtze river system between different port cargo (including container transport, container manufacture, repair, leasing, sales, ship leasing, sales, technical training crew and the crew and other shipping services, waterway freight forwarders, shipping agency.

China Shipping Container Lines Shenzhen Co., Ltd. ("**CSCL Shenzhen**") is principally engaged in the domestic freight forwarding agency, domestic ship agency, container transport services as well as import and export cargo shipping agency business.

China Shipping Container Lines Shanghai Co., Ltd. ("**CSCL Shanghai**") is principally engaged in the cargo and liner agency business.

China Shipping Container Lines Xiamen Co., Ltd. ("**CSCL Xiamen**") is principally engaged in the provision of shipping and vessel agent service.

China Shipping Container Lines Qingdao Company Limited ("**CSCL Qingdao**") is principally engaged in the provision of shipping and vessel agent service.

China Shipping Container Lines Dalian Co., Ltd. ("**CSCL Dalian**") is principally engaged in the provision of shipping and vessel agent service.

China Shipping Container Lines Guangzhou Co., Ltd. ("**CSCL Guangzhou**") is principally engaged in the provision of shipping and vessel agent service.

China Shipping Container Lines Tianjin Co., Ltd. ("**CSCL Tianjin**") is principally engaged in the provision of shipping and vessel agent service.

China Shipping Container Lines Hainan Company Limited ("**CSCL Hainan**") is principally engaged in the provision of shipping and vessel agent service.

China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. ("**CS Refrigeration**") is primarily engaged in the provision of shipping and vessel agent service.

China Shipping Container Lines (Dalian) Data Processing Co., Ltd. ("**CSCL Dalian Data**") is principally engaged in computer data processing.

Golden Sea Shipping is principally engaged in container shipping throughout Southeast Asia.

CS Agency is principally engaged in industrial investment, equity investment, financial advisory services, data processing services, and technology development and advisory, transfer in financial software field, real estate management and advisory services relating to international trading, market promotion planning, and enterprise image planning.

China Shipping Container Lines Agency (Shenzhen) Co., Ltd. ("**CSCL Agency Shenzhen**") is principally engaged in the provision of import and export shipping agency service, container management land estate management.

Universal Shipping is principally engaged in the provision of shipping services and related business.

Universal Logistics (Shenzhen) Co., Ltd. ("**Universal Logistics Shenzhen**") is principally engaged in the provision of goods import and export, international transportation agency, insurance advisory, transfer in financial software field, real estate management, advisory services relating to international trading, market promotion planning, and enterprise image planning.

Angang Vehicle Transportation Co., Ltd. ("**Angang Vehicle**") is principally engaged in road freight transportation including general freight, road transportation of dangerous goods, maintenance of vehicles transporting dangerous goods, vehicle sales not including auto cars, wholesale and retail of motor vehicle accessories, tire dealing, construction machinery maintenance (excluding hoisting equipment), leasing buildings and equipment, providing domestic labor services according to the regulation, metal structure manufacturing, warehouse services, transportation loading and unloading, steel selling etc.

Dalian Vanguard International Logistics Co., Ltd. ("**Dalian Vanguard**") is principally engaged in the provision of warehousing at the port, container depot, logistics information consulting, transit trade, container agent service and cargo agent service etc.

Jinzhou Port Container and Railway Logistics Limited ("**Jinzhou Port**") is principally engaged in the provision of warehousing at the port, container LCL and devanning services, container depot, logistics information consulting, container repairing, container agent service and cargo agent service.

FINANCIAL OVERVIEW

The summary of audited historical consolidated statements of profit or loss or income statements, as applicable, for 2012, 2013 and 2014 and for the nine months ended September 30, 2015 and unaudited historical consolidated statements of profit or loss or income statements, as applicable, for the nine months ended September 30, 2014, and the audited consolidated balance sheets or consolidated statements of financial position, as applicable, as of December 31, 2012, 2013 and 2014 and September 30, 2015 of Shanghai Puhai, CSCL Shenzhen, CSCL Shanghai, CSCL Xiamen, CSCL Qingdao, CSCL Dalian, CSCL Guangzhou, CSCL Tianjin, CSCL Hainan, CS Refrigeration, CSCL Dalian Data, Golden Sea Shipping, CS Agency, CSCL Agency Shenzhen, Universal Shipping, Universal Logistic Shenzhen, Angang Vehicle, Dalian Vanguard and Jinzhou Port, set forth below are derived from the consolidated financial statements of these companies, including the notes thereto, which are set forth in this appendix The financial statements of Shanghai Puhai, CSCL Shenzhen, CSCL Shanghai, CSCL Xiamen, CSCL Qingdao CSCL Dalian, CSCL Guangzhou, CSCL Tianjin, CSCL Hainan, CS Refrigeration, CSCL Dalian Data, Golden Sea Shipping, CS Agency, CSCL Agency Shenzhen, Universal Shipping, Universal Logistic Shenzhen, Angang Vehicle, Dalian Vanguard and Jinzhou Port have been prepared in accordance with HKFRSs.

Shanghai Puhai

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
REVENUE	1,761,806	1,983,630	2,163,990	1,519,601	1,563,533
Cost of sales	(1,738,217)	(1,928,213)	(2,121,653)	(1,498,733)	(1,528,192)
Gross profit	23,589	55,417	42,337	20,868	35,341
Other income and gains	48,602	42,008	55,560	28,898	30,523
Administrative expenses	(70,315)	(75,424)	(77,534)	(57,569)	(55,120)
Other expenses	(21,176)	(8,956)	(17,568)	(4,997)	(152,783)
Finance costs	(3)	(18)	—	—	—
(Loss)/profit before tax	(19,303)	13,027	2,795	(12,800)	(142,039)
Income tax expense	(8,014)	(8,996)	(13,469)	(8,184)	(5,329)
(Loss)/profit for the year/period	(27,317)	4,031	(10,674)	(20,984)	(147,368)
Attributable to:					
Owners of the parent	(32,266)	(2,213)	(19,404)	(27,437)	(151,284)
Non-controlling interests	4,949	6,244	8,730	6,453	3,916
	(27,317)	4,031	(10,674)	(20,984)	(147,368)

CSCL Shenzhen

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	63,122	88,137	84,917	67,342	149,907
Cost of sales	(42,000)	(70,136)	(64,080)	(53,340)	(104,380)
Gross profit	21,122	18,001	20,837	14,002	45,527
Other income and gains	1,831	346	3,918	3,770	2,294
Administrative expenses	(15,190)	(13,665)	(17,318)	(12,087)	(29,358)
Other expenses	(1,330)	(1,326)	(4)	—	(14)
Profit before tax	6,433	3,356	7,433	5,685	18,449
Income tax expense	(2,095)	(913)	(2,353)	(1,439)	(4,938)
Profit and total comprehensive income for the year/period	4,338	2,443	5,080	4,246	13,511

CSCL Shanghai

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	230,392	318,840	302,341	244,530	225,127
Cost of sales	(152,905)	(241,242)	(214,655)	(180,991)	(160,188)
Gross profit	77,487	77,598	87,686	63,539	64,939
Other income and gains	1,867	6,167	68,130	67,656	6,128
Administrative expenses	(70,280)	(65,460)	(79,665)	(57,125)	(51,550)
Other expenses	(28)	(93)	(553)	(390)	(951)
Profit before tax	9,046	18,212	75,598	73,680	18,566
Income tax expense	(6,100)	(5,023)	(21,047)	(18,639)	(3,952)
Profit and total comprehensive income for the year/period	2,946	13,189	54,551	55,041	14,614
Attributable to:					
Owners of the parent	2,204	11,041	45,854	46,398	11,787
Non-controlling interests	742	2,148	8,697	8,643	2,827
	2,946	13,189	54,551	55,041	14,614

CSCL Xiamen

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	86,193	117,412	109,070	82,447	69,244
Cost of sales	(58,356)	(94,065)	(87,093)	(66,023)	(57,317)
Gross profit	27,837	23,347	21,977	16,424	11,927
Other income and gains	1,667	1,738	527	480	1,443
Administrative expenses	(22,918)	(19,914)	(17,594)	(13,865)	(13,965)
Other expenses	(80)	(1,080)	(8)	(8)	(63)
Profit/(Loss) before tax	6,506	4,091	4,902	3,031	(658)
Income tax expense	(2,696)	(1,328)	(1,515)	(797)	(388)
Profit/(Loss) and total comprehensive income for the year/period	3,810	2,763	3,387	2,234	(1,046)
Attributable to:					
Owners of the parent	3,714	2,757	3,365	2,215	(1,126)
Non-controlling interests	96	6	22	19	80
	3,810	2,763	3,387	2,234	(1,046)

CSCL Qingdao

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	93,499	123,906	137,012	108,379	115,406
Cost of sales	(69,904)	(94,360)	(123,660)	(85,385)	(79,174)
Gross profit	23,595	29,546	13,352	22,994	36,232
Other income and gains	2,161	1,552	700	306	292
Administrative expenses	(23,822)	(25,927)	(24,642)	(15,598)	(17,131)
Other expenses	(13)	(78)	(5)	(561)	(15)
Profit/(Loss) before tax	1,921	5,093	(10,595)	7,141	19,378
Income tax expense	(1,387)	(2,983)	(2,735)	(1,818)	(5,403)
Profit/(loss) and total comprehensive income/(loss) for the year/period	534	2,110	(13,330)	5,323	13,975
Attributable to:					
Owners of the parent	515	1,947	(11,579)	5,162	13,385
Non-controlling interests	19	163	(1,751)	161	590
	534	2,110	(13,330)	5,323	13,975

CSCL Dalian

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	80,237	73,216	130,676	92,178	86,018
Cost of sales	(76,906)	(59,820)	(99,802)	(69,813)	(62,562)
Gross profit	3,331	13,396	30,874	22,365	23,456
Other income and gains	33,243	24,316	14,192	95	203
Administrative expenses	(26,420)	(22,606)	(26,031)	(17,750)	(16,062)
Other expenses	(48)	(21)	(43)	(26)	—
Profit before tax	10,106	15,085	18,992	4,684	7,597
Income tax expense	(6,019)	(5,102)	(6,037)	(1,167)	(2,096)
Profit for the year	4,087	9,983	12,955	3,517	5,501
Attributable to:					
Owners of the parent	4,130	9,923	12,907	3,421	5,427
Non-controlling interests	(43)	60	48	96	74
	4,087	9,983	12,955	3,517	5,501

CSCL Guangzhou

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	155,365	144,871	142,432	90,632	69,328
Cost of sales	(93,681)	(88,645)	(89,834)	(57,620)	(54,845)
Gross profit	61,684	56,226	52,598	33,012	14,483
Other income and gains	1,537	263	543	439	314
Administrative expenses	(49,369)	(41,124)	(39,018)	(26,915)	(25,246)
Other expenses	(23)	(367)	(83)	(15)	(75)
Profit/(loss) before tax	13,829	14,998	14,040	6,521	(10,524)
Income tax expense	(5,482)	(4,912)	(4,389)	(1,677)	(590)
Profit/(loss) for the year/period	8,347	10,086	9,651	4,844	(11,114)
Attributable to:					
Owners of the parent	8,068	9,632	9,524	4,724	(11,230)
Non-controlling interests	279	454	127	120	116
	8,347	10,086	9,651	4,844	(11,114)

CSCL Tianjin

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	96,275	195,776	216,611	171,279	124,570
Cost of sales	(77,073)	(172,197)	(192,392)	(149,709)	(104,431)
Gross profit	19,202	23,579	24,219	21,570	20,139
Other income and gains	403	9,738	4,169	1,469	2,540
Administrative expenses	(16,031)	(17,305)	(18,645)	(12,653)	(9,094)
Other expenses	(62)	—	(278)	(47)	(660)
Profit before tax	3,512	16,012	9,465	10,339	12,925
Income tax expense	(2,907)	(4,915)	(3,235)	(2,631)	(2,998)
Profit and year/period	605	11,097	6,230	7,708	9,927
Attributable to:					
Owners of the parent	597	10,962	6,234	7,724	9,985
Non-controlling interests	8	135	(4)	(16)	(58)
	605	11,097	6,230	7,708	9,927

CSCL Hainan

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	19,390	28,502	28,560	21,021	16,955
Cost of sales	(10,737)	(18,345)	(18,334)	(13,085)	(9,668)
Gross profit	8,653	10,157	10,226	7,936	7,287
Other income and gains	251	318	326	289	264
Administrative expenses	(7,850)	(7,252)	(7,263)	(5,944)	(5,030)
Other expenses	(16)	(74)	—	—	—
Profit before tax	1,038	3,149	3,289	2,281	2,521
Income tax expense	(906)	(1,003)	(1,289)	(571)	(399)
Profit for the year/period	132	2,146	2,000	1,710	2,122

CS Refrigeration

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	70,647	73,024	68,792	50,810	48,126
Cost of sales	(64,648)	(64,087)	(57,101)	(42,458)	(39,292)
Gross profit	5,999	8,937	11,691	8,352	8,834
Other income and gains	2,317	1,523	771	306	22
Administrative expenses	(6,604)	(7,387)	(8,726)	(6,246)	(6,015)
Other expenses	(4)	—	(9)	—	(3,801)
Profit/(loss) before tax	1,708	3,073	3,727	2,412	(960)
Income tax expense	(596)	(883)	(875)	(617)	(104)
Profit/(loss) and total comprehensive income/(expense) for the year/period	1,112	2,190	2,852	1,795	(1,064)
Attributable to owners of the parent	1,112	2,190	2,852	1,795	(1,064)

CSCL Dalian Data

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	12,838	13,848	14,371	10,420	12,914
Cost of sales	(9,895)	(8,667)	(8,805)	(7,364)	(6,673)
Gross profit	2,943	5,181	5,566	3,056	6,241
Other income and gains	18	10	15	12	5
Administrative expenses	(3,232)	(2,999)	(4,509)	(3,071)	(5,320)
(Loss)/profit before tax	(271)	2,192	1,072	(3)	926
Income tax expense	—	(324)	(174)	—	(159)
(Loss)/profit for the year/period and total comprehensive (loss)/income for the year/period	(271)	1,868	898	(3)	767

Golden Sea Shipping

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	85,033	651,770	754,137	561,653	438,886
Cost of sales	(79,273)	(622,854)	(709,071)	(531,156)	(411,985)
Gross profit	5,760	28,916	45,066	30,497	26,901
Other income and gains	2	15	3,236	1,033	6,421
Administrative expenses	(3,309)	(11,661)	(15,878)	(9,657)	(8,913)
Other expenses	—	(8)	—	—	—
Finance costs	(3)	(18)	(17)	(13)	(12)
Profit before tax	2,450	17,244	32,407	21,860	24,397
Income tax expense	—	(1,064)	(112)	(79)	—
Profit for the year/period	2,450	16,180	32,295	21,781	24,397
Other Comprehensive Income					
Exchange differences on translation of foreign currency	(15)	(474)	(362)	66	4,817
Total comprehensive income for the year/period	2,435	15,706	31,933	21,847	29,214

CS Agency

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	90,037	48,599	50,912	42,376	45,047
Cost of sales	(30,972)	(14,998)	(12,966)	(10,325)	(18,059)
Gross profit	59,065	33,601	37,946	32,051	26,988
Other income and gains	1,808	8,162	3,192	3,517	2,038
Administrative expenses	(55,537)	(32,276)	(34,699)	(25,658)	(18,079)
Other expenses	—	—	—	—	—
Profit before tax	5,336	9,487	6,439	9,910	10,947
Income tax expense	(534)	(352)	(1,524)	—	—
Profit for the year/period	4,802	9,135	4,915	9,910	10,947
Attributable to:					
Owners of the parent	4,802	9,135	4,915	9,910	10,947

CSCL Agency Shenzhen

	As at 31 December			As at 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	35,970	47,395	40,872	32,582	—
Costs and others	(11,557)	(22,633)	(20,325)	(14,596)	—
Gross profit	24,413	24,762	20,547	17,986	—
Other income and gains	92	73	1,203	830	12
Administrative expenses	(23,218)	(19,472)	(20,013)	(14,850)	924
Other expenses	(411)	(1,647)	(231)	(77)	(243)
Profit before tax	876	3,716	1,506	3,889	693
Income tax expense	(56)	(805)	(251)	(972)	—
Profit and total comprehensive income for the year/period	820	2,911	1,255	2,917	693

Universal Shipping

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	584,421	532,845	484,965	371,447	335,939
Cost of sales	(539,865)	(504,149)	(455,417)	(350,448)	(300,976)
Gross profit	44,556	28,696	29,548	20,999	34,963
Other income and gains	12,432	11,698	4,258	3,163	421
Administrative expenses	(20,682)	(19,759)	(21,411)	(15,211)	(12,543)
Other expenses	(796)	—	(310)	(546)	(3,159)
Profit before tax	35,510	20,635	12,085	8,405	19,682
Income tax expense	(2,026)	721	(418)	—	—
Profit for the year/period	33,484	21,356	11,667	8,405	19,682
Attributable to:					
Owners of the parent	33,484	21,356	11,667	8,405	19,682
OTHER COMPREHENSIVE INCOME					
Other comprehensive income/(losses) to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	22	(4,448)	2,496	3,053	4,541
Total comprehensive income for the year/period	33,506	16,908	14,163	11,458	24,223
Attributable to:					
Owners of the parent	33,506	16,908	14,163	11,458	24,223

Universal Logistics Shenzhen

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	28,488	49,248	71,136	51,960	49,355
Cost of sales	(18,515)	(39,422)	(63,421)	(46,485)	(42,710)
Gross profit	9,973	9,826	7,715	5,475	6,645
Other income and gains	2,132	2,192	3,131	2,126	1,999
Administrative expenses	(10,734)	(11,718)	(10,491)	(7,344)	(7,498)
Other expenses	—	(23)	(1)	—	—
Profit before tax	1,371	277	354	257	1,146
Income tax expense	—	—	—	—	(247)
Profit and total comprehensive income for the year/period	1,371	277	354	257	899

Angang Vehicle

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	682,401	756,189	978,855	679,772	757,156
Cost of sales	(587,702)	(645,866)	(880,511)	(612,048)	(680,706)
Gross profit	94,699	110,323	98,344	67,724	76,450
Other income and gains	5,263	1,519	3,691	1,886	1,685
Administrative expenses	(82,267)	(101,339)	(75,039)	(51,007)	(53,358)
Other expenses	(362)	144	(756)	(122)	(1,325)
Finance costs	(2,564)	(2,084)	(2,570)	(1,864)	(2,873)
Profit before tax	14,769	8,563	23,670	16,617	20,579
Income tax expense	(3,489)	(5,285)	(6,965)	(5,256)	(5,474)
Profit and total comprehensive income for the year/period	11,280	3,278	16,705	11,361	15,105
Attributable to:					
Owners of the parent	4,210	1,836	15,280	10,343	12,818
Non-controlling interests	7,070	1,442	1,425	1,018	2,287
	11,280	3,278	16,705	11,361	15,105

Dalian Vanguard

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	32,894	38,596	39,902	29,845	28,539
Cost of sales	(21,381)	(25,841)	(26,580)	(20,144)	(20,153)
Gross profit	11,513	12,755	13,322	9,701	8,386
Administrative expenses	(4,993)	(4,911)	(6,155)	(4,379)	(4,725)
Other income and gains	112	56	402	30	282
Other expenses	(10)	—	—	—	—
Finance costs	(6,441)	(7,787)	(7,365)	(5,539)	(4,942)
Profit before tax	181	113	204	(187)	(999)
Income tax expense	—	—	—	—	113
Profit and total comprehensive income for the year/period	181	113	204	(187)	(886)

Jinzhou Port

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
REVENUE	4,901	11,920	14,790	7,991	5,496
Cost of sales	(4,279)	(10,326)	(11,727)	(6,570)	(9,005)
Gross profit	622	1,594	3,063	1,421	(3,509)
Other income and gains	141	30	30	28	8
Administrative expenses	(1,038)	(1,492)	(2,569)	(1,010)	(1,152)
(Loss)/profit before tax	(275)	132	524	439	(4,653)
Income tax expense	—	58	325	110	—
(Loss and total comprehensive loss)/profit and total comprehensive income for the year/period	(275)	74	199	329	(4,653)

FINANCIAL POSITION

Shanghai Puhai

Total assets of Shanghai Puhai were RMB883.2 million, RMB920.5 million, RMB922.5 million and RMB815.2 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Total assets primarily comprised property, plant and equipment, which primarily comprised container vessels.

As at as at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of Shanghai Puhai were RMB340.5 million, RMB386.1 million, RMB402.4 million and RMB437.8 million, respectively, which were primarily made up of trade payables and amounts due to related parties.

The net assets of Shanghai Puhai totaled RMB542.7 million, RMB534.4 million, RMB520.1 million and RMB377.4 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CSCL Shenzhen

Total assets of CSCL Shenzhen were RMB151.7 million, RMB121.5 million, RMB119.7 million and RMB340.8 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, which primarily comprised property, plant and equipment. The main component of property, plant and equipment was computer, office equipment and furniture.

As at as at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CSCL Shenzhen were RMB117.2 million, RMB89.4 million, RMB90.5 million and RMB302.4 million, respectively, which primarily comprised trade payables.

The net assets of CSCL Shenzhen totaled RMB34.5 million, RMB32.1 million, RMB29.2 million and RMB38.4 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CSCL Shanghai

Total assets of CSCL Shanghai were RMB1,054.9 million, RMB967.9 million, RMB1,109.5 million and RMB993.2 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, which primarily comprised amounts due from related parties and trade and bill receivables.

As at as at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CSCL Shanghai were RMB926.7 million, RMB835.5 million, RMB935.5 million and RMB825.8 million, respectively, which were mainly made up of amounts due to related parties, trade payables and other payables and accruals.

The net assets of CSCL Shanghai totaled RMB128.2 million, RMB132.4 million, RMB174.0 million and RMB167.4 million as at as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CSCL Xiamen

Total assets of CSCL Xiamen were RMB142.3 million, RMB135.8 million, RMB127.4 million and RMB102.2 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Total assets of CSCL Xiamen primarily comprised outstanding balance due from related parties, trade receivables and cash and cash equivalents.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CSCL Xiamen were RMB109.7 million, RMB105.0 million, RMB98.8 million and RMB78.6 million, respectively. Such amounts primarily comprised amounts due to related parties, trade payables and other payables and accruals.

The net assets of CSCL Xiamen totaled RMB32.6 million, RMB30.8 million, RMB28.6 million and RMB23.6 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CSCL Qingdao

Total assets of CSCL Qingdao were RMB573.7 million, RMB326.9 million, RMB301.0 million and RMB431.9 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Such amounts primarily comprised amounts due from related parties and trade receivables.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CSCL Qingdao were RMB553.2 million, RMB305.9 million, RMB297.3 million and RMB414.2 million, respectively. Such amounts primarily comprised amounts due to related parties and trade payables.

The net assets of CSCL Qingdao totaled RMB20.5 million, RMB21.0 million, RMB3.7 million and RMB17.7 million, as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CSCL Dalian

Total assets of CSCL Dalian were RMB524.0 million, RMB565.6 million, RMB629.0 million and RMB641.5 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Total assets primarily comprised trade receivables and amounts due from related parties.

As at as at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CSCL Dalian were RMB495.0 million, RMB530.1 million, RMB589.6 million and RMB603.3 million, respectively. Such totals were primarily made up of amounts due to related parties and trade payables.

The net assets of CSCL Dalian totaled RMB29.0 million, RMB35.5 million, RMB39.4 million and RMB38.2 million, as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CSCL Guangzhou

Total assets of CSCL Guangzhou were RMB709.1 million, RMB492.9 million, RMB385.6 million and RMB355.9 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Total assets primarily comprised amounts due from related parties and trade receivables.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CSCL Guangzhou were RMB658.3 million, RMB443.1 million, RMB337.2 million and RMB327.9 million, respectively, which primarily comprised amounts due to related parties and trade payables.

The net assets of CSCL Guangzhou totaled RMB50.8 million, RMB49.8, RMB48.4 million and RMB28.0 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CSCL Tianjin

Total assets of CSCL Tianjin were RMB335.2 million, RMB404.9 million, RMB568.1 million and RMB589.2 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Such amounts were mainly made up of amounts due from related parties and trade receivables.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CSCL Tianjin were RMB306.1 million, RMB368.7 million, RMB534.7 million and RMB552.7 million respectively, which were mainly made up of amounts due to related parties, trade payables and other payables and accruals.

The net assets of CSCL Tianjin totaled RMB29.1 million, RMB36.2 million, RMB33.4 million and RMB36.5 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CSCL Hainan

Total assets of CSCL Hainan were approximately RMB78.0, RMB96.7, RMB106.3 million and RMB115.7 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Such amounts were mainly made up of trade receivables and amounts due from related parties.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CSCL Hainan were approximately RMB59.6, RMB77.9, RMB87.5 million and RMB94.8 million, respectively, which were mainly made up of amounts due to related parties and trade payables.

The net assets of CSCL Hainan totaled approximately RMB18.4, RMB18.8, RMB18.8 million and RMB20.9 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CS Refrigeration

Total assets of CS Refrigeration were RMB34.4 million, RMB35.3 million, RMB31.1 million and RMB28.5 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Such amounts were primarily made up of amounts due from related parties, which related to transportation fees and agency service fees.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CS Refrigeration were RMB15.0 million, RMB16.5 million, RMB10.2 million and RMB11.6 million, respectively. Such amounts primarily comprised trade payables.

The net assets of CS Refrigeration totaled RMB19.4 million, RMB18.8 million, RMB20.9 million and RMB16.9 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CSCL Dalian Data

Total assets of CSCL Dalian Data were RMB3.9 million, RMB5.1 million, RMB6.3 million and RMB5.5 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Total assets primarily comprised cash and cash equivalents.

As at as at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CSCL Dalian Data were RMB0.9 million, RMB0.5 million, RMB1.4 million and RMB0.7 million, respectively, which were primarily made up of other payables and accruals. Other payables and accruals primarily comprised payroll payables.

The net assets of CSCL Dalian Data totaled RMB3.0 million, RMB4.6 million, RMB4.9 million and RMB4.8 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Golden Sea Shipping

Total assets of Golden Sea Shipping were RMB50.0 million, RMB129.5 million, RMB310.8 million and RMB191.2 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Such amounts primarily comprised trade receivables, amount due from related parties and cash and cash equivalents.

As at as at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of Golden Sea Shipping were RMB42.4 million, RMB106.2 million, RMB200.9 million and RMB52.1 million, respectively, which were primarily made up of trade payables, other payables and accruals and amounts due to related parties.

The net assets of Golden Sea Shipping totaled RMB7.6 million, RMB23.3 million, RMB109.9 million and RMB139.1 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CS Agency

Total assets of CS Agency were RMB319.1 million, RMB267.0 million, RMB188.3 million and RMB269.1 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, which primarily comprised amount due from related parties and trade receivables.

As at as at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CS Agency were RMB278.9 million, RMB233.7 million, RMB158.7 million and RMB234.0 million, respectively, which primarily comprised amounts due to related parties.

The net assets of CS Agency totaled RMB40.2 million, RMB33.3 million, RMB29.7 million and RMB35.1 million as at as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CSCL Agency Shenzhen

Total assets of CSCL Agency Shenzhen were RMB93.5 million, RMB72.4 million, RMB47.3 million and RMB36.8 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, which primarily comprised trade receivables.

As at as at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CSCL Agency Shenzhen were RMB83.4 million, RMB59.3 million, RMB33.0 million and RMB21.8 million, respectively, which were mainly made up of amounts due to related parties.

The net assets of CSCL Agency Shenzhen totaled RMB10.1 million, RMB13.1 million, RMB14.3 million and RMB15.0 million as at as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Universal Shipping

Total assets of Universal Shipping were RMB200.7 million, RMB180.7 million, RMB175.1 million and RMB176.2 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Such amounts were primarily made up of amount due from related parties, trade receivables and cash and cash equivalents.

As at as at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of Universal Shipping were RMB77.8 million, RMB62.6 million, RMB63.9 million and RMB58.5 million, respectively, which primarily comprised trade payables.

The net assets of Universal Shipping totaled RMB122.9 million, RMB118.1 million, RMB111.2 million and RMB117.7 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Universal Logistics Shenzhen

Total assets of Universal Logistic Shenzhen were RMB82.5 million, RMB71.0 million, RMB92.6 million and RMB118.3 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Total assets primarily comprised cash and cash equivalents, which primarily comprised short-term bank deposits.

As at as at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of Universal Logistic Shenzhen were RMB75.5 million, RMB63.8 million, RMB85.0 million and RMB109.8 million, respectively, which were primarily made up of amounts due to related parties. Amounts due to related parties primarily comprised trade payables and other payables.

The net assets of Universal Logistic Shenzhen totaled RMB7.0 million, RMB7.2 million, RMB7.6 million and RMB8.5 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Angang Vehicle

Total assets of Angang Vehicle were RMB514.6 million, RMB533.2 million, RMB607.4 million and RMB601.6 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, which primarily comprised property, plant and equipment, prepaid land lease payments, amounts due from related parties and cash and cash equivalents. The main component of property, plant and equipment was vehicles, buildings and construction in progress.

As at as at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of Angang Vehicle were RMB161.8 million, RMB181.1 million, RMB241.2 million and RMB217.8 million, respectively, which primarily comprised interest-bearing bank and other loans, trade and bill payables and other payables and accruals.

The net assets of Angang Vehicle totaled RMB352.8 million, RMB352.1 million, RMB366.2 million and RMB383.8 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Dalian Vanguard

Total assets of Dalian Vanguard were RMB195.5 million, RMB189.2 million, RMB184.0 million and RMB182.0 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, which primarily comprised property, plant and equipment and intangible assets. Property, plant and equipment primarily comprised port and depot infrastructure and intangible assets primarily comprised land use rights.

As at as at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of Dalian Vanguard were RMB126.1 million, RMB119.7 million, RMB114.3 million and RMB113.1 million, respectively, which were mainly made up of interest-bearing bank and other borrowings.

The net assets of Dalian Vanguard totaled RMB69.4 million, RMB69.5 million, RMB69.7 million and RMB68.9 million as at as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Jinzhou Port

Total assets of Jinzhou Port were RMB14.4 million, RMB14.0 million, RMB15.0 million and RMB9.1 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Total assets of Jinzhou Port as at 31 December 2012 and 2013 primarily comprised property, plant and equipment and cash and cash equivalents. Total assets of Jinzhou Port as at 31 December 2014 primarily comprised property, plant and equipment and trade and bill receivables. Property, plant and equipment primarily comprised vehicles and machine and equipment. Cash and cash equivalents primarily comprised cash at banks and in hand.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of Jinzhou Port were RMB4.9 million, RMB4.4 million, RMB5.3 million and RMB3.9 million, respectively. Such amounts primarily comprised trade and bill payables and finance lease obligations.

The net assets of Jinzhou Port totaled RMB9.5 million, RMB9.6 million, RMB9.7 and RMB5.2 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Details of the liquidity and financial resources and capital structure of Shanghai Puhai, CSCL Shenzhen, CSCL Shanghai, CSCL Xiamen, CSCL Qingdao CSCL Dalian, CSCL Guangzhou, CSCL Tianjin, CSCL Hainan, CS Refrigeration, CSCL Dalian Data, Golden Sea Shipping, CS Agency, CSCL Agency Shenzhen, Universal Shipping, Universal Logistics Shenzhen, Angang Vehicle, Dalian Vanguard and Jinzhou Port are set out below.

Shanghai Puhai

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Shanghai Puhai recorded net current assets of RMB218.4 million, RMB246.3 million, RMB271.3 million and RMB311.3 million, respectively, and had gearing ratios (calculating by dividing net debt over shareholder's equity) of approximately 2%, 5%, 6% and 4%, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Shanghai Puhai had no bank and other borrowings.

CSCL Shenzhen

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Shenzhen recorded net current assets of RMB33.0 million, RMB31.2 million, RMB28.0 million and RMB37.2 million, respectively, and had gearing ratios (calculating by dividing net debt over shareholder's equity) of approximately 70%, 66%, 66% and 87%, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Shenzhen had no bank and other borrowings.

CSCL Shanghai

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Shanghai recorded net current assets of RMB77.6 million, RMB71.2 million, RMB107.5 million and RMB96.7 million, respectively, and had gearing ratios (calculating by dividing net debt over shareholder's equity) of approximately 86%, 84%, 83% and 81%, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Shanghai had no bank and other borrowings.

CSCL Xiamen

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Xiamen recorded net current assets of RMB26.4 million, RMB25.3 million, RMB22.1 million and RMB17.1 million, respectively, and had gearing ratios (calculating by dividing net debt over shareholder's equity) of approximately 67%, 71%, 69% and 61%, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Xiamen had no bank and other borrowings.

CSCL Qingdao

As at 31 December 2012 and 2013 and 30 September 2015, CSCL Qingdao recorded net current assets of RMB15.9 million, RMB12.2 million and RMB6.6 million, respectively. As at 31 December 2014, CSCL Qingdao recorded net current liabilities of RMB7.5 million. As at 31 December 2012, 2013 and 2014 and 30 September 2015 CSCL Qingdao had gearing ratios (calculating by dividing net debt over shareholder's equity) of approximately 96%, 91%, 99% and 95%, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Qingdao had no bank and other borrowings.

CSCL Dalian

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Dalian recorded net current assets of RMB25.2 million, RMB30.9 million, RMB31.3 million and RMB31.6 million, respectively, and had gearing ratios (calculating by dividing net debt over shareholder's equity) of approximately 93%, 93%, 93% and 93%, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Dalian had no bank and other borrowings.

CSCL Guangzhou

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Guangzhou recorded net current assets of RMB41.5 million, RMB40.7 million, RMB39.9 million and RMB18.7 million, respectively, and had gearing ratios (calculating by dividing total debt over total assets) of 92%, 89%, 86% and 91%, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Guangzhou had no bank and other borrowings.

CSCL Tianjin

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Tianjin recorded net current assets of RMB22.4 million, RMB30.0 million, RMB28.0 million and RMB31.0 million, respectively, and had gearing ratios (calculating by dividing net debt over shareholder's equity) of approximately 88%, 89%, 93% and 93%, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Tianjin had no bank and other borrowings.

CSCL Hainan

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Hainan recorded net current assets of RMB12.2 million, RMB13.4 million, RMB13.8 million and RMB15.9 million, respectively, and had gearing ratios (calculating by dividing net debt over shareholder's equity) of approximately 74%, 79%, 81% and 80%, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Hainan had no bank and other borrowings.

CS Refrigeration

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CS Refrigeration recorded net current assets of RMB12.2 million, RMB11.5 million, RMB12.8 million and RMB13.1 million, respectively, and had gearing ratios (calculating by dividing net debt over shareholder's equity) of approximately 31%, 39%, 21% and 32%, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CS Refrigeration had no bank and other borrowings.

CSCL Dalian Data

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Dalian Data recorded net current assets of RMB2.1 million, RMB3.9 million, RMB2.3 million and RMB3.0 million, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Dalian Data had no bank and other borrowings.

Golden Sea Shipping

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Golden Sea Shipping recorded net current assets of RMB6.6 million, RMB22.4 million, RMB109.3 million and RMB138.6 million, respectively, and had gearing ratios (calculating by dividing net debt over shareholder's equity) of approximately 53%, 73%, 45% and N/A, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Golden Sea Shipping had no bank and other borrowings.

CS Agency

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CS Agency recorded net current assets of RMB33.3 million, RMB32.5 million, RMB22.8 million and RMB29.9 million, respectively, and had gearing ratios (calculating by dividing net debt over shareholder's equity) of approximately 86%, 86%, 81% and 84%, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CS Agency had no bank and other borrowings.

CSCL Agency Shenzhen

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Agency Shenzhen recorded net current assets of RMB9.3 million, RMB12.1 million, RMB13.1 million and RMB14.0 million, respectively, and had gearing ratios (calculating by dividing net debt over shareholder's equity) of approximately 85%, 78%, 59% and 57%, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CSCL Agency Shenzhen had no bank and other borrowings.

Universal Shipping

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Universal Shipping recorded net current assets of RMB119.1 million, RMB116.3 million, RMB110.0 million and RMB116.9 million, respectively, and had gearing ratios (calculating by dividing net debt over shareholder's equity) of approximately (38%), 30%, 30% and 25%, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Universal Shipping had no bank and other borrowings.

Universal Logistics Shenzhen

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Universal Logistics Shenzhen recorded net current assets of RMB5.7million, RMB6.2 million, RMB6.2 million and RMB7.5 million, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Universal Logistics Shenzhen had no bank and other borrowings.

Angang Vehicle

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Angang Vehicle recorded net current assets of RMB177.3 million, RMB101.3 million, RMB59.2 million and RMB99.3 million, respectively, and had gearing ratios (calculating by dividing net debt over shareholder's equity) of approximately 0%, 6%, 25% and 18%, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Angang Vehicle had interest bearing bank and other loans of RMB70.0 million, RMB45.0 million, RMB65.0 million and RMB65.0 million, respectively, which are mainly denominated in RMB and at floating rates.

Dalian Vanguard

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Dalian Vanguard recorded net current liabilities of RMB1.7 million, RMB8.8 million, and net current assets of RMB0.3 million and RMB3.5 million, respectively, and had gearing ratios (calculating by dividing net debt over shareholder's equity) of approximately 1%, 7%, 4% and 4%, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Dalian Vanguard had interest-bearing bank and other borrowings of RMB119.0 million, RMB112.0 million, RMB109.0 million and RMB108.0 million, respectively, which are mainly denominated in RMB and at floating rates.

Jinzhou Port

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Jinzhou Port recorded net current assets of RMB4.6 million, RMB4.8 million, RMB3.3 million and RMB0.7 million, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Jinzhou Port had no bank and other borrowings.

BUSINESS PERFORMANCE AND SEGMENT INFORMATION

Shanghai Puhai

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB1,563.5 million, representing an increase of RMB43.9 million from RMB1,519.6 million for the nine months ended 30 September 2014. Such increase was primarily due to an increase in the revenue from Asia Pacific region.

Cost of Sales

Cost of sale for the nine months ended 30 September 2015 was RMB1,528.2 million, representing an increase of RMB29.5 million from RMB1,498.7 million for the nine months ended 30 September 2014. Such increase was primarily attributable to an increase in cost of services relating to container repositioning and management and operating lease rentals, partially offset by a decrease in cost of services relating to bunkers consumed or sold.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB55.1 million, representing an decrease of RMB2.5 million from RMB57.6 million for the nine months ended 30 September 2014. Such decrease was mainly due to cost saving.

Profit for the Period Attributable to Owners of the Parent

Loss for the period attributable to owners of the parent for the nine months ended 30 September 2015 was RMB151.3 million, representing an increase of RMB123.9 million from RMB27.4 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB2,164.0 million, representing an increase of RMB180.4 million from RMB1,983.6 million for the year ended 31 December 2013. Such increase was primarily due to an increase in the revenue from Asia Pacific and the PRC as a result of continued economic recovery.

Cost of Sales

Cost of sale for the year ended 31 December 2014 was RMB2,121.7 million, representing an increase of RMB193.5 million from RMB1,928.2 million for the year ended 31 December 2013. Such increase was primarily attributable to an increase in sub-route costs and others and cost of services relating to container repositioning and management.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB77.5 million, representing an increase of RMB2.1 million from RMB75.4 million for the year ended 31 December 2013.

Loss for the Year Attributable to Owners of the Parent

Loss for the year attributable to owners of the parent for the year ended 31 December 2014 was RMB19.4 million, representing a decrease of RMB17.2 million from RMB2.2 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB1,983.6 million, representing an increase of RMB221.8 million from RMB1,761.8 million for the year ended 31 December 2012. Such increase was primarily due to an increase in the revenue from Asia Pacific and the PRC as a result of economic recovery.

Cost of Sales

Cost of sale for the year ended 31 December 2013 was RMB1,928.2 million, representing an increase of RMB190.0 million from RMB1,738.2 million for the year ended 31 December 2012. Such increase was primarily attributable to an increase in sub-route costs and others and cost of services relating to container repositioning and management.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB75.4 million, representing an increase of RMB5.1 million from RMB70.3 million for the year ended 31 December 2012.

Loss for the Year Attributable to Owners of the Parent

Loss for the year attributable to owners of the parent for the year ended 31 December 2013 was RMB2.2 million, representing a decrease of RMB30.1 million from RMB32.3 million for the year ended 31 December 2012.

CSCL Shenzhen

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB149.9 million, representing an increase of RMB82.6 million from RMB67.3 million for the nine months ended 30 September 2014. Such increase was mainly due to an expansion of operations.

Cost of Sales

Cost of sales for the nine months ended 30 September 2015 was RMB104.4 million, which represented an increase of RMB51.1 million from RMB53.3 million for the nine months ended 30 September 2014. Such increase is in line with the increase in revenue.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB29.4 million, representing an increase of RMB17.3 million from RMB12.1 million for the nine months ended 30 September 2014. Such increase was mainly due to the increase in employee benefit expenses and rental expenses.

Profit for the Period

Profit for the nine months ended 30 September 2015 was RMB13.5 million, representing an increase of RMB9.3 million from RMB4.2 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB84.9 million, representing a decrease of RMB3.2 million from RMB88.1 million for the year ended 31 December 2013. Such decrease was mainly due to the global economic downturn and the decrease in import and export trading of the PRC.

Cost of Sales

Cost of sales for the year ended 31 December 2014 was RMB64.1 million, which represented a decrease of RMB6 million from RMB70.1 million for the year ended 31 December 2013. Such decrease is line with the decrease in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB17.3 million, representing an increase of RMB 3.6 million from RMB13.7 million for the year ended 31 December 2013. Such increase was mainly due to reversal of provision for bad debt.

Profit for the Year

Profit for the year ended 31 December 2014 was RMB5.1 million, representing an increase of RMB2.7 million from RMB2.4 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB88.1 million, representing an increase of RMB25.0 million from RMB63.1 million for the year ended 31 December 2012. Such increase was mainly due to a recovery in the international shipping market.

Cost of Sales

Cost of sales for the year ended 31 December 2013 was RMB70.1 million, which represented an increase of RMB28.1 million from RMB42.0 million for the year ended 31 December 2012. Such increase is in line with the increase in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB13.7 million, representing a decrease of RMB1.5 million from RMB15.2 million for the year ended 31 December 2012.

Profit for the Year

Profit for the year ended 31 December 2013 was RMB2.4 million, representing a decrease of RMB1.9 million from RMB4.3 million for the year ended 31 December 2012.

CSCL Shanghai

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB225.1 million, representing a decrease of RMB19.4 million from RMB244.5 million for the nine months ended 30 September 2014.

Cost of Sales

Cost of sales for the nine months ended 30 September 2015 was RMB160.2 million, which represented a decrease of RMB20.8 million from RMB181.0 million for the nine months ended 30 September 2014, in line with the decrease in revenue.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB51.6 million, representing a decrease of RMB5.5 million from RMB57.1 million for the nine months ended 30 September 2014. Such decrease was mainly due to the decrease in employee benefit expenses.

Profit for the Period Attributable to Owners of the Parent

Loss for the period attributable to owners of the parent for the nine months ended 30 September 2015 was RMB11.8 million, representing an decrease of RMB34.6 million from RMB46.4 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB302.3 million, representing an decrease of RMB16.5 million from RMB318.8 million for the year ended 31 December 2013.

Cost of Sales

Cost of sales for the year ended 31 December 2014 was RMB214.7 million, which represented a decrease of RMB26.5 million from RMB241.2 million for the year ended 31 December 2013. Such decrease was primarily due to a fluctuation in the price of containers, fuel costs and terminal usage fees.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB79.7 million, representing an increase of RMB14.2 million from RMB65.5 million for the year ended 31 December 2013. Such increase was mainly due to increase in employee benefit expenses and loss on devaluation of asset.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2014 was RMB45.9 million, representing a increase of RMB34.9 million from RMB11.0 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB318.8 million, representing an increase of RMB88.4 million from RMB230.4 million for the year ended 31 December 2012. Such increase was mainly due to the economic growth in Asia Pacific and improvement in export and import business.

Cost of Sales

Cost of sales for the year ended 31 December 2013 was RMB241.2 million, which represented an increase of RMB88.3 million from RMB152.9 million for the year ended 31 December 2012. Such increase is primarily due to the increase in revenue and fluctuation in the price of containers, fuel costs and terminal usage fees.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB65.5 million, representing a decrease of RMB4.8 million from RMB70.3 million for the year ended 31 December 2012.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2013 was RMB11.0 million, representing an increase of RMB8.8 million from RMB2.2 million for the year ended 31 December 2012.

CSCL Xiamen

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB69.2 million, representing a decrease of RMB13.2 million from RMB82.4 million for the nine months ended 30 September 2014. Such decrease was mainly due to a demand for shipping services in the PRC as compared to supply.

Cost of Sales

Cost of sales for the nine months ended 30 September 2015 was RMB57.3 million, which represented a decrease of RMB8.7 million from RMB66.0 million for the nine months ended 30 September 2014. Such decrease was generally in line with the decrease in revenue.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB14.0 million, representing an increase of RMB 0.1 million from RMB13.9 million for the nine months ended 30 September 2014.

Profit for the Period Attributable to Owners of the Parent

Loss for the period attributable to owners of the parent for the nine months ended 30 September 2015 was RMB1.1 million, compared to a profit of RMB2.2 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB109.1 million, representing a decrease of RMB8.3 million from RMB117.4 million for the year ended 31 December 2013.

Cost of Sales

Cost of sales for the year ended 31 December 2014 was RMB87.1 million, which represented a increase of RMB7.0 million from RMB94.1 million for the year ended 31 December 2013. Such decrease was in line with the decrease in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB17.6 million, representing a decrease of RMB2.3 million from RMB19.9 million for the year ended 31 December 2013. Such decrease was mainly due to the decrease in employee benefit expenses.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2014 was RMB3.4 million, representing an increase of RMB0.6 million from RMB2.8 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB117.4 million, representing an increase of RMB31.2 million from RMB86.2 million for the year ended 31 December 2012. Such increase was mainly due to an increase in the recovery in the international shipping market, increase in demand and development of the company's business.

Cost of Sales

Cost of sales for the year ended 31 December 2013 was RMB94.1 million, which represented an increase of RMB35.7 million from RMB58.4 million for the year ended 31 December 2012. Such increase was in line with the increase in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB19.9 million, representing a decrease of RMB3.0 million from RMB22.9 million for the year ended 31 December 2012. Such decrease was mainly due to the decrease in employee benefit expenses.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2013 was RMB2.8 million, representing a decrease of RMB0.9 million from RMB3.7 million for the year ended 31 December 2012.

CSCL Qingdao

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB115.4 million, representing an increase of RMB7.0 million from RMB108.4 million for the nine months ended 30 September 2014.

Cost of Sales

Cost of sales for the nine months ended 30 September 2015 was RMB79.2 million, which represented a decrease of RMB6.2 million from RMB85.4 million for the nine months ended 30 September 2014. Such decrease was in line with the revenue.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB17.1 million, representing an increase of RMB1.5 million from RMB15.6 million for the nine months ended 30 September 2014.

Profit for the Period Attributable to Owners of the Parent

Loss for the period attributable to owners of the parent for the nine months ended 30 September 2015 was RMB13.4 million, representing an increase of RMB8.2 million from RMB5.2 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB137.0 million, representing an increase of RMB13.1 million from RMB123.9 million for the year ended 31 December 2013.

Cost of Sales

Cost of sales for the year ended 31 December 2014 was RMB123.7 million, which represented an increase of RMB29.3 million from RMB94.4 million for the year ended 31 December 2013. Such increase in generally in line with the increase in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB24.6 million, representing a decrease of RMB1.3 million from RMB25.9 million for the year ended 31 December 2013. Such decrease was mainly due to the decrease in employee benefit expenses and office and other expenses.

Profit/Loss for the Year Attributable to Owners of the Parent

Loss for the year attributable to owners of the parent for the year ended 31 December 2014 was RMB11.6 million, compared to a profit of RMB1.9 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB123.9 million, representing an increase of RMB30.4 million from RMB93.5 million for the year ended 31 December 2012. Such increase was mainly due to the economic recovery in Asia Pacific and increase in import and export.

Cost of Sales

Cost of sales for the year ended 31 December 2013 was RMB94.4 million, which represented an increase of RMB24.5 million from RMB69.9 million for the year ended 31 December 2012. Such increase was generally in line with the increase in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB25.9 million, representing an increase of RMB2.1 million from RMB23.8 million for the year ended 31 December 2012. Such increase was mainly due to the increase in employee benefit expenses.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2013 was RMB1.9 million, representing an increase of RMB1.4 million from RMB0.5 million for the year ended 31 December 2012.

CSCL Dalian

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB86.0 million, representing a decrease of RMB6.2 million from RMB92.2 million for the nine months ended 30 September 2014. Such decrease was mainly due to a slowdown in economic growth and decrease in demand in shipping business.

Cost of Sales

Cost of sales for the nine months ended 30 September 2015 was RMB62.6 million, which represented a decrease of RMB7.2 million from RMB69.8 million for the nine months ended 30 September 2014. Such decrease was generally in line with the decrease in revenue.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB16.1 million, representing a decrease of RMB1.7 million from RMB17.8 million for the nine months ended 30 September 2014.

Profit for the Period Attributable to Owners of the Parent

Loss for the period attributable to owners of the parent for the nine months ended 30 September 2015 was RMB5.4 million, representing an increase of RMB2.0 million from RMB3.4 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB130.7 million, representing an increase of RMB57.5 million from RMB73.2 million for the year ended 31 December 2013. Such increase was mainly due to the economic growth in the PRC and Asia Pacific and the increase in demand in shipping business.

Cost of Sales

Cost of sales for the year ended 31 December 2014 was RMB99.8 million, which represented an increase of RMB40.0 million from RMB59.8 million for the year ended 31 December 2013. Such increase was generally in line with the increase in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB26.0 million, representing an increase of RMB3.4 million from RMB22.6 million for the year ended 31 December 2013. Such increase was mainly due to the increase in staff numbers and employee benefit expenses.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2014 was RMB12.9 million, representing an increase of RMB3.0 million from RMB9.9 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB73.2 million, representing a decrease of RMB7.0 million from RMB80.2 million for the year ended 31 December 2012.

Cost of Sales

Cost of sales for the year ended 31 December 2013 was RMB59.8 million, which represented a decrease of RMB17.1 million from RMB76.9 million for the year ended 31 December 2012. Such decrease was generally in line with the decrease in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB22.6 million, representing a decrease of RMB3.8 million from RMB26.4 million for the year ended 31 December 2012. Such decrease was mainly due to the decrease in number of staff and hence the decrease in employee benefit expenses.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2013 was RMB9.9 million, representing an increase of RMB5.8 million from RMB4.1 million for the year ended 31 December 2012.

CSCL Guangzhou

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB69.3 million, representing a decrease of RMB21.3 million from RMB90.6 million for the nine months ended 30 September 2014. Such decrease was mainly due to large container shipping transactions occurring towards the end of 2015.

Cost of Sales

Cost of sales for the nine months ended 30 September 2015 was RMB54.8 million, which represented an decrease of RMB2.8 million from RMB57.6 million for the nine months ended 30 September 2014. Such decrease was generally in line with the decrease in revenue.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB25.2 million, representing a decrease of RMB1.7 million from RMB26.9 million for the nine months ended 30 September 2014. Such decrease was mainly due to decrease in number of staff and hence the employee benefit expenses.

Profit/loss for the Period Attributable to Owners of the Parent

Loss for the period attributable to owners of the parent for the nine months ended 30 September 2015 was RMB11.2 million, compared to a profit of RMB4.7 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB142.4 million, representing a decrease of RMB2.5 million from RMB144.9 million for the year ended 31 December 2013.

Cost of Sales

Cost of sales for the year ended 31 December 2014 was RMB89.8 million, which represented an increase of RMB1.2 million from RMB88.6 million for the year ended 31 December 2013.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB39.0 million, representing a decrease of RMB2.1 million from RMB41.1 million for the year ended 31 December 2013.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2014 was RMB9.5 million, representing a decrease of RMB0.1 million from RMB9.6 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB144.9 million, representing a decrease of RMB10.5 million from RMB155.4 million for the year ended 31 December 2012.

Cost of Sales

Cost of sales for the year ended 31 December 2013 was RMB88.6 million, which represented a decrease of RMB5.1 million from RMB93.7 million for the year ended 31 December 2012. Such decrease was generally in line with the decrease in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB41.1 million, representing a decrease of RMB8.3 million from RMB49.4 million for the year ended 31 December 2012. Such decrease was mainly due to the decrease in the number of staff and hence employee benefit expenses.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2013 was RMB9.6 million, representing an increase of RMB1.5 million from RMB8.1 million for the year ended 31 December 2012.

CSCL Tianjin

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB124.6 million, representing a decrease of RMB46.7 million from RMB171.3 million for the nine months ended 30 September 2014. Such decrease was mainly due to the slowdown in economic growth and decrease in demand for shipping services.

Cost of Sales

Cost of sales for the nine months ended 30 September 2015 was RMB104.4 million, which represented a decrease of RMB45.3 million from RMB149.7 million for the nine months ended 30 September 2014. Such decrease was generally in line with the decrease in revenue.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB9.1 million, representing a decrease of RMB3.6 million from RMB12.7 million for the nine months ended 30 September 2014. Such decrease was mainly due to decrease in the number of staff and hence employee benefit expenses.

Profit for the Period Attributable to Owners of the Parent

Profit for the period attributable to owners of the parent for the nine months ended 30 September 2015 was RMB10.0 million, representing an increase of RMB2.3 million from RMB7.7 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB216.6 million, representing an increase of RMB20.8 million from RMB195.8 million for the year ended 31 December 2013.

Cost of Sales

Cost of sales for the year ended 31 December 2014 was RMB192.4 million, which represented an increase of RMB20.2 million from RMB172.2 million for the year ended 31 December 2013. Such increase was generally in line with the increase in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB18.6 million, representing an increase of RMB1.3 million from RMB17.3 million for the year ended 31 December 2013. Such increase was mainly due to the reversal on provision for bad debts.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2014 was RMB6.2 million, representing a decrease of RMB4.8 million from RMB11.0 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB195.8 million, representing an increase of RMB99.5 million from RMB96.3 million for the year ended 31 December 2012. Such increase was mainly due to economic growth in Asia Pacific and increase in export and import, contributing to the significant increase in demand for container shipping business in Asia Pacific.

Cost of Sales

Cost of sales for the year ended 31 December 2013 was RMB172.2 million, which represented an increase of RMB95.1 million from RMB77.1 million for the year ended 31 December 2012. Such increase was generally in line with the increase in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB17.3 million, representing an increase of RMB1.3 million from RMB16.0 million for the year ended 31 December 2012. Such increase was mainly due to the increase in the number of staff and hence employee benefit expenses.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2013 was RMB11.0 million, representing an increase of RMB10.4 million from RMB0.6 million for the year ended 31 December 2012.

CSCL Hainan

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB17.0 million, representing a decrease of RMB4.0 million from RMB21.0 million for the nine months ended 30 September 2014. Such decrease was mainly due to the slowdown in economic growth and decrease in demand for shipping services.

Cost of Sales

Cost of sales for the nine months ended 30 September 2015 was RMB9.7 million, which represented a decrease of RMB3.4 million from RMB13.1 million for the nine months ended 30 September 2014. Such decrease was generally in line with the decrease in revenue.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB5.0 million, representing a decrease of RMB0.9 million from RMB5.9 million for the nine months ended 30 September 2014. Such decrease was mainly due to cost control measures undertaken.

Profit for the Period

Profit for the nine months ended 30 September 2015 was RMB2.1 million, representing an increase of RMB0.4 million from RMB1.7 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB28.6 million, representing an increase of RMB0.1 million from RMB28.5 million for the year ended 31 December 2013.

Cost of Sales

Cost of sales for the year ended 31 December 2014 was RMB18.3 million, which was roughly equal to that for the year ended 31 December 2013.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB7.3 million, representing an increase of RMB0.01 million from RMB7.3 million for the year ended 31 December 2013.

Profit for the Year

Profit for the year ended 31 December 2014 was RMB2.0 million, representing a decrease of RMB0.1 million from RMB2.1 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB28.5 million, representing an increase of RMB9.1 million from RMB19.4 million for the year ended 31 December 2012. Such increase was mainly due to the global economic recovery, increase in import and export and significant increase in demand for shipping services.

Cost of Sales

Cost of sales for the year ended 31 December 2013 was RMB18.3 million, which represented an increase of RMB7.6 million from RMB10.7 million for the year ended 31 December 2012. Such increase was generally in line with the increase in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB7.3 million, representing a decrease of RMB0.6 million from RMB7.9 million for the year ended 31 December 2012.

Profit for the Year

Profit for the year ended 31 December 2013 was RMB2.1 million, representing a increase of RMB2.0 million from RMB0.1 million for the year ended 31 December 2012.

CS Refrigeration

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB48.1 million, representing a decrease of RMB2.7 million from RMB50.8 million for the nine months ended 30 September 2014. Such decrease was mainly due to the global economic downturn, the decrease in export and import in the PRC, and decrease in container capacity, which led to the decrease in demand for container repair and maintenance.

Cost of Sales

Cost of sales for the nine months ended 30 September 2015 was RMB39.3 million, which represented a decrease of RMB3.2 million from RMB42.5 million for the nine months ended 30 September 2014. Such decrease was generally in line with the decrease in revenue.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB6.0 million, representing a decrease of RMB0.2 million from RMB6.2 million for the nine months ended 30 September 2014.

Profit/loss for the Period

Loss for the nine months ended 30 September 2015 was RMB1.1 million, compared to a profit of RMB1.8 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB68.8 million, representing a decrease of RMB4.2 million from RMB73.0 million for the year ended 31 December 2013.

Cost of Sales

Cost of sales for the year ended 31 December 2014 was RMB57.1 million, which represented a decrease of RMB7.0 million from RMB64.1 million for the year ended 31 December 2013. Such decrease was generally in line with the decrease in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB8.7 million, representing an increase of RMB1.3 million from RMB7.4 million for the year ended 31 December 2013. Such increase was mainly due to the increase in management staff and hence employee benefit expenses.

Profit for the Year

Profit for the year ended 31 December 2014 was RMB2.9 million, representing an increase of RMB0.7 million from RMB2.2 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB73.0 million, representing an increase of RMB2.4 million from RMB70.6 million for the year ended 31 December 2012. Such increase was mainly due to an increase in the demand for container repairing and maintenance.

Cost of Sales

Cost of sales for the year ended 31 December 2013 was RMB64.1 million, which represented a decrease of RMB0.5 million from RMB64.6 million for the year ended 31 December 2012.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB7.4 million, representing an increase of RMB0.8 million from RMB6.6 million for the year ended 31 December 2012. Such increase was mainly due to increase in rental expenses of new office in Guangzhou.

Profit for the Year

Profit for the year ended 31 December 2013 was RMB2.2 million, representing an increase of RMB1.1 million from RMB1.1 million for the year ended 31 December 2012.

CSCL Dalian Data

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB12.9 million, representing an increase of RMB2.5 million from RMB10.4 million for the nine months ended 30 September 2014. Such increase was primarily due the increase in demand in information services as a results of CS Hong Kong's expansion of business.

Cost of Sales

Cost of sale for the nine months ended 30 September 2015 was RMB6.7 million, representing a decrease of RMB0.7 million from RMB7.4 million for the nine months ended 30 September 2014. Such decrease was primarily attributable to improvement in staff efficiency and decrease in staff numbers.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB5.3 million, representing an increase of RMB2.2 million from RMB3.1 million for the nine months ended 30 September 2014. Such increase was mainly due to the increase in the number of staff and hence employee benefit expenses.

(Loss)/Profit for the Period and Total Comprehensive (Loss)/Income for the Period

We recorded profit for the period and total comprehensive income for the period of RMB0.8 million for the nine months ended 30 September 2015, as compared to a loss for the period and total comprehensive loss for the period of RMB3,000 for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB14.4 million, representing an increase of RMB0.6 million from RMB13.8 million for the year ended 31 December 2013.

Cost of Sales

Cost of sale for the year ended 31 December 2014 was RMB8.8 million, representing a increase of RMB0.1 million from RMB8.7 million for the year ended 31 December 2013.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 was RMB4.5 million, representing an increase of RMB1.5 million from RMB3.0 million for the year ended 31 December 2013. Such increase primarily reflected the increase in employee benefit expenses.

Profit for the Year and Total Comprehensive Income for the Year

Profit for the year and total comprehensive income for the year ended 31 December 2014 was RMB0.9 million, representing a decrease of RMB1.0 million from RMB1.9 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB13.8 million, representing an increase of RMB1.0 million from RMB12.8 million for the year ended 31 December 2012.

Cost of Sales

Cost of sale for the year ended 31 December 2013 was RMB8.7 million, representing a decrease of RMB1.2 million from RMB9.9 million for the year ended 31 December 2012. Such decrease was primarily attributable to the improvement in employee efficiency.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 was RMB3.0 million, representing a decrease of RMB0.2 million from RMB3.2 million for the year ended 31 December 2012.

(Loss)/Profit for the Year and Total Comprehensive (Loss)/Income for the Year

We recorded profit for the year and total comprehensive income for the year of RMB1.9 million for the year ended 31 December 2013, as compared to a loss for the year and total comprehensive loss of RMB0.3 million for the year ended 31 December 2012.

Golden Sea Shipping

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB438.9 million, representing a decrease of RMB122.8 million from RMB561.7 million for the nine months ended 30 September 2014. Such decrease was primarily due to decrease in shipping volume in Japan shipping lines, offset by the increase in revenue from European shipping lines as a result of the economic recovery in Europe.

Cost of Sales

Cost of sale for the nine months ended 30 September 2015 was RMB412.0 million, representing a decrease of RMB119.2 million from RMB531.2 million for the nine months ended 30 September 2014. Such decrease was generally in line with the decrease in revenue.

Profit for the Period

Profit for the period for the nine months ended 30 September 2015 was RMB24.4 million, representing an increase of RMB2.6 million from RMB21.8 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB754.1 million, representing an increase of RMB102.3 million from RMB651.8 million for the year ended 31 December 2013. Such increase was primarily due to the expansion of business in South-East Asia and business development of CSCL Shenzhen.

Cost of Sales

Cost of sale for the year ended 31 December 2014 was RMB709.1 million, representing an increase of RMB86.2 million from RMB622.9 million for the year ended 31 December 2013. Such increase primarily was generally in line with the increase in revenue.

Profit for the Year

Profit for the year ended 31 December 2014 was RMB32.3 million, representing an increase of RMB16.1 million from RMB16.2 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB651.8 million, representing an increase of RMB566.8 million from RMB85.0 million for the year ended 31 December 2012. Such increase was primarily due to the economic growth in Asia Pacific, development of South-East Asia business by CSCL Shenzhen and the increase in export and import business.

Cost of Sales

Cost of sale for the year ended 31 December 2013 was RMB622.9 million, representing an increase of RMB543.6 million from RMB79.3 million for the year ended 31 December 2012. Such increase was generally in line with the increase in revenue.

Profit for the Year

Profit for the year ended 31 December 2013 was RMB16.2 million, representing an increase of RMB13.7 million from RMB2.5 million for the year ended 31 December 2012.

CS Agency

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB45.0 million, representing an increase of RMB2.6 million from RMB42.4 million for the nine months ended 30 September 2014.

Cost of Sales

Cost of sale for the nine months ended 30 September 2015 was RMB18.1 million, representing an increase of RMB7.7 million from RMB10.3 million for the nine months ended 30 September 2014. Such increase primarily reflected the increase in employee benefit expenses as a result of the increase in demand for labour due to the economic recovery in Europe and United States.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB18.1million, representing a decrease of RMB7.6 million from RMB25.7 million for the nine months ended 30 September 2014. Such decrease was mainly due to the decrease in employee benefit expenses and repair and maintenance expenses.

Profit for the Period Attributable to Owners of the Parent

Profit for the period attributable to owners of the parent for the nine months ended 30 September 2015 was RMB10.9 million, representing an increase of RMB1.0 million from RMB9.9 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB50.9 million, representing an increase of RMB2.3 million from RMB48.6 million for the year ended 31 December 2013. Such increase was primarily due to increase in demand from export businesses in the PRC.

Cost of Sales

Cost of sale for the year ended 31 December 2014 was RMB13.0 million, representing a decrease of RMB2.0 million from RMB15.0 million for the year ended 31 December 2013. Such decrease was primarily due to the decrease in the number of staff.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB34.7million, representing an increase of RMB2.4 million from RMB32.3 million for the year ended 31 December 2013. Such increase was mainly due to increase in rental expenses and and repair and maintenance expenses.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2014 was RMB4.9 million, representing a decrease of RMB4.2 million from RMB9.1 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB48.6 million, representing a decrease of RMB41.4 million from RMB90.0 million for the year ended 31 December 2012. Such decrease was primarily due to losses from the South American shipping lines.

Cost of Sales

Cost of sale for the year ended 31 December 2013 was RMB15.0 million, representing a decrease of RMB16.0 million from RMB31.0 million for the year ended 31 December 2012. Such decrease was generally in line with the decrease in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB32.3million, representing a decrease of RMB23.2 million from RMB55.5 million for the year ended 31 December 2012. Such decrease was mainly due to decrease in the number of staff and employee benefit expenses.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2013 was RMB9.1 million, representing an increase of RMB4.3 million from RMB4.8 million for the year ended 31 December 2012.

CSCL Agency Shenzhen

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was nil, representing a decrease of RMB32.6 million from RMB32.6 million for the nine months ended 30 September 2014. Such decrease was due to the transfer of business by CSCL Agency Shenzhen to CS Agency and the cessation of business by CSCL Agency Shenzhen.

Labour Costs and Others

Labour costs and others for the nine months ended 30 September 2015 were nil, representing a decrease of RMB14.6 million from RMB14.6 million for the nine months ended 30 September 2014. Such decrease was generally in line with the decrease in revenue.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were a gain of RMB0.9 million, representing a decrease of RMB15.8 million from the administrative expenses of RMB14.9 million for the nine months ended 30 September 2014. Such decrease was mainly due to write-off of bad debt provision.

Profit and Total Comprehensive Income for the Period

Profit and total comprehensive income for the period for the nine months ended 30 September 2015 was RMB0.7 million, representing a decrease of RMB2.2 million from RMB2.9 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB40.9 million, representing a decrease of RMB6.5 million from RMB47.4 million for the year ended 31 December 2013. Such decrease was primarily due to the gradual transfer of the agency business from CSCL Agency Shenzhen to CS Agency from the second half of 2014.

Labour Costs and Others

Labour costs and others for the year ended 31 December 2014 were RMB20.3 million, representing a decrease of RMB2.3 million from RMB22.6 million for the year ended 31 December 2013. Such decrease primarily reflected the decrease in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB20.0 million, representing an increase of RMB0.5 million from RMB19.5 million for the year ended 31 December 2013.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the year ended 31 December 2014 was RMB1.3 million, representing a decrease of RMB1.6 million from RMB2.9 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB47.4 million, representing an increase of RMB11.4 million from RMB36.0 million for the year ended 31 December 2012. Such increase was primarily due to the easing of effects from the financial crises in Europe and the United States and the increase in business.

Labour Costs and Others

Labour costs and others for the year ended 31 December 2013 were RMB22.6 million, representing an increase of RMB11 million from RMB11.6 million for the year ended 31 December 2012. Such increase primarily reflected the increase in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB19.5 million, representing a decrease of RMB3.7 million from RMB23.2 million for the year ended 31 December 2012. Such decrease was mainly due to loss on devaluation of asset and decrease in staff costs.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the year ended 31 December 2013 was RMB2.9 million, representing an increase of RMB2.1 million from RMB0.8 million for the year ended 31 December 2012.

Universal Shipping

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB335.9 million, representing a decrease of RMB35.5 million from RMB371.4 million for the nine months ended 30 September 2014. Such decrease was mainly due to the decrease in revenue from Asia Pacific shipping lines.

Cost of Sales

Cost of sale for the nine months ended 30 September 2015 was RMB301.0 million, representing a decrease of RMB49.4 million from RMB350.4 million for the nine months ended 30 September 2014. Such decrease primarily reflected the decrease in revenue.

Profit for the Period Attributable to Owners of the Parent

Profit for the period attributable to owners of the parent for the nine months ended 30 September 2015 was RMB19.7 million, representing an increase of RMB11.3 million from RMB8.4 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB485.0 million, representing a decrease of RMB47.8 million from RMB532.8 million for the year ended 31 December 2013. Such decrease was primarily due to the decrease in demand for shipping and decrease of export and import of businesses.

Cost of Sales

Cost of sale for the year ended 31 December 2014 was RMB455.4 million, representing a decrease of RMB48.7 million from RMB504.1 million for the year ended 31 December 2013. Such decrease primarily reflected the decrease in revenue.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2014 was RMB11.7 million, representing a decrease of RMB9.7 million from RMB21.4 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB532.8 million, representing a decrease of RMB51.6 million from RMB584.4 million for the year ended 31 December 2012. Such decrease was primarily due to the slowdown in the shipping industry in Asia Pacific and the decrease in import and export businesses.

Cost of Sales

Cost of sale for the year ended 31 December 2013 was RMB504.1 million, representing a decrease of RMB35.8 million from RMB539.9 million for the year ended 31 December 2012. Such decrease was generally in line with the decrease in revenue.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2013 was RMB21.4 million, representing a decrease of RMB12.1 million from RMB33.5 million for the year ended 31 December 2012.

Universal Logistics Shenzhen

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB49.4 million, representing a decrease of RMB2.6 million from RMB52.0 million for the nine months ended 30 September 2014.

Cost of Sales

Cost of sale for the nine months ended 30 September 2015 was RMB42.7 million, representing a decrease of RMB3.8 million from RMB46.5 million for the nine months ended 30 September 2014. Such decrease was generally in line with the decrease in revenue.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB7.5 million, representing an increase of RMB0.2 million from RMB7.3 million for the nine months ended 30 September 2014.

Profit and Total Comprehensive Income for the Period

Profit and total comprehensive income for the nine months ended 30 September 2015 was RMB0.9 million, representing an increase of RMB0.6 million from RMB0.3 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB71.1 million, representing an increase of RMB21.9 million from RMB49.2 million for the year ended 31 December 2013. Such increase was primarily due to an increase in the demand for logistic services as a result of the economic growth in Asia Pacific and the PRC.

Cost of Sales

Cost of sale for the year ended 31 December 2014 was RMB63.4 million, representing an increase of RMB24 million from RMB39.4 million for the year ended 31 December 2013. Such increase was generally in line with the increase in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB10.5 million, representing a decrease of RMB1.2 million from RMB11.7 million for the year ended 31 December 2013. Such decrease was mainly due to a decrease in employee benefit expenses.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the year ended 31 December 2014 was RMB0.4 million, representing an increase of RMB0.1 million from RMB0.3 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB49.3 million, representing an increase of RMB20.8 million from RMB28.5 million for the year ended 31 December 2012. Such increase was primarily due to an increase in the revenue from Asia Pacific shipping lines as a result of the rapid economic growth in Asia Pacific and increase in import and export business.

Cost of Sales

Cost of sale for the year ended 31 December 2013 was RMB39.4 million, representing an increase of RMB20.9 million from RMB18.5 million for the year ended 31 December 2012. Such increase was generally in line with the increase in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB11.7 million, representing an increase of RMB1 million from RMB10.7 million for the year ended 31 December 2012.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the year ended 31 December 2013 was RMB0.3 million, representing a decrease of RMB1.1 million from RMB1.4 million for the year ended 31 December 2012.

Angang Vehicle

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB757.2 million, representing an increase of RMB77.4 million from RMB679.8 million for the nine months ended 30 September 2014. Such increase was mainly due to an increase in the revenue from vehicle transportation services.

Cost of Sales

Cost of sales for the nine months ended 30 September 2015 was RMB680.7 million, which represented an increase of RMB68.7 million from RMB612.0 million for the nine months ended 30 September 2014. Such increase was in line with the increase in revenue.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB53.4 million, representing an increase of RMB2.4 million from RMB51.0 million for the nine months ended 30 September 2014. Such increase was mainly due to an increase in employee benefit expenses.

Profit for the Period

Profit attributable to owners of the parent for the period ended 30 September 2015 was RMB12.8 million, representing an increase of RMB2.5 million from RMB10.3 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB978.9 million, representing an increase of RMB222.7 million from RMB756.2 million for the year ended 31 December 2013. Such increase was mainly due to an increase in the revenue from vehicle transportation and sales.

Cost of Sales

Cost of sales for the year ended 31 December 2014 was RMB880.5 million, which represented an increase of RMB234.6 million from RMB645.9 million for the year ended 31 December 2013. Such increase was generally in line with the increase in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB75.0 million, representing a decrease of RMB26.3 million from RMB101.3 million for the year ended 31 December 2013. Such decrease was mainly due to a decrease in repair and maintenance expenses.

Profit for the Year

Profit attributable to owners of the parent for the year ended 31 December 2014 was RMB15.3 million, representing an increase of RMB13.5 million from RMB1.8 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB756.2 million, representing an increase of RMB73.8 million from RMB682.4 million for the year ended 31 December 2012. Such increase was mainly due to an increase in the revenue from vehicle transportation services.

Cost of Sales

Cost of sales for the year ended 31 December 2013 was RMB645.9 million, which represented an increase of RMB58.2 million from RMB587.7 million for the year ended 31 December 2012. Such increase was generally in line with the increase in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB101.3 million, representing an increase of RMB19 million from RMB82.3 million for the year ended 31 December 2012. Such increase was mainly due to an increase in repair and maintenance expenses.

Profit for the Year

Profit attributable to owners of the parent for the year ended 31 December 2013 was RMB1.8 million, representing a decrease of RMB2.4 million from RMB4.2 million for the year ended 31 December 2012.

Dalian Vanguard

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB28.5 million, representing a decrease of RMB1.3 million from RMB29.8 million for the nine months ended 30 September 2014. Such decrease was mainly due to the decrease in import and export business of Jinzhou port and the global economic downturn.

Cost of Sales

Cost of sales for the nine months ended 30 September 2015 was RMB20.2 million, which represented an increase of RMB0.1 million from RMB20.1 million for the nine months ended 30 September 2014.

Finance Costs

Finance costs for the nine months ended 30 September 2015 were RMB4.9 million, representing a decrease of RMB0.6 million from RMB5.5 million for the nine months ended 30 September 2014. Such decrease was mainly due to a decrease in interest expenses on bank borrowings.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB4.7 million, representing an increase of RMB0.3 million from RMB4.4 million for the nine months ended 30 September 2014. Such increase was mainly due to an increase in employee benefit expenses and tax expenses.

Loss for the Period

Loss for the nine months ended 30 September 2015 was RMB0.9 million, representing an increase of RMB0.7 million from RMB0.2 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB39.9 million, representing an increase of RMB1.3 million from RMB38.6 million for the year ended 31 December 2013.

Cost of Sales

Cost of sales for the year ended 31 December 2014 was RMB26.6 million, which represented an increase of RMB0.8 from RMB25.8 million for the year ended 31 December 2013. Such increase was generally in line with the increase in revenue.

Finance Costs

Finance costs for the year ended 31 December 2014 were RMB7.4 million, representing a decrease of RMB0.4 million from RMB7.8 million for the year ended 31 December 2013.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB6.2 million, representing an increase of RMB1.3 million from RMB4.9 million for the year ended 31 December 2013. Such increase was mainly due to an increase in employee benefit expenses.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the year ended 31 December 2014 was RMB0.2 million, representing an increase of RMB0.1 million from RMB0.1 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB38.6 million, representing an increase of RMB5.7 million from RMB32.9 million for the year ended 31 December 2012. Such increase was mainly due to the global economic recovery and significant increase in export and import business of Dalian port.

Cost of Sales

Cost of sales for the year ended 31 December 2013 was RMB25.8 million, which represented an increase of RMB4.4 million from RMB21.4 million for the year ended 31 December 2012. Such increase was generally in line with the increase in revenue.

Finance Costs

Finance costs for the year ended 31 December 2013 were RMB7.8 million, representing an increase of RMB1.4 million from RMB6.4 million for the year ended 31 December 2012. Such increase was mainly due to increase in interest on bank borrowings.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB4.9 million, representing a decrease of RMB0.1 million from RMB5.0 million for the year ended 31 December 2012. Such increase was mainly due to an increase in employee benefit expenses.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the year ended 31 December 2013 was RMB0.1 million, representing a decrease of RMB0.1 million from RMB0.2 million for the year ended 31 December 2012.

Jinzhou Port

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB5.5 million, representing a decrease of RMB2.5 million from RMB8.0 million for the nine months ended 30 September 2014. Such decrease was mainly due to a decrease in the revenue from container handling services and others as a result of the decrease in export and import business of Jinzhou port.

Cost of Sales

Cost of sales for the nine months ended 30 September 2015 was RMB9.0 million, which represented an increase of RMB2.4 million from RMB6.6 million for the nine months ended 30 September 2014.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 were RMB1.2 million, representing an increase of RMB0.2 million from RMB1.0 million for the nine months ended 30 September 2014. Such increase was mainly due to an increase in employee benefit expenses.

Loss Attributable to Owners of the Parent for the Period

Loss attributable to owners of the parent for the nine months ended 30 September 2015 was RMB4.7 million, representing a decrease of RMB5.0 million comparing with profit attributable to owners of the parent of RMB0.3 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB14.8 million, representing an increase of RMB2.9 million from RMB11.9 million for the year ended 31 December 2013. Such increase was mainly due to an increase in the revenue from container handling services and others as a result of the gradual economic recovery in Europe and the United States, which led to the increase in demand from export and import businesses in the PRC.

Cost of Sales

Cost of sales for the year ended 31 December 2014 was RMB11.7 million, which represented an increase of RMB1.4 million from RMB10.3 million for the year ended 31 December 2013. Such increase was generally in line with the increase in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 were RMB2.6 million, representing an increase of RMB1.1 million from RMB1.5 million for the year ended 31 December 2013.

Profit Attributable to Owners of the Parent for the Year

Profit attributable to owners of the parent for the year ended 31 December 2014 was RMB0.2 million, representing an increase of RMB0.13 million from RMB0.07 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB11.9 million, representing an increase of RMB7.0 million from RMB4.9 million for the year ended 31 December 2012. Such increase was mainly due to an increase in the revenue from container handling services and others as a result of the gradual economic recovery, development of the shipping industry and significant increase in the export and import business of Jinzhou port.

Cost of Sales

Cost of sales for the year ended 31 December 2013 was RMB10.3 million, which represented an increase of RMB 6.0 million from RMB4.3 million for the year ended 31 December 2012. Such increase was generally in the with the increase in revenue.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 were RMB1.5 million, representing an increase of RMB0.5 million from RMB1.0 million for the year ended 31 December 2012. Such increase was mainly due to an increase in employee benefit expenses.

Profit Attributable to Owners of the Parent for the Year

Profit attributable to owners of the parent for the year ended 31 December 2013 was RMB0.07 million, representing an increase of RMB0.37 million comparing with loss attributable to owners of the parent of RMB0.3 million for the year ended 31 December 2012.

CHARGE ON ASSETS

Shanghai Puhai

As at 30 September 2015, no property, plant and equipment of Shanghai Puhai had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CSCL Shenzhen

As at 30 September 2015, no property, plant and equipment of CSCL Shenzhen had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CSCL Shanghai

As at 30 September 2015, no property, plant and equipment of CSCL Shanghai had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CSCL Xiamen

As at 30 September 2015, no property, plant and equipment of CSCL Xiamen had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CSCL Qingdao

As at 30 September 2015, no property, plant and equipment of CSCL Qingdao had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CSCL Dalian

As at 30 September 2015, no property, plant and equipment of CSCL Dalian had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CSCL Guangzhou

As at 30 September 2015, no property, plant and equipment of CSCL Guangzhou had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CSCL Tianjin

As at 30 September 2015, no property, plant and equipment of CSCL Tianjin had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CSCL Hainan

As at 30 September 2015, no property, plant and equipment of CSCL Hainan had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CS Refrigeration

As at 30 September 2015, no property, plant and equipment of CS Refrigeration had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CSCL Dalian Data

As at 30 September 2015, no property, plant and equipment of CSCL Dalian Data had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

Golden Sea Shipping

As at 30 September 2015, no property, plant and equipment of Golden Sea Shipping had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CS Agency

As at 30 September 2015, no property, plant and equipment of CS Agency had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CSCL Agency Shenzhen

As at 30 September 2015, no property, plant and equipment of CSCL Agency Shenzhen had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

Universal Shipping

As at 30 September 2015, no property, plant and equipment of Universal Shipping had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

Universal Logistics Shenzhen

As at 30 September 2015, no property, plant and equipment of Universal Logistic Shenzhen had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

Angang Vehicle

As at 30 September 2015, no property, plant and equipment of Angang Vehicle had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

Dalian Vanguard

As at 30 September 2015, no property, plant and equipment of Dalian Vanguard had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

Jinzhou Port

As at 30 September 2015, no property, plant and equipment of Jinzhou Port had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CONTINGENT LIABILITIES

As of 30 September 2015, none of Shanghai Puhai, CSCL Shenzhen, CSCL Shanghai, CSCL Xiamen, CSCL Qingdao, CSCL Dalian, CSCL Guangzhou, CSCL Tianjin, CSCL Hainan, CS Refrigeration, CSCL Dalian Data, Golden Sea Shipping, CS Agency, CSCL Agency Shenzhen, Universal Shipping, Universal Logistics Shenzhen, Angang Vehicle, Dalian Vanguard and Jinzhou Port had any significant contingent liabilities.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

For the nine months ended 30 September 2015, none of Shanghai Puhai, CSCL Shenzhen, CSCL Shanghai, CSCL Xiamen, CSCL Qingdao, CSCL Dalian, CSCL Guangzhou, CSCL Tianjin, CSCL Hainan, CS Refrigeration, CSCL Dalian Data, Golden Sea Shipping, CS Agency, CSCL Agency Shenzhen, Universal Shipping, Universal Logistics Shenzhen, Angang Vehicle, Dalian Vanguard and Jinzhou Port had any significant investments, material acquisitions or disposals.

EMPLOYEES AND REMUNERATION POLICY

Shanghai Puhai, CSCL Shenzhen, CSCL Shanghai, CSCL Xiamen, CSCL Qingdao, CSCL Dalian, CSCL Guangzhou, CSCL Tianjin, CSCL Hainan, CS Refrigeration, CSCL Dalian Data, Golden Sea Shipping, CS Agency, CSCL Agency Shenzhen, Universal Shipping, Universal Logistics Shenzhen, Angang Vehicle, Dalian Vanguard and Jinzhou Port collectively had 4,314 employees as at 30 September 2015 and total employee benefit expenses for the nine months ended 30 September 2015 were RMB2,875,000.

The salaries and remuneration policies for the entities above are determined by reference to, among other things, employee title and performance, performance of each of entites and prevailing market rates.

No share option scheme has been adopted for employees of Shanghai Puhai, CSCL Shenzhen, CSCL Shanghai, CSCL Xiamen, CSCL Qingdao CSCL Dalian, CSCL Guangzhou, CSCL Tianjin, CSCL Hainan, CS Refrigeration, CSCL Dalian Data, Golden Sea Shipping, CS Agency, CSCL Agency Shenzhen, Universal Shipping, Universal Logistics Shenzhen, Angang Vehicle, Dalian Vanguard and Jinzhou Port.

In order to ensure that the employees for the entities listed above remain competitive in the relevant industries, the entities above have adopted training programs for their employees. The entities make efforts on talent development with the full implementation of the "three-dimensional training system". In consideration of the different requirements of managers and officers and staff holding different positions in business channels, training activities in respect of transformation and innovation, management ability, container shipping service, individual quality and special technique, as well as safety are organized. Meanwhile, the entities also regulate the procedures and management of training to enhance scientific training system, provide trainings with broader coverage and diversified contents to achieve overall consideration, and make innovation in training forms and organizing methods to realize higher effectiveness.

FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

None of Shanghai Puhai, CSCL Shenzhen, CSCL Shanghai, CSCL Xiamen, CSCL Qingdao, CSCL Dalian, CSCL Guangzhou, CSCL Tianjin, CSCL Hainan, CS Refrigeration, CSCL Dalian Data, Golden Sea Shipping, CS Agency, CSCL Agency Shenzhen, Universal Shipping, Universal Logistics Shenzhen, Angang Vehicle, Dalian Vanguard and Jinzhou Port have any future plans for material investments or capital assets in the coming year.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") which has been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Dry Bulk Disposal, Agencies Companies Acquisitions, the Florens Disposal and the Terminal Acquisition, (collectively, the "China COSCO Asset Restructuring") as if they had taken place on 30 June 2015 for the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the China COSCO Asset Restructuring been completed as at 30 June 2015 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

(I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	Unadjusted consolidated statement of assets and liabilities of the Group as at 30 June 2015	Pro forma adjustments															Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	Note 2	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	*Note 4(a)*	*Note 4(b)*	*Note 4(c)*	*Note 5(a)*	*Note 5(b)*	*Note 5(c)*	*Note 5(d)*	*Note 6(a)*	*Note 6(b)*	*Note 7*	*Note 8*	*Note 9*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets																	
Non-current assets																	
Property, plant and equipment	81,273,404	(26,123,905)	—	—	172,441	—	—	(11,203,319)	—	—	—	1,326,024	—	—	—	—	45,444,645
Investment properties	481,552	(292,861)	—	—	2,051	—	—	(22,504)	—	—	—	—	—	—	—	—	168,238
Leasehold land and land use right	1,996,831	(184,550)	—	—	—	—	—	(636)	—	—	—	8,848	—	—	—	—	1,820,493
Intangible assets	97,856	(9,078)	—	—	4,423	—	—	(13,383)	—	—	—	2,415	—	—	—	—	82,233
Joint ventures and associates	12,096,342	(878,826)	—	—	—	91,676	—	—	—	—	—	4,154,276	—	350,929	(12,112)	—	15,802,285
Loans to joint ventures and an associates	619,378	—	—	—	—	—	—	—	—	—	—	118,327	—	—	—	—	737,705
Available-for-sale financial assets	1,618,380	(832,390)	—	—	17,061	—	—	—	—	—	—	1,199,066	—	(349,693)	—	—	1,652,424
Deferred income tax assets	108,539	(10,575)	—	—	534	—	—	—	—	—	—	—	—	—	—	—	98,498
Restricted bank deposits	4,400	(1,081)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,319
Other receivables	—	—	1,508,592	—	—	—	—	—	—	—	—	—	—	—	—	—	1,508,592
Other non-current assets	707,917	(69,260)	—	—	—	—	—	(541,090)	362,524	—	—	—	—	—	—	—	460,091
Total non-current assets	99,004,599	(28,402,526)	1,508,592	—	196,510	91,676	—	(11,780,932)	362,524	—	—	6,808,956	—	1,236	(12,112)	—	67,778,523
Current Assets																	
Inventories	1,710,795	(528,784)	—	—	25,194	—	—	(63,685)	—	—	—	7,891	—	—	—	—	1,151,411
Trade and other receivables	8,904,877	(6,710,916)	5,338,372	—	3,442,142	—	—	(842,246)	1,471,406	(1,812,971)	—	426,686	—	—	—	—	10,217,350
Derivative financial assets	11,757	(11,757)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Available-for-sale financial assets	700,000	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	700,000
Restricted bank deposits	862,628	(40,674)	—	—	—	—	—	—	—	—	—	1,227	—	—	—	—	823,181
Cash and bank balances	43,941,066	(7,132,941)	—	6,768,073	982,624	—	(1,140,897)	(761,234)	—	1,812,971	7,784,483	97,166	(7,415,465)	—	—	(1,028,859)	43,906,987
Assets held for sale	—	—	—	—	6,552	—	—	—	—	—	—	—	—	—	—	—	6,552
Total current assets	56,131,123	(14,425,072)	5,338,372	6,768,073	4,456,512	—	(1,140,897)	(1,667,165)	1,471,406	—	7,784,483	532,970	(7,415,465)	—	—	(1,028,859)	56,805,481
Total assets	155,135,722	(42,827,598)	6,846,964	6,768,073	4,653,022	91,676	(1,140,897)	(13,448,097)	1,833,930	—	7,784,483	7,341,926	(7,415,465)	1,236	(12,112)	(1,028,859)	124,584,004

	Unadjusted consolidated statement of assets and liabilities of the Group as at 30 June 2015	Pro forma adjustments															Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	Note 2	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	*Note 4(a)*	*Note 4(b)*	*Note 4(c)*	*Note 5(a)*	*Note 5(b)*	*Note 5(c)*	*Note 5(d)*	*Note 6(a)*	*Note 6(b)*	*Note 7*	*Note 8*	*Note 9*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities																	
Non-current liabilities																	
Long-term borrowings	70,257,251	(21,109,812)	1,508,592	—	355	—	—	(4,217,791)	362,524	—	—	242,185	—	—	—	—	47,043,304
Provisions and other liabilities	1,234,707	(666,737)	—	—	—	—	—	(17,088)	—	—	—	—	—	—	—	—	550,882
Deferred income tax liabilities	552,511	(107,491)	—	—	59	—	—	(38,473)	—	—	—	9,462	—	—	—	—	416,068
Other non-current liabilities	—	(571,885)	571,885	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total non-current liabilities	72,044,469	(22,455,925)	2,080,477	—	414	—	—	(4,273,352)	362,524	—	—	251,647	—	—	—	—	48,010,254
Current liabilities																	
Trade and other payables	16,844,419	(2,900,737)	4,766,487	—	3,567,524	—	—	(759,101)	165,400	—	—	140,586	216,990	—	—	—	22,041,568
Loan from a fellow subsidiary	—	—	—	—	—	—	—	(1,161,584)	1,161,584	—	—	123,014	—	—	—	—	123,014
Short-term borrowings	1,222,974	(477,294)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	745,680
Current portion of long-term borrowings	18,184,433	(9,822,298)	—	—	—	—	—	(195,287)	144,422	—	—	182,254	—	—	—	—	8,493,524
Current portion of provisions and other liabilities	290,773	(275,823)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	14,950
Tax payable	1,184,532	(38,511)	—	—	—	—	—	(3,185)	—	—	—	3,084	—	—	—	—	1,145,920
Total current liabilities	37,727,131	(13,514,663)	4,766,487	—	3,567,524	—	—	(2,119,157)	1,471,406	—	—	448,938	216,990	—	—	—	32,564,656
Total liabilities	109,771,600	(35,970,588)	6,846,964	—	3,567,938	—	—	(6,392,509)	1,833,930	—	—	700,585	216,990	—	—	—	80,574,910
Net assets	45,364,122	(6,857,010)	—	6,768,073	1,085,084	91,676	(1,140,897)	(7,055,588)	—	—	7,784,483	6,641,341	(7,632,455)	1,236	(12,112)	(1,028,859)	44,009,094

(II) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

(1) The Terminal Acquisition and the Agency Companies Acquisition are considered as a business combination under common control as all of the respective ultimate holding companies of the Group, China Shipping Ports Development Co., Limited and Agency Companies are under the common control of the State-owned Assets Supervision and Administration Commission of the PRC ("SASAC").

(2) The unadjusted consolidated statement of assets and liabilities of the Group as at 30 June 2015 is extracted from the unaudited condensed consolidated balance sheet of the Group as set out in the interim report of the Company as at 30 June 2015.

(3) The Dry Bulk Disposal

The Dry Bulk Disposal involves the disposal of COSCO Bulk and its subsidiaries (the "COSCO Bulk Group") at an initial consideration of RMB6,768,072,700. The initial consideration of the Dry Bulk Disposal will be subject to certain adjustments prior to completion of the Dry Bulk Disposal.

The pro forma adjustments represent:

(a) the exclusion of assets and liabilities of COSCO Bulk Group as at 30 June 2015. The balances are extracted from the unaudited consolidated balance sheet of the COSCO Bulk Group as at 30 June 2015.

(b) the reinstatement of the intercompany transactions between the Group and the COSCO Bulk Group as at 30 June 2015 which should not be eliminated after the completion of the Dry Bulk Disposal. These intercompany transactions mainly comprise (1) trade and other receivables from COSCO Bulk Group totalling RMB6,846,964,000, of which the non-current portion and current portion amounting to RMB1,508,592,000 and RMB5,338,372,000, respectively; and (2) trade and other payables to COSCO Bulk Group which amounted to RMB4,766,487,000.

(c) the proceeds from the Dry Bulk Disposal which amounted to RMB6,768,072,700.

Since the carrying value of the COSCO Bulk Group and the consideration at the completion date of the Dry Bulk Disposal may substantially be different from the amounts used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the carrying value of the COSCO Bulk Group and the consideration to be recognized in connection with the Dry Bulk Disposal may be different from the amounts presented above.

(4) The Agency Companies Acquisitions

The Agency Companies Acquisitions involve the Onshore Agency Acquisitions and the Offshore Agency Acquisitions pursuant to the Agency Companies SPA for a total consideration of RMB1,140,897,000, subject to certain adjustments prior to completion of the Agency Companies Acquisitions.

The pro forma adjustments represent:

(a) the combined statement of assets and liabilities of the companies comprising the Agency Companies but excluding Dalian Vanguard, Jinzhou Port and Angang Vehicle as at 30 September 2015 is extracted from each of the accountant's reports of the companies as indicated below, which are set out in Section 3 of Appendix II to this circular, after the elimination of all inter-company balances among the companies within the Agency Companies.

The reconciliation of the combined statement of assets and liabilities of the companies comprising the Agency Companies but excluding Dalian Vanguard, Jinzhou Port and Angang Vehicle as at 30 September 2015 are as follows:

									Target*									
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets																		
Non-current assets																		
Property, plant and equipment	64,137	1,156	53,657	6,076	8,700	6,653	8,933	5,184	5,000	3,066	1,886	834	5,116	1,004	8	1,031		172,441
Investment properties	—	—	—	—	2,051	—	—	—	—	—	—	—	—	—	—	—		2,051
Intangible assets	1,753	—	—	347	314	—	436	269	—	524	—	—	23	—	757	—		4,423
Available-for-sale financial assets	—	—	17,061	—	—	—	—	—	—	—	—	—	—	—				17,061
Deferred income tax assets	153	—	—	53	—	—	—	—	—	261	—	—	34	—	33			534
Total non-current assets	66,043	1,156	70,718	6,476	11,065	6,653	9,369	5,453	5,000	3,851	1,886	834	5,173	1,004	798	1,031		196,510
Current assets																		
Inventories	15,195	—	—	—	—	—	—	—	—	1,570	—	5,165	—	—	3,264			25,194
Trade and other receivables	318,249	303,800	845,994	72,424	375,260	600,396	319,804	541,833	103,174	19,437	1,001	95,854	213,836	34,359	153,871	857	(558,007)	3,442,142
Cash and bank balances	409,128	35,851	76,468	23,294	45,538	34,420	26,730	41,924	7,513	3,634	2,657	89,315	50,050	1,435	18,247	116,420		982,624
Assets held for sale	6,552	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		6,552
Total current assets	749,124	339,651	922,462	95,718	420,798	634,816	346,534	583,757	110,687	24,641	3,658	190,334	263,886	35,794	175,382	117,277	(558,007)	4,456,512
Total assets	815,167	340,807	993,180	102,194	431,863	641,469	355,903	589,210	115,687	28,492	5,544	191,168	269,059	36,798	176,180	118,308	(558,007)	4,653,022

	Target*																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities																		
Non-current liabilities																		
Long-term borrowings	—	—	—	—	—	—	—	—	—	—	—	355	—	—	—	—		355
Deferred income tax liabilities	—	—	—	—	—	—	—	—	—	59	—	—	—	—	—	—		59
Total non-current liabilities	—	—	—	—	—	—	—	—	—	59	—	355	—	—	—	—		414
Current liabilities																		
Trade and other payables	437,790	302,414	825,805	78,622	414,209	603,253	327,881	552,732	94,753	11,557	687	51,718	234,000	21,823	58,478	109,809	(558,007)	3,567,524
Total current liabilities	437,790	302,414	825,805	78,622	414,209	603,253	327,881	552,732	94,753	11,557	687	51,718	234,000	21,823	58,478	109,809	(558,007)	3,567,524
Total liabilities	437,790	302,414	825,805	78,622	414,209	603,253	327,881	552,732	94,753	11,616	687	52,073	234,000	21,823	58,478	109,809	(558,007)	3,567,938
Net assets	377,377	38,393	167,375	23,572	17,654	38,216	28,022	36,478	20,934	16,876	4,857	139,095	35,059	14,975	117,702	8,499	—	1,085,084

Note: *** The Targets numbered 1 to 16 respectively represent the companies as follows:**

1 Shanghai Puhai Shipping Liners Co., Ltd.
2 China Shipping Container Lines Shenzhen Co., Ltd.
3 China Shipping Container Lines Shanghai Co., Ltd.
4 China Shipping Container Lines Xiamen Co., Ltd.
5 China Shipping Container Lines Qingdao Company Limited
6 China Shipping Container Lines Dalian Co., Ltd.
7 China Shipping Container Lines Guangzhou Co., Ltd.
8 China Shipping Container Lines Tianjin Company Ltd.
9 China Shipping Container Lines Hainan Company Limited
10 China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd.
11 China Shipping Container Lines (Dalian) Data Processing Co., Ltd.
12 Golden Sea Shipping Pte. Ltd.
13 China Shipping Container Lines (Hongkong) Agency Co., Limited
14 China Shipping Container Lines Agency (Shenzhen) Co., Ltd.
15 Universal Shipping (Asia) Company Limited
16 Universal Logistic (Shenzhen) Co., Ltd.

(b) upon completion of the Agency Companies Acquisitions, Dalian Vanguard will become a joint venture, and Jinzhou Port and Angang Vehicle will become associates of the Enlarged Group.

The details of the interests in joint venture and associates is shown as below:

	Jinzhou Port	**Dalian Vanguard**	**Angang Vehicle**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets/consolidated net assets attributable to equity holder of the respective companies as at 30 September 2015 (Note i)	5,118	68,855	273,765	
Effective interest to be held by the Group	45.00%	50.00%	20.07%	
Share of its net assets/consolidated net assets attributable to equity holder of the respective companies	2,303	34,428	54,945	91,676

Note i: The net assets attributable to equity holder of Jinzhou Port and Dalian Vanguard and consolidated net assets attributable to equity holder of Angang Vehicle as at 30 September 2015 are extracted from each of the accountant's reports of Jinzhou Port, Dalian Vanguard and Angang Vehicle as set out in Section 3 of Appendix II to this circular.

(c) the cash consideration for the Agency Companies Acquisitions which amounted to RMB1,140,897,000.

Since the carrying value of the Agency Companies, the consideration and intercompany balances among the Agency Companies at the completion date of the Agency Companies Acquisitions may substantially different from the amounts used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the carrying value of the Agency Companies, the consideration and elimination of intercompany balances to be recognized in connection with the Agency Companies Acquisitions may be different from the amounts presented above.

(5) The Florens Disposal

The Florens Disposal involves the disposal of Florens Container Holdings Limited ("FCHL") and its subsidiaries (the "FCHL Group") at an initial consideration of US$1,223,725,000 (approximately equivalent to RMB7,784,483,300) and the assignment of the FCHL Shareholder's Loans by the Company to CSHK at a consideration of US$285,000,000 (approximately equivalent to RMB1,812,971,000). The initial considerations of the Florens Disposal will be subject to certain adjustments prior to completion of the Florens Disposal.

The pro forma adjustments represent:

(a) the exclusion of assets and liabilities of the FCHL Group as at 30 June 2015. The balances are extracted from the unaudited consolidated balance sheet of the FCHL Group as at 30 June 2015.

(b) the reinstatement of the intercompany transactions between the Group and the FCHL Group as at 30 June 2015 which should not be eliminated after the completion of the Florens Disposal. These intercompany transactions mainly comprise (1) finance lease receivables from the FCHL Group which amounted to US$59,298,000 (approximately equivalent to RMB362,524,000) and (2) trade receivables and amount due from the FCHL Group which amounted to US$240,678,000 (approximately equivalent to RMB1,471,406,000); (3) finance lease payables by the Group to the FCHL Group totalling US$82,930,000, of which the non-current portion and current portion amounting to US$59,298,000 (approximately equivalent to RMB362,524,000) and US$23,632,000 (approximately equivalent to RMB144,422,000), respectively; (4) trade payables by the FCHL Group to the Group which amounted to US$27,055,000 (approximately equivalent to RMB165,400,000); and (5) the FCHL Shareholder's Loan amounting to US$190,000,000 (approximately equivalent to RMB1,165,584,000).

(c) the assignment of the FCHL Shareholder's Loans by the Company to CSHK for a consideration of US$285,000,000 (approximately equivalent to RMB1,812,971,000). For the purpose of preparing the Unaudited Pro Forma Financial Information, the FCHL Shareholder's Loans of US$285,000,000 (approximately equivalent to RMB1,812,971,000) will be assigned to CSHK upon the completion of the Florens Disposal. Such balance will be fully offset against the amount due from the FCHL Group upon the completion of the Florens Disposal.

(d) the proceeds from the Florens Disposal which amounted to US$1,223,725,000 (approximately equivalent to RMB7,784,483,300).

Since the carrying value of the FCHL Group and the consideration at the completion date may substantially be different from the amounts used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the carrying value of the FCHL Group and the consideration to be recognized in connection with the Florens Disposal may be different from the amounts presented above.

(6) The Terminal Acquisition

The Terminal Acquisition involves the acquisition of the CSPD Shares by COSCO Pacific pursuant to the terms of the CSPD SPA. The initial consideration for the CSPD Shares is RMB7,632,455,300. Such initial consideration will be subject to certain adjustments prior to completion of the Terminal Acquisition, including but not limited to (1) that if the Damietta Sale has completed on or prior to the completion of the Terminal Acquisition, the initial consideration will be increased by an amount equal to the RMB equivalent of the Net Damietta Proceeds minus an amount equal to RMB216,989,700; and (2) that if the Damietta Sale has not been completed on or prior to the completion of the Terminal Acquisition, the initial consideration will be reduced by RMB216,989,700.

The pro forma adjustments represent:

(a) the consolidated statement of assets and liabilities of CSPD Group as at 30 September 2015, which is extracted from the accountant's report of CSPD Group as set out in Section 1 of Appendix II to this circular. The translation of HK$ to RMB was made at a rate of HK$1 to RMB 0.7886.

(b) the consideration paid for the Terminal Acquisition which amounted to RMB7,632,455,300, with part of the consideration of approximately RMB216,989,700 to be subject to the completion of the Damietta Sale, the related adjustment being the Net Damietta Proceeds. This constitutes a contingent consideration arrangement as defined under Hong Kong Financial Reporting Standard 3 (Revised), "Business Combinations", whose fair value was estimated to be zero as at 30 June 2015 as the directors of the Company expect that the probability of the Damietta Sale being completed on or prior to the completion of the Terminal Acquisition is remote based on the current status of the sale plan.

Since the carrying value of the CSPD Group and the consideration at the completion date of the Terminal Acquisition may substantially be different from the amounts used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the carrying value of CSPD Group and the consideration to be recognized in connection with the Terminal Acquisition may be different from the amounts presented above.

(7) Accounting for Tianjin Five Continents International Container Terminal Co., Ltd. (天津五洲國際集裝箱碼頭有限公司 or "T5CT") co-owned by CSPD and the Group

Before the completion of the Terminal Acquisition, the Group and CSPD held 14% and 14% equity interest in T5CT, respectively and such interest in T5CT was accounted for as an available-for-sale financial asset. Upon completion of the Terminal Acquisition, T5CT co-owned by CSPD and the Group will become an associate of the Enlarged Group and will be accounted for using the equity method of accounting upon completion of the Terminal Acquisition.

(8) Dilution of interest in COSCO Finance

Pursuant to the CSCL Asset Restructuring, the capital of COSCO Finance Co., Ltd. ("COSCO Finance") will be increased by RMB614 million, upon which CSCL will hold 17.53% equity interests in COSCO Finance. Such capital injection will result in a dilution of the Group's effective interest in its associate, COSCO Finance from 17.25% to 14.22% and hence, the Group's share of net asset in COSCO Finance would be reduced by RMB12,112,000.

Since the carrying value of the COSCO Finance at the completion date of the CSCL Asset Restructuring may substantially different from the amounts used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the final amount of the change of the share of net asset in COSCO Finance in connection with the CSCL Asset Restructuring may be different from the amounts presented above.

(9) The adjustments represent the net effect of:

- the payment of the conditional special cash dividend of RMB1,855,063,000 (equivalent to HK$2,352,350,000) by COSCO Pacific. The calculation of the conditional special cash dividend is arrived at by multiplying HK80 cents per share of COSCO Pacific ("COSCO Pacific Share") and the number of COSCO Pacific Share is 2,940,437,862 shares as of 30 June 2015, assuming that the Florens Disposal and the Terminal Acquisition had been completed on 30 June 2015. The calculation takes no account of any COSCO Pacific Shares which are issued pursuant to (i) the scrip dividend scheme of COSCO Pacific in relation to the final dividend for the year ended 31 December 2014 and the scrip dividend scheme in relation to the interim dividend for the six months ended 30 June 2015 or (ii) any COSCO Pacific Shares which may be issued upon the exercise of the options granted under the share option scheme approved by the shareholders of COSCO Pacific on 23 May 2003 (the "2003 Share Option Scheme"). The payment of the conditional special cash dividend is conditional on (a) the independent shareholders of COSCO Pacific passing the resolution approving the Florens Disposal and the Terminal Acquisition at the COSCO Pacific SGM and (b) the completion of the Florens Disposal and the Terminal Acquisition in accordance with the provisions of the CSPD SPA and the FCHL SPA; and

- the receipt of the conditional special cash dividend of RMB826,204,000 (equivalent to HK$1,047,685,000) by China COSCO from its non-wholly owned subsidiary, COSOC Pacific. The calculation of the conditional special cash dividend is arrived at by multiplying HK80 cents per COSCO Pacific Share and the number of COSCO Pacific Share effectively held by China COSCO is 1,309,606,113 shares as of 30 June 2015, assuming the Florens Disposal and the Terminal Acquisition had been completed on 30 June 2015.

Since the amount of the conditional special cash dividend paid by COSCO Pacific and the amount of the conditional special cash dividend received by China COSCO at the completion date may be substantially different from the amounts used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the conditional special cash dividend to be recognized in connection with the Florens Disposal and the Terminal Acquisition may be different from the amounts presented above.

(10) For the purpose of the Unaudited Pro Forma Financial Information, the translation of US$ and HK$ into RMB were made at the exchange rates of US$1.00 to RMB6.1136 and HK$1.00 to RMB0.7886, respectively.

(11) Apart from the China COSCO Asset Restructuring, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group, Agency Companies and CSPD and its subsidiaries subsequent to 30 June 2015, 30 September 2015 and 30 September 2015, respectively. In particular, the Unaudited Pro Forma Financial Information has not taken into account (a) the formation of a joint venture for the acquisition of equity interests in a container terminal in Turkey as disclosed in the announcement of COSCO Pacific dated 17 September 2015 and (b) the proposed payment of an interim dividend of HK17.3 cents (equivalent to US2.236 cents) per COSCO Pacific Share for the six months ended 30 June 2015 by COSCO Pacific on 25 August 2015, with an option to receive the newly fully paid COSCO Pacific Shares in lieu of cash.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China COSCO Holdings Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China COSCO Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group"), China Shipping Ports Development Co., Limited and Agency Companies (the latter two is collectively known as the "Target Companies") and their subsidiaries (the "Target Group") (collectively the "Enlarged Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2015 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-11 of the circular of the Company dated 31 December 2015 (the "Circular"), in connection with (1) the proposed acquisitions of the Target Group and (2) the proposed disposal of China COSCO Bulk Shipping (Group) Co., Ltd and Florens Container Holdings Limited and their subsidiaries (together, the "Disposal Group") (collectively, the "Transactions") by the Company. The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-11. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the Transactions on the Group's financial position as at 30 June 2015 as if the Transactions had taken place at 30 June 2015. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's financial statements as at and for the six months ended 30 June 2015, on which a review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 31 December 2015

The following is an extract of the asset appraisal reports received from China Tong Cheng Appraisal Co. Ltd., an independent appraiser, in connection with the asset appraisal of COSCO Bulk, the Agency Companies, FCHL and CSPD.

1. THE ASSET APPRAISAL REPORT OF CHINA OCEAN SHIPPING (GROUP) COMPANY.

Summary

I. Economic behavior corresponding to this appraisal

The economic behavior for this appraisal is that China COSCO Holdings Company Limited intends to transfer its 100% equity interest in China COSCO Bulk Shipping (Group) Co., Ltd. to China Ocean Shipping (Group) Company.

Such economic behavior has been approved by China Ocean Shipping (Group) Company with an issue of the document titled Resolutions at the 52nd Meeting of the First Session of the Board of China Ocean Shipping (Group) Company (《中國遠洋運輸(集團)總公司第一屆董事會第五十二次會議決議》) (10 December 2015).

II. Objective

This appraisal is to provide value reference for China COSCO Holdings Company Limited's economic behavior of its proposed transfer of its 100% equity interest in China COSCO Bulk Shipping (Group) Co., Ltd. to China Ocean Shipping (Group) Company.

III. Subject matter and scope of appraisal

(I) *Subject matter*

The subject matter is 100% equity interest in China COSCO Bulk Shipping (Group) Co., Ltd. held by China COSCO Holdings Company Limited.

(II) *Scope*

The scope of appraisal is the various assets and debts as listed in the on-balance and off-balance sheets reported by China COSCO Bulk Shipping (Group) Co., Ltd. on the base date of appraisal.

IV. Type of value

The type of value adopted in the appraisal is the market value.

V. Base date

The base data of appraisal is 30 September 2015.

VI. **Method**

Income approach and asset-based approach are adopted for this appraisal. The appraisal results of income approach are taken as the final conclusions.

VII. **Conclusion and validity**

On the base date of 30 September 2015, all of the China COSCO Bulk Shipping (Group) Co., Ltd. shareholders' equity was appraised as RMB 6.7680727 billion, a decrease of RMB 17.5788157 billion, or at a rate of 72.20%, from the book value of all of shareholders' equity, namely RMB 24.3468884 billion (in the single-account financial statements); the rate of increase was 27.72% when compared with the book value of the owner's equity attributable to the parent company in the consolidated statements of RMB 5.2990501 billion, an increase of RMB 1.4690226 billion.

It can be concluded that the appraised value of 100% equity of China COSCO Holdings Company Limited in China COSCO Bulk Shipping (Group) Co., Ltd. was RMB 6.7680727 billion.

The appraisal conclusions revealed in the report shall be valid for one year from 30 September 2015 to 29 September 2016.

VIII. **Special events that influence conclusion of the appraisal**

(I) ***China COSCO Bulk Shipping (Group) Co., Ltd.***

1. Mortgage of China COSCO Bulk Shipping (Group) Co., Ltd. as of the base date of appraisal was as follows:

Unit: RMB

Mortgager	Name of mortgaged vessel	Mortgagee	Commencing date of financing contract	Expiration date of financing contract	Contract amount	Loan balance as of September 30, 2015
China COSCO Bulk	Penglong	Agricultural Bank of China Shenzhen Guomao Branch	30/8/2012	29/5/2021	134,750,000.00	92,000,000.00

2. Guarantees of China COSCO Bulk Shipping (Group) Co., Ltd. as of the base date of appraisal were as follows:

Unit: RMB

No.	Guarantor	Object	Lender	Guarantee mode	Actual amount of guarantee	Date of occurrence (date of agreement)	Period of guarantee (year)
1	China COSCO Bulk Shipping (Group) Co., Ltd.	China COSCO Bulk Carrier Co., Ltd	Bank of Beijing Ruidu Branch	Joint liability guaranty	158,396,370.00	22-02-2013	3
2	China COSCO Bulk Shipping (Group) Co., Ltd.	China COSCO Bulk Carrier Co., Ltd, China COSCO Holdings Company Limited	China Construction Bank Beijing Anhui Branch	Joint liability guaranty	632,949,350.00	20-11-2012	3
3	China COSCO Bulk Shipping (Group) Co., Ltd.	China COSCO (H.K.)Shipping Co., Ltd	Standard Chartered Bank Hong Kong Branch (Overseas loan under domestic guarantee)	China COSCO Bulk applies for opening of loan guarantee to Agricultural Bank of China Tianjin Port Free Trade Zone Branch	302,196,380.92	11-11-2014	3
4	China COSCO Bulk Shipping (Group) Co., Ltd., China COSCO Bulk Carrier Co., Ltd	China COSCO (H.K.) Shipping Co., Ltd	Standard Chartered Bank Hong Kong Branch (Overseas loan under domestic guarantee)	China COSCO Bulk applies for opening of loan guarantee to Agricultural Bank of China Tianjin Port Free Trade Zone Branch; China COSCO Bulk Carrier provides the joint liability guaranty for the above guarantee	294,481,288.14	14-01-2015	3
5	China COSCO Bulk Shipping (Group) Co., Ltd.	China COSCO Bulk Carrier Co., Ltd	Bank of China Singapore Branch (Overseas loan under domestic guarantee)	China COSCO Bulk applies for opening of loan guarantee to China Bohai Bank Tianjin First Avenue Branch	572,517,000.00	24-01-2013	3

No.	Guarantor	Object	Lender	Guarantee mode	Actual amount of guarantee	Date of occurrence (date of agreement)	Period of guarantee (year)
6	China COSCO Bulk Shipping (Group) Co., Ltd.	China COSCO Bulk Carrier Co., Ltd	Bank of China Singapore Branch (Overseas loan under domestic guarantee)	China COSCO Bulk applies for opening of loan guarantee to China Bohai Bank Tianjin First Avenue Branch	300,253,360.00	27-06-2014	3

3. As of the base date of appraisal, the litigations or arbitrations of Beijing Company of China COSCO Bulk regarding lease disputes were as follows:

Unit: US$

No.	Case No.	Ship Name	Disputing Party	Case Description	Amount in Dispute	Handled by	Arbitration/ Litigation	Accounting Company	Remarks
1	20130009	CPO EUROPE	Shagang Shipping Company Limited	Speed claim	80,548	Qi Hao	Y	RSL	Speed claim caused by shipowner' misstatement of economical speed.
2	20130031	JUPITER	Piccadilly Shipping Company Limited	Early redelivery under lease	1,090,000	Wang Bo	Y	RSL	The shipowner refused to carry out the voyage instruction of China COSCO Bulk due to issues of fuel oil quality. China COSCO Bulk believed that the shipowner has breached the contract and accepted his breach of contract. The contract was terminated.
3	20130067	YICHANGHAI	World Fuel Services Europe Limited	Other contract disputes	660,000	Wang Bo	Y	RSL	For voyage TCT146, the charterer defaulted payment of fuel oil charges to fuel oil supplier. Under the new charter contract with voyage TCT148, the fuel oil supplier seized vessels of China COSCO Bulk in Ireland.

No.	Case No.	Ship Name	Disputing Party	Case Description	Amount in Dispute	Handled by	Arbitration/ Litigation	Accounting Company	Remarks
4	20130078	LIANHUAHAI	Everbright Shipping Co., Ltd.	Dispute of fuel oil quality	312,320	Wang Bo	Y	RSL	There were quality issues of fuel oil added by the charterer, which caused host loss of China COSCO Bulk and generated losses of shipping date and fuel oil due to ship repair.
5	20130088	GIOVANNI	Phaethon International Co., SA	Other contract disputes	38,000	Wang Bo	Y	RSL	Defects of cabins caused re-berthing after the ship was repaired. The charterer released due to the time loss. China COSCO Bulk implemented the back-to-back release.
6	20140006	YUANPING SEA	Phaethon International Co. S.A.	Rent or freight charges owed	49,170	Wang Bo	Y	RSL	The total amount unpaid by the charterer for China COSCO Bulk is 49,170.04, of which the charterer has confirmed USD 34,891.44.
7	20140010	RED LOTUS	Aquavita International S.A.	Early redelivery under lease	274,037	Qi Hao	Y	RSL	The charterer redelivered early and did not supplement the fuel oil on redelivery in accordance with the lease regulations. Therefore, China COSCO Bulk refused the redelivery.
8	20140018	DONG CHANGHAI	Copenship Bulkers S/A	Rent or freight charges owed	1,100,000	Wang Bo	Y	RSL	As vessels were seized by the consignee at the port of discharge due to cargo damage, the charterer currently refuses to pay the rent.
9	20140025	YANG HAI	WOL Ocean International Co., Ltd.	Rent or freight charges owed	492,281	Liu Zhenkai	Y	China COSCO Bulk	WOL Ocean International rented the ships of “Yanghai” and “Jiuhuahai” and did not pay the respective rents of USD 421,784.17 and USD 620,100.37 for no reason.

No.	Case No.	Ship Name	Disputing Party	Case Description	Amount in Dispute	Handled by	Arbitration/ Litigation	Accounting Company	Remarks
10	20140036	CLEAR	Clear Shipping Ltd	Speed claim	176,691	Wang Bo	Y	RSL	As the rent deducted by speed claim and fuel oil quantity on redelivery provided by China COSCO Bulk was less than those agreed, the ship owner lodged a claim.
11	20140037	SEA GLORIA	General Nice Resources (Hong Kong) Limited	Rent or freight charges owed	0	Qi Hao	Y	RSL	General Nice Resources (Hong Kong) Limited, a Hong Kong-based company, did not pay freight and demurrage charges under several leases to China COSCO Bulk and Refined Success.
12	20140043	SAM DRAGON	Noble Chartering Inc/Sealegend Shipping Co., Limited	Rent or freight charges owed	124,828	Wang Bo	Y	RSL	
13	20140046	KM MT JADE	Phaethon International Co Ltd	Rent or freight charges owed	59,105	Wang Bo	Y	RSL	
14	20150001	RED GARDENIA	Bunge S.A.	Rent or freight charges owed	88,932	Wang Bo	Y	RSL	Bunge refused to make the final payment confirmed for reason of other ship disputes.
15	20150007	CORINNA	Corinna Maritime Inc	Other contract dispute	38,353	Liu Zhenkai	Y	RSL	Rent M/V Corinna during RSL TCT. The shipowner: CORINNA MARTIME INC MONROVIA, LIBERIA. Lease date: 19/11/2014. The captain reduced the bills of lading weight, causing the RSL freight loss.

No.	Case No.	Ship Name	Disputing Party	Case Description	Amount in Dispute	Handled by	Arbitration/ Litigation	Accounting Company	Remarks
16	20150008	DIAMANTINA	Diamantina Transportation Special Maritime Enterprise E.N.E.	Early redelivery under lease	104,674	Liu Zhenkai	Y	RSL	Early redelivery of RSL by 9.78 days. As both parties interpreted the compensation agreement in different ways and could not reach consensus on the compensation amount, the shipowner submitted the case for arbitration.
17	20150015	LIAN HUAHAI	Xo Shipping Co., Ltd.	Speed claim	58,544	Wang Bo	Y	RSL	China COSCO Bulk rented the ship to XO SHIPPING for a short term. During the lease period, there were disputes over speed claim and price of fuel oil on redelivery between both parties.
18	20150018	GLORY TRADER	Scorpio Kamsarmax Pool Ltd/Mintrans Limited	Other contract disputes	0	Tan Jiedan	Y	RSL	An explosion occurred and caused damage to the hull. Based on the response from the Association, the hull and rent losses of the shipowner are covered by the Association (the corresponding deductibles shall be deducted).
19	20150025	KANG HING	Bunge S.A.	Speed claim	112,474	Wang Bo	Y	RSL	China COSCO Bulk rented the MV “KANG HING” from Bunge during the TCT. During the voyage, there were serious loss of speed and overly fuel oil consumption of vessel. China COSCO Bulk proposed the speed claim, which shall be deducted from the rent; Bunge refuses the proposal and submitted the case for arbitration.

No.	Case No.	Ship Name	Disputing Party	Case Description	Amount in Dispute	Handled by	Arbitration/ Litigation	Accounting Company	Remarks
20	20150027	GLORY MERCY	Tiger Bulk Once Limited	Rent or freight charges owed	700,000	Wang Bo	Y	RSL	MV GLORY MERCY was under long-term leasing of China COSCO Bulk. When the vessel was in Australia to upload aluminum powder, it was retained for a long time due to the failure of passing hold inspection. China COSCO Bulk has proposed that during this period the lease should be stopped or consequential loss shall be claimed.

4. As of the base date of appraisal, for other receivables, the book value of Prosperity Investment 2011 Limited (hereinafter referred to as "Prosperity Investment") was RMB 13,871,269,794.50. The main reasons for formation of the receivables are as follows: during the integration process of China COSCO Bulk businesses, the amount payable to COSCO by the acceptance of Prosperity Investment for equity of BVI Golden View Investment Ltd. acquired by the wholly-owned subsidiary - China Taiping Insurance Holdings Company Limited (China Taiping) of COSCO in 2007 was RMB 12,618,297,460.22. The amount payable to COSCO by the acceptance of Prosperity Investment from China Taiping for other reasons was RMB 1,252,972,334.28. The total amount of two said payments is RMB 13,871,269,794.50. According to the Tripartite Debt Reconstruction Agreement signed on 30 December 2011 among Prosperity Investment, China COSCO Bulk Shipping (Group) Co., Ltd. and COSCO, Prosperity Investment transferred its debt for COSCO to China COSCO Bulk. Both parties carried out corresponding accounting bookkeeping treatments for the credit and debt. As of the base date of appraisal, China COSCO Bulk has checked the above restructuring debt payable for Prosperity Investment among other payables. In the appraisal, the appraisal value was determined based on the book value of RMB 13,871,269,794.50.

(II) ***Long-term equity investment - (1-1) China COSCO Bulk Carrier Co., Ltd.***

1. As of the base date of appraisal, China COSCO Bulk Carrier Co., Ltd. had the following mortgages:

No.	Mortgage Matter	Mortgagee	Mortgage Project
1	Vessel mortgage loan (USD 60,000,000)	Tianjin Branch, the Bank of China	Putuohai and Jiuhuahai
2	Vessel mortgage loan (USD 240 million)	Tianjin (Heping) Branch, the Bank of China	Jinzhuhai, Yinzhuhai Wenzhuhai, Wuzhuhai, Baianhai, Nianfenghai, Zhongtenghai and Yuanxinhai
3	Vessel mortgage loan (RMB 0.5 billion)	Export-Import Bank of China	Taohuahai, Hehuahai and Wuyihai
4	Vessel mortgage loan (RMB 250 million)	Export-Import Bank of China	Juehuahai and Yandanghai

2. As of the base date of appraisal, the guarantee matters of China COSCO Bulk Carrier Co., Ltd. were as follows:

No.	Amount Guaranteed	Guarantee Event	Name of Company Guaranteed
1	USD 0.2 billion	The Maximum Amount Guarantee Agreement of Binhai New District (Tianjin) Branch, China Bohai Bank	China COSCO Bulk Shipping (Group) Co., Ltd.
2	USD 0.2 billion	Irrevocable Counter Guarantee of Export-Import Bank of China	China COSCO Bulk Shipping (Group) Co., Ltd.
3	RMB 320 million	Foreign Financing Guarantee of Bonded Area (Tianjin) Branch, Agricultural Bank of China	China COSCO Bulk Shipping (Group) Co., Ltd.

3. Special matters for the Long-term Investment Company of China COSCO Bulk Carrier Co., Ltd.

(1) Tianjin Ocean Plaza Co., Ltd.

The Tianjin Ocean Plaza Phase II Project to be developed by Tianjin Ocean Plaza Co., Ltd. has obtained the Tianjin Real Estate Title Certificate (JinZi No. 070200000059). The column of note in the Tianjin Real Estate Title Certificate states that: the validity period of the certificate is extended to 15 May 2015. The overdue certificate shall be invalid automatically.

Based on related materials provided by the Company, the functional government departments in Tianjin require the company to provide the future actual development plan of the Tianjin Ocean Plaza Phase II Project and then discuss extension of the real estate title certificate. The company is now communicating with functional government departments in Tianjin in preparation for the certificate extension procedures.

The appraisal assumes that the certificate can be extended after the expiration and bases on the normal development of lands.

(2) COSCO Bulk Carrier Holdings (Cayman) Ltd

① For COSCO Bulk Carrier Holdings (Cayman) Ltd and its 42 single-vessel subsidiaries, as the Company could not provide single-company statements of the above companies during the appraisal, we conducted the appraisal on a consolidated basis.

② As of the base date of appraisal, the Company had the following mortgages:

No.	Creditor	Debtor	Type of Debt	Execution Date of Debt Contact	Debt Period & Expiration Date	Right of Third Party (Mortgage)
1	Bank of China (Hong Kong) Limited	COSCO BULK CARRIER HOLDINGS (CAYMAN) LTD	Bank loan - mortgage	26/11/2011	26.10.2011 - 26.10.2021	Zhongxinghai
2	Bank of China (Hong Kong) Limited	COSCO BULK CARRIER HOLDINGS (CAYMAN) LTD	Bank loan - mortgage	26/11/2011	26.10.2011 - 26.10.2021	Daishanhai

No.	Creditor	Debtor	Type of Debt	Execution Date of Debt Contact	Debt Period & Expiration Date	Right of Third Party (Mortgage)
3	Bank of China (Hong Kong) Limited	COSCO BULK CARRIER HOLDINGS (CAYMAN) LTD	Bank loan - mortgage	26/11/2011	26.10.2011 - 26.10.2021	Pulanhai
4	Bank of China (Hong Kong) Limited	COSCO BULK CARRIER HOLDINGS (CAYMAN) LTD	Bank loan - mortgage	26/11/2011	26.10.2011 - 26.10.2021	Zhoushanhai
5	Bank of China (Hong Kong) Limited	COSCO BULK CARRIER HOLDINGS (CAYMAN) LTD	Bank loan - mortgage	26/11/2011	26.10.2011 - 26.10.2021	Qushanhai
6	Bank of China (Hong Kong) Limited	COSCO BULK CARRIER HOLDINGS (CAYMAN) LTD	Bank loan - mortgage	26/11/2011	26.10.2011 - 26.10.2021	Yuanwanghai
7	Bank of China (Hong Kong) Limited	COSCO BULK COSCO BULK CARRIER HOLDINGS (CAYMAN) LTD	Bank loan - mortgage	26/11/2011	26.10.2011 - 26.10.2021	Jinzhouhai
8	Bank of China (Hong Kong) Limited	COSCO BULK CARRIER HOLDINGS (CAYMAN) LTD	Bank loan - mortgage	26/11/2011	26.10.2011 - 26.10.2021	Changshanhai

No.	Creditor	Debtor	Type of Debt	Execution Date of Debt Contact	Debt Period & Expiration Date	Right of Third Party (Mortgage)
9	Bank of China (Hong Kong) Limited	COSCO BULK CARRIER HOLDINGS (CAYMAN) LTD	Bank loan - mortgage	14/2/2014	14.2.2014 - 14.2.2024	Tianfahai
10	Bank of China (Hong Kong) Limited	COSCO BULK CARRIER HOLDINGS (CAYMAN) LTD	Bank loan - mortgage	16/6/2014	16.6.2014 - 16.6.2024	Kangxinhai
11	Bank of China (Hong Kong) Limited	COSCO BULK CARRIER HOLDINGS (CAYMAN) LTD	Bank loan - mortgage	17/4/2014	17.4.2014 - 17.4.2024	Jindahai
12	Bank of China (Hong Kong) Limited	COSCO BULK CARRIER HOLDINGS (CAYMAN) LTD	Bank loan - mortgage	17/3/2014	17.3.2014 - 17.3.2024	Yuxianghai
13	Bank of China (Hong Kong) Limited	COSCO BULK CARRIER HOLDINGS (CAYMAN) LTD	Bank loan - mortgage	12/5/2014	12.5.2014 - 12.5.2024	Malianhai

The appraisal did not consider possible impact of the mortgage and guarantee matters on the appraisal.

(III) ***Long-term equity investment - (1-2) description of special events for Qingdao Ocean Shipping Co., Ltd. (Qingdao Ocean):***

1. Description of special events for Qingdao Ocean Shipping Co., Ltd.

(1) As of the base date of appraisal, the lawsuits of Qingdao Ocean Shipping Co., Ltd. were as follows:

Date	Ship Name	Plaintiff	Defendant	Case summary	Claim Amount	Progress	Remarks
2/1/2014	Dexinhai	International Logistics Company Inc.	Qingdao Ocean	The consignee claims for cargo damage	USD 137,958.69	Legal proceedings in progress	Arbitration
12/11/2013	Haiji	China Life Insurance Company Ltd.	Qingdao Ocean	The consignee claims China COSCO Bulk for cargo damage.	RMB 6,851,231.68	Legal proceedings in progress	Arbitration

The appraisal did not consider the impact of estimated liabilities possibly brought by lawsuit matters on appraised values.

(2) As of the base date of appraisal, the mortgage and guarantee of Qingdao Ocean Shipping Co., Ltd. were as follows:

No.	Contract No.	Creditor	Debtor	Purpose of loan	Reference No. of Guarantee Contract	Type of Debt	Debt Period & Expiration Date	Third-party Right
1	2005 LZYSJZ No. 1068	Shandong Branch, Bank of China Limited	Qingdao Ocean Shipping Co., Ltd.	Shipbuilding	2005 LZYSBZ No. 1068	Guarantee loan	21.12.2005 - 21.12.2015	Joint liability guarantee of COSCO
2	2007 LZYSJZ No. 7015	Shandong Branch, Bank of China Limited	Qingdao Ocean Shipping Co., Ltd.	Shipbuilding	2008 LZYSDZ No. 2091	Mortgage loan	17.01.2008 - 21.12.2022	Dexinhai & Deminghai

The appraisal did not consider the impact of possible matters generated by mortgage and guarantee among loans on appraised values.

(3) Real estate for investment

Houses - real estate for investment within the appraisal range. The houses are located at No. 3 Banghai Road Central, Sifang District with the total area of 9,210.38 m^2. Of them, the real estate title certificates (QFDQSZ No. 341897) have been handled for the office building (No. 3, Banghai Road Central), integrated storehouse (Banghai Road Central) and paint store (Banghai Road Central). However, such certificates have not been handled for supporting facilities such as the chemical warehouse, fire service tank, water pump facilities and power distribution room of other buildings.

We determined the area of house building based on the introduction and materials provided by the enterprise appraised, which may be different from the building area actually measured in the future. The appraisal did not consider the impact of house property disputes and charges possibly generated from the certificate handling on appraised values.

(4) Fixed assets of house buildings

COSCO Qingdao Mountain Villa - fixed assets (house buildings) within the scope of appraisal. The Mountain Villa, with the real estate title certificates QFDQZ No. 20079876, has 37 items of certificate-recorded area and the area of 10,939.98 m^2. Based on the verification from site investigation, part of buildings have been removed and newly built. Items 1-8, 1-11, 1-12, 1-13 and 1-15 of house building details listed in the Appraisal Schedule are not available in the certificates. Based on the area provided by the enterprise, investigation and verification were carried out for construction cost, etc. Items 1-17 and 1-18 in the Appraisal Schedule are two of the removed and newly built items, the area of which is also determined with the above method.

We determined the area of house building based on the introduction and materials provided of the enterprise appraised, which may be different from the building area actually measured in the future. The appraisal did not consider the impact of house property disputes and charges possibly generated from the certificate handling on appraised values.

(5) Available-for-sale financial assets

For Qingdao Ocean Shipping Assets Management Co., Ltd. in Others - available-for-sale financial assets within the scope of appraisal, Qingdao Ocean Shipping Co., Ltd., which held 19% of the equity interest in the Company, has no control right and does not consolidate statements. The economic behavior is not audited. Therefore, the appraisal values are determined by multiplying net asset values in accounting statement on the base date of appraisal provided by the enterprise by the shareholding ratio.

2. Special events for the Long-term Investment Company of Qingdao Ocean Shipping Co., Ltd.:

(1) COSCO Qingdao Property Management Co., Ltd.

Within the scope of appraisal, the ownership transfer procedures for a Santana car (license plate no.: Lu B1A305; certificate-recorded oblige: Qingdao Ocean Shipping Co., Ltd.) have not been handled. The appraisal did not consider the impact of the matter on appraised values.

(2) Lianyungang Ocean Shipping Co., Ltd.

① Item no. 19 in the Appraisal Schedule for Fixed Assets - House Buildings: the nursery has not obtained the Building Ownership Certificate. We determine the area of house building based on the introduction and materials provided by the enterprise appraised, which may be different from the building area actually measured in the future.

The appraisal did not consider the impact of house property disputes and charges possibly generated from the certificate handling on appraised values.

② Description of vehicle ownership

For vehicles (license plate nos.: Su GQU587 and Su GRE732) of Lianyungang Ocean Shipping Co., Ltd. within the scope of appraisal, respective owner recorded in vehicle driving licenses are COSCO (Lianyungang) Liquid Loading & Unloading Equipment Co., Ltd. and COSCO (Lianyungang) Shipyard Co., Ltd. The actual owner is Lianyungang Ocean Shipping Co., Ltd..

For vehicles (license plate nos.: Su G00289, Su G02502, Su G31660, Su G31972 and Su G32225) of COSCO (Lianyungang) Liquid Loading & Unloading Equipment Co., Ltd. within the scope of appraisal, the owner recorded in vehicle driving licenses is Lianyungang Ocean Shipping Co., Ltd.. The actual owner is COSCO (Lianyungang) Liquid Loading & Unloading Equipment Co., Ltd. Vehicle ownership transfer procedures have not been handled yet.

The appraisal did not consider the impact of ownership disputes caused and ownership transfer charges possibly generated from the above matters on appraised values.

③ There are lease disputes between Lianyungang Ocean Shipping Co., Ltd. and the charterer CINGLER SHIP PTE LTD for the vessel "Huiping" during the contract period (31 October 2014). Lianyungang Ocean Shipping Co., Ltd. has submitted the case for arbitration against CINGLER SHIP PTE LTD in Singapore. On 21 July 2015, Lianyungang Ocean Shipping Co., Ltd. received the legal document submitted by CINGLER SHIP PTE LTD to the Supreme Court of Singapore applying for corporate reorganization. As of the base date of appraisal, the legal procedures taken against CINGLER SHIP PTE LTD previously in accordance with Singapore laws were suspended.

The appraisal did not consider the impact of the matter on the result of appraisal.

④ Item no. 1 in the Appraisal Schedule for Intangible Assets - Land Use Rights: the book value is the amount as supplementary grant fee for the warehouse land in 2007. In 2008, Lianyungang Ocean Shipping Co., Ltd. (the assignee) and Lianyungang Land Resources Bureau (the assignor) signed the Grant Contract of Land-use Rights for State-owned Construction Lands (No. 3207012008CR0015). The parcel of land has been changed for commercial and financial land as its purpose, supplementary land grant fee for change of land purpose has been paid, but the state-owned land use certificate has not been changed. In the appraisal, it is appraised as the commercial and financial land.

According to the Grant Contract of Land-use Rights for State-owned Construction Lands, the assignor agreed to commence the works of the parcel of land construction project under the contract items before 26 March 2009 and complete them by 25 March 2012. As of the base date of appraisal, construction works of the parcel of land had not started.

The appraisal did not consider the impact of the matter on the result of appraisal.

⑤ Item no. 3 in the Appraisal Schedule for Intangible assets - Land Use Rights: the book value is the amount as supplementary grant fee for the warehouse land in 2007. In 2008, Lianyungang Ocean Shipping Co., Ltd. (the assignee) and Lianyungang Land Resources Bureau (the assignor) signed the Grant Contract of Land-use Rights for State-owned Construction Lands (No. 3207012008CR0004). The parcel of land has been changed for commercial and financial land as its purpose, supplementary land grant fee for change of land purpose has been paid, but the state-owned land use certificate has not been changed. In the appraisal, it is appraised as the commercial and financial land as well as accommodation and catering land.

⑥ Items no. 2 and 5 in the Appraisal Schedule for Intangible assets - Land Use Rights: the floor-area ratio were not indicated in the Grant Contract of Land-use Rights for State-owned Construction Lands. For the floor-area ratio, the appraisal was done based on the building areas recorded in parcel of land ownership certificates.

⑦ The held-to-maturity investments of Lianyungang Ocean Shipping Co., Ltd. is 0.005% equity of Lianyungang Branch, Bank of Jiangsu Co., Ltd. with the book value of RMB 400,000.00. For the less equity held, the financial data of the company to be appraised was not available. Therefore, the appraisal determined the appraisal value based on the book value.

(3) Qingdao Ocean Manning Co., Ltd

As of the base date of appraisal, upon verification the following vehicles were to be scrapped and shall be confirmed at scrap value during the appraisal. Details are as follows:

No.	Plate number	Name and model of vehicle	Manufacturer	Unit	Quantity	Book value Original value	Net value
1	Lu B-08011	MITSUBISHI space wagon	MITSUBISHI	Set	1	331,225.00	0.00
2	Lu B-05626	CHANGHE Microvan	CHANGHE	Set	1	75,332.00	0.00
3	Lu U-01161	KING LONG Minibus	KING LONG	Set	1	227,647.00	0.00
4	Lu B-13638	HUANGHAI bus	HUANGHAI	Set	1	463,496.00	0.00

(4) COSCO (Qingdao) Ship Supply Company

① As of the base date of appraisal, 10 buildings and structures were included in the appraisal. Of them, 3 have obtained building ownership certificates, and 7 have not obtained building ownership certificates. Details of the unlicensed properties are as follows:

No.	Name of building	Structure	Date of completion	Unit	Building area (m^2)	Book value Original value	Net value
1	Roads and enclosing walls of the factory	Brick-concrete	26/12/2009	Building	2,256	1,858,865.51	1,535,521.09
2	Janitor's room, integrated network and cable project	Brick-concrete	26/12/2009	Building		1,419,203.02	1,173,078.99
3	Fire pump room	Brick-concrete	27/12/2010	Building	260.60	1,419,515.64	1,205,991.78
4	3#, 8# warehouses	Brick-concrete	27/12/2010	Building	3,956.00	10,670,115.16	9,065,112.97
5	Box-type substation project	Brick-concrete	7/11/2007	Building		255,721.58	151,723.88

No.	Name of building	Structure	Date of completion	Unit	Building area (m^2)	Book value Original value	Net value
6	Greening project		27/12/2010	Case		350,000.00	297,352.91
7	Construction of office building	Brick-concrete	27/12/2010	Building	3,778.00	11,464,117.58	9,739,681.13

In the appraisal, the building areas of relevant buildings and structures were determined based on the introduction and materials provided by the appraised company, which may be different from the building areas actually measured in the future. The appraisal did not consider the impact of property disputes and the charges possibly generated from obtaining building ownership certificate on appraised values.

② As of the base date of appraisal, upon verification the following vehicles were to be scrapped and shall be confirmed at scrap value during the appraisal. Details are as follows:

No.	Plate number	Name and model of vehicle	Manufacturer	Unit	Quantity	Book value Original value	Net value
1	Lu B35197	JIE FANG CA5100XXYPK2EA80-3 cargo bus	FAW JIEFANG Qingdao Automotive Factory	Set	1	129,260.00	0.00
2	Lu B85250	JIEFANG CA5120XXYPK2L5-3 cargo bus	JIEFANG	Set	1	132,900.00	0.00
3	Lu BD8099	KING LONGXMQ6116F2B bus	KING LONG	Set	1	414,649.00	0.00
4	Lu B19050	JIEFANG CA5250XXYP4K2L11T3 cargo bus	China First Automobile Works Group	Set	1	221,700.00	0.00

(5) COSCO (Qingdao) Industrial Development Co., Ltd

Other current assets within the scope of the appraisal shall use the net value of disposing land and buildings. Due to the road planning requirements of Qingdao Land Reserve Center, the gas station owned by COSCO (Qingdao) Industrial Development Co., Ltd will be included within the scope of government land reserve. Based on the letter of Qingdao Land Reserve Center, Qing Zheng Chu Han (2012) No. 12, the land compensation for COSCO (Qingdao) Industrial Development Co., Ltd is expected to be RMB 4.36 million and will be received at the end of 2015 or early 2016. Therefore, the appraisal values of other current assets were determined based on RMB 4.36 million.

(6) Single ship company under Zhenhai Shipping Co., Ltd

Mortgage or guarantee of single ship company as of the base date of appraisal were as follows:

No.	Creditor	Debtor	Type of Debt	Name of Debt Contract	Execution Date of Debt Contract	Debt Maturity and Date of Expiry	Third Party Rights (mortgage)	Contract Value (RMB)
1	BNP Paribas	Yu Zhong Hai	Mortgage loan	LOAN AGREEMENT	5.5.2008	30.7.2009 - 11.2.2022	Yu Zhong Hai	138,400,000
2	BNP Paribas	Yu Hua Hai	Mortgage loan	LOAN AGREEMENT	5.5.2008	30.7.2009 - 11.2.2022	Yu Hua Hai	138,400,000
3	Bank of China Hong Kong Branch	Yuan Shun Hai	Mortgage loan	LOAN AGREEMENT	22.6.2009	23.12.2009 - 23.12.2019	Yuan Shun Hai	55,123,200
4	Bank of China Hong Kong Branch	Yuan An Hai	Mortgage loan	LOAN AGREEMENT	22.6.2009	23.12.2009 - 23.12.2019	Yuan An Hai	55,123,200
5	Bank of China Hong Kong Branch	Sea Landa	Mortgage loan	LOAN AGREEMENT	22.6.2009	23.12.2009 - 23.12.2019	Tian Rong Hai	50,000,000
6	Bank of China Hong Kong Branch	Sea Lansa	Mortgage loan	LOAN AGREEMENT	3.6.2010	8.6.2010 - 8.6.2017	Tian Shun Hai	50,000,000
7	COSCO Investment Co., Ltd.	Yuan Ping Hai	Credit loan	LOAN AGREEMENT	11.3.2013	11.3.2013 - 10.9.2022	Credit	USD 13.75 million
8	COSCO Investment Co., Ltd.	Yuan Ning Hai	Credit loan	LOAN AGREEMENT	11.3.2013	11.3.2013 - 10.9.2022	Credit	USD13.75 million

The appraisal did not consider the impact of events possibly generated from the mortgage or guarantee of the loan on appraised values.

(IV) ***Long-term equity investment — (1-3) Prosperity Investment 2011 Limited***

1. As of the base date of appraisal of 30 September 2015, mortgage contracts were signed with the Import and Export Bank of China for nine single ship companies under Prosperity Investment 2011 Limited. Two ships Zhen Zhu Hai under Zhen Zhu Hai Shipping Co., Ltd and Jing Jin Hai under Jing Jin Hai Shipping Co., Ltd, of the single ship companies of Prosperity Investment 2011 Limited) had been mortgaged to the Import and Export Bank of China. As prescribed in the contracts, the following under-construction ships will be converted to mortgage assets after completion and acceptance: one under-construction ship of Feng De Hai Shipping Co., Ltd, one under-construction ship of Hu Po Hai Shipping Co., Ltd, one under-construction ship of Lan Bao Shipping Co., Ltd, one under-construction ship of Ling Bi Hai Shipping Co., Ltd, one under-construction ship of Jing Lu Hai Shipping Co., Ltd, one under-construction ship of Xin Fu Hai Shipping Co., Ltd and one under-construction ship of Feng Xiu Hai Shipping Co., Ltd.

Existing mortgages are as follows:

No.	Creditor	Debtor	Type of Debt	Execution Date of Debt Contract	Debt maturity and expiration time	Mortgage assets
1	Import and Export Bank of China	Jing Jin Hai Shipping Co., Ltd	Bank loan-mortgage	27.8.2015	27.8.2015 - 21.7.2025	Jing Jin Hai
2	Import and Export Bank of China	Zhen Zhu Hai Shipping Co., Ltd	Bank loan-mortgage	27.8.2015	27.8.2015 - 21.7.2025	Zhen Zhu Hai

The appraisal did not consider the impact of events possibly generated from the mortgage of guarantee of the loan on appraised values.

2 Special events of long-term equity investment under Prosperity Investment 2011 Limited

(1) COSCO (H.K.) Shipping Co., Ltd

① As of the base date of appraisal, in the book of the company there is a seven-seat Volvo XC90 T6 with the plate number of Jing JJ9948 and seven-seat business purpose vehicle, Buick SGM6510 GL8 with the plate number of Lu UY5983. Registered owner is not the company, but the actual controller and user of the vehicles is COSCO (H.K.) Shipping Co., Ltd. The appraised company has explained the ownership of above-mentioned vehicles.

The appraisal was conducted based on the assets of COSCO (H.K.) Shipping Co., Ltd, the impact of potential charges of transfer formalities on appraisal results after the base date has not been considered.

② In the appraisal, on-site investigation and identification were carried out for the buildings to check the external conditions of each appraisal object, but only general auxiliary tools and conventional measures were used. Testing or identification using sophisticated or professional devices were not conducted. Due to limited conditions, investigation and observation for hidden parts could not be carried out. Specific situations were appraised based on the introduction of relevant personnel from the appraised company and the experience of appraisers.

Concerning the buildings included in the appraisal, relevant parameters were determined based on the combination of relevant materials provided by the appraised company and the results of on-site investigation carried out by the appraisers.

③ As of the base date of appraisal, single ship companies under COSCO (H.K.) Shipping Co., Ltd had the following mortgages:

No.	Creditor	Debtor	Debt type	Execution Date of Debt Contract	Debt maturity and expiration time	Mortgage asset
1	Bank of China Hong Kong and Bank of China Shenzhen Branch	Hua Hui Shipping Co., Ltd	Bank loan-mortgage	29.9.2009	09.10.2009 - 09.10.2019	China COSCO Angang
2	Bank of China Hong Kong and Bank of China Shenzhen Branch	Guo Tai Shipping Co., Ltd	Bank loan-mortgage	29.9.2009	08.12.2009 - 08.12.2019	He Ping
3	Bank of China Hong Kong and Bank of China Shenzhen Branch	Qi Hang Shipping Co., Ltd	Bank loan-mortgage	29.9.2009	30.09.2009 - 30.09.2019	He Yong
4	Bank of China Hong Kong	Yi Tong Shipping Co., Ltd	Bank loan-mortgage	14.3.2014	14.3.2014	He Ying
5	Bank of China Hong Kong and Bank of China Shenzhen Branch	FOX SHIPPING NAVIGATION INC.	Bank loan-mortgage	29.9.2009	30.11.2009 - 30.11.2019	Hong Yuan
6	Bank of China Hong Kong and Bank of China Shenzhen Branch	Dun He Shipping Co., Ltd	Bank loan-mortgage	29.9.2009	13.10.2009 - 13.10.2019	Hong Yu

No.	Creditor	Debtor	Debt type	Execution Date of Debt Contract	Debt maturity and expiration time	Mortgage asset
7	Bank of China Hong Kong and Bank of China Shenzhen Branch	Dun He Shipping Co., Ltd	Bank loan-mortgage	29.9.2009	18.11.2009 - 18.11.2019	Hong Fu
8	Bank of China Hong Kong and Bank of China Shenzhen Branch	FRUITION CARRIERS CORPORATION S.A.	Bank loan-mortgage	29.9.2009	29.04.2010 - 29.04.2020	Hong Tai
9	Bank of China Hong Kong and Bank of China Shenzhen Branch	YICK JIA MARITIME INC.	Bank loan-mortgage	29.9.2009	29.07.2010 - 29.07.2020	Hong Sheng
10	Bank of China Hong Kong and Bank of China Shenzhen Branch	GALLANTRY SHIPPING CORPORATION S.A.	Bank loan-mortgage	29.9.2009	23.07.2010 - 23.07.2020	Hong Xing
11	Bank of China Hong Kong and Bank of China Shenzhen Branch	Tai Feng Shipping Co., Ltd	Bank loan-mortgage	29.9.2009	31.01.2011 - 14.01.2021	Heng Sheng

The appraisal did not consider the impact of events possibly generated from the mortgage or guarantee of the loan on appraised values.

(2) Yi Feng Shipping Enterprises Co., Ltd

As of the base date of appraisal, in the book of Yi Feng Shipping Enterprises Co., Ltd there were a Benz S320L sedan with the plate number of LU881, a Toyota MNH10RPFPQK Microvan with the plate number of LU991 and a Toyota Alphard 350G business purpose vehicle with the plate number of CH1919. The registered owner of the three vehicles is Newbridge Assets Limited, but the actual controller and user of the vehicles is Yi Feng Shipping Enterprises Co., Ltd. The appraised company has explained about the ownership of above-mentioned vehicles.

The appraisal was carried out based on the assets of Yi Feng Shipping Enterprises Co., Ltd, the impact of potential charges of transfer formalities on appraisal results after the base date has not been considered.

(3) Refined Success Limited

① As of the base date of appraisal, Refined Success Limited had the following guarantees:

No.	Company name	Guarantee amount (USD)	Guarantee event	Time of occurrence	Guaranteed company	Remarks
1	O.W. Bunker Panama S.A./Sea Debt Management S.A.	1,040,000.00	DAI SHAN HAI arrest of ship in Panama Canal	27/4/2015	Refined Success Limited	Cash guarantee
2	Pacific Bulk Cape Company Limited	4,900,436.37	GOLDEN BEIJING lease	9/7/2015	Refined Success Limited	Cash guarantee
3	OMEGAS BULK CO., LTD	4,242,830.00	OMEGAS	2/10/2013	Refined Success Limited/ COSCO Bulk Carrier Co., Ltd.	Bank guarantee

The appraisal did not consider the impact of matters possibly generated from the mortgage or guarantee of the loan on appraised values.

② As of the base date of appraisal, Refined Success Limited had 54 pending litigation matters of different scales. Litigations with expected loss over USD750,000 are listed as follows:

Case No.	Ship name	Case date	Case type	Expected loss (USD)	Remarks
20130067	YICHANGHAI	31/5/2013	Other contract disputes	760,000.00	TCT 146, the lessee defaulted oil fee to the supplier of oil. In the new charter TCT148 voyage number, the supplier of oil detained the vessel of China COSCO Bulk in Ireland.

Case No.	Ship name	Case date	Case type	Expected loss (USD)	Remarks
20130093	OMEGAS	15/8/2013	Rent or freight charges owed	1,203,032.08	China COSCO Bulk was about to return the vessel and deduct all payments in dispute from the rent; the ship-owner believed China COSCO Bulk had no right to deduct the payments in dispute.
20150016	GOLDEN BEIJING	1/12/2014	Dispute of contract frustration	4,985,436.37	The COA contract between China COSCO Bulk and Standard Bank of South Africa, the implementation of cargo voyage charter was blocked and force majeure in November 2014
20150027	GLORY MERCY	24/7/2015	Rent or freight charges owed	750,000.00	MV GLORY MERCY was under long-term leasing of China COSCO Bulk. When the vessel was in Australia to upload aluminum powder, it was retained for a long time due to the failure of passing hold inspection. China COSCO Bulk has proposed that during this period the lease should be stopped or consequential loss shall be claimed.

As of the base date, the Company had accrued USD10,116,684.42 of estimated liabilities for 54 pending litigations. The appraisal did not consider the impact of potential difference between future litigation amount and estimated liabilities accrued by the Company.

(4) Shenzhen Ocean Shipping Co., Ltd

① As of the base date of appraisal, in the book of Shenzhen Ocean Shipping Co., Ltd there was a Toyota Alphard GGH20L-PFTQK2 sedan with the plate number of Yue A9MF23, and the registered owner is Guangzhou Office of COSCO (H.K.) Shipping Co., Ltd. It was because the

Company transferred the vehicle to Guangzhou Office of COSCO (H.K.) Shipping Co., Ltd on September 28, 2015 at the price of RMB 350,000. The change of ownership had been completed, but as of the base date of appraisal, the Company was still handling the handover procedures of fixed assets. The asset has not been written off from the book. In the appraisal, the appraisal value was determined based on the transfer price in the agreement.

② As of the base date of appraisal, Shenzhen Ocean Shipping Co., Ltd had the following mortgages:

No.	Creditor	Debtor	Type of Debt	Execution Date of Debt Contract	Debt maturity and expiration time	Mortgage asset
1	Agricultural Bank of China Shenzhen Guomao Branch	Shenzhen Ocean Shipping Co., Ltd	Bank loan-mortgage	30/12/2013	30/12/2013 - 25/7/2021	Peng Li
2	Agricultural Bank of China Shenzhen Guomao Branch	Shenzhen Ocean Shipping Co., Ltd	Bank loan-mortgage	16/12/2013	16/12/2013 - 25/1/2021	Peng Yu
3	Agricultural Bank of China Shenzhen Guomao Branch	Shenzhen Ocean Shipping Co., Ltd	Bank loan-mortgage	23/12/2013	23/12/2013 - 28/11/2020	Peng An
4	Agricultural Bank of China Shenzhen Guomao Branch	Shenzhen Ocean Shipping Co., Ltd	Bank loan-mortgage	20/1/2014	20/1/2014 - 25/1/2022	Peng De

No.	Creditor	Debtor	Type of Debt	Execution Date of Debt Contract	Debt maturity and expiration time	Mortgage asset
5	Agricultural Bank of China Shenzhen Guomao Branch	Shenzhen Ocean Shipping Co., Ltd	Bank loan-mortgage	10/12/2013	10/12/2013 - 25/7/2020	Peng Tai
6	Agricultural Bank of China Shenzhen Guomao Branch	Shenzhen Ocean Shipping Co., Ltd	Bank loan-mortgage	5/12/2013	5/12/2013 - 28/5/2020	Peng Fu
7	China Construction Bank Shenzhen Garden Show Park Branch	Shenzhen Ocean Shipping Co., Ltd	Bank loan-mortgage	8/9/2010	8/9/2010 - 8/9/2018	Peng Hang
8	Agricultural Bank of China Shenzhen Guomao Branch	Shenzhen Ocean Shipping Co., Ltd	Bank loan-mortgage	18/1/2013	18/1/2013 - 28/8/2019	Peng Jin

The appraisal did not consider the effect of events possibly generated from the mortgage or guarantee of the loan on appraised values.

(5) Shenzhen Shen Yuan International Shipping Agency Co., Ltd

As of the base date of appraisal, based on the document of COSCO Container Lines Company Limited, *Request for Instructions on Share Acquisition of Shenzhen Jing Hua Feng International Cargo Transportation Agency Co., Ltd* (COSCON Strategy [2015] No. 12) and the document of China Ocean Shipping (Group) Company, *Official Reply on Share Acquisition of Shenzhen Jing Hua Feng International Cargo Transportation Agency Co., Ltd to be Carried out by COSCO Container Agencies Ltd* (COSCO Strategy [2015] No. 137), Shenzhen Shen Yuan International Shipping Agency Co., Ltd was no longer on-going company. Users of the appraisal report are reminded that the appraisal did not consider the impact of this matter on the appraisal result.

(6) Shenzhen Xiang Yuan Crew Management Co., Ltd

As of the base date of appraisal, in the book of the company, there was a BMW VBADT61000C sedan with the plate number of Yue A714X1 and a seven-seated Buick business purpose vehicle 3.0 GL8 with the plate number of Yue A451Y3 and a Guangzhou Honda sedan with the plate number of Yue A70668. The company is not the registered obligee, but the actual controller and user is Shenzhen Xiang Yuan Crew Management Co., Ltd, and the appraised company has explained about the ownership of above-mentioned vehicles.

The appraisal was conducted based on the assets of Shenzhen Xiang Yuan Crew Management Co., Ltd, and the impact of potential charges of transfer formalities on appraisal results after the base date has not been considered.

(V) We have investigated the targets of appraisal and the assets involved in the appraisal report, but for the vessels within the appraisal scope which were in operation and navigational status, we could not carry out on-site investigation for all the vessels due to restraints in terms of routes, berthing places and sailing times. For the vessels for which on-site investigation could not be carried out, appraisers implemented appropriate alternative procedures with the support of the owners. Ownership certificates, construction contracts and relevant financial records of these vessels were reviewed to understand the legitimacy and authenticity of the ownership of these vessels. Through discussing with management team of enterprise assets, reviewing vessel inspection reports issued by national vessel inspection departments and referring to technical status materials, repair records, daily maintenance records and operation records, current overall status of the vessels were confirmed.

(VI) Due to insufficient statistical information of relevant market transactions and the lack of basis for analyzing and deciding the influence degree of controlling interest factor and liquidity on the value of the appraisal target, equity premium and liquidity discount were not considered in the appraisal.

Users of the appraisal report should pay attention to impact of the above-mentioned special events on the appraisal results and this economic behavior.

IX. **Assumptions of Appraisal**

This appraisal report and the appraisal conclusion shall rely on the following assumptions of appraisal:

(i) ***Basic assumptions***

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction, and the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open markets assumption. Under the open markets assumption, it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanism and depends on the market quotation rather than an individual transaction. Open market represents a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing and rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In use and continue to use assumption. Under the in use and continue to use assumption, it is assumed that the appraised assets being used would continue to be used in the current utility and way after the change of ownership and the occurrence of asset business.

(ii) ***Specific assumptions***

1. No material changes in the relevant prevailing national and local laws, regulations and policies followed by the appraised entity as well as national macro-economic situation; no material changes in the political, economic or social environment where the parties to the transaction are located; and no material and adverse effects arising from other unpredictable and force majeure factors.

2. It is assumed that the enterprise is on a going concern based on the actual status of assets on the appraisal base date.

3. It is assumed that the existing and future management of the appraised entity fulfill their duties on a bona fide basis and the management of the company has the ability to perform their responsibility, is able to keep the appraised entity running on normal conditions and carry out development plan and production plan as expected.

4. It is assumed that the appraised entity complies with all relevant national laws and regulations in all aspects and there are no material non-compliance events affecting the company's development and revenue.

5. It is assumed that the accounting policies to be implemented by the company in the future are consistent with those used in preparing this report in all material aspects.

6. It is assumed that the business scope, mode and plan are in line with the existing ways based on the current management approach and level.

7. It is assumed that there are no material changes in regulations implemented or determined to be implemented in relation to interest rate, foreign exchange rate, tax basis and tax rate as well as policy charges according to the national laws and regulations.

8. It is assumed that the prescribed period of each existing industry qualification shall be renewed.

9. There are no force majeure and unforeseeable factors causing material and adverse effects on the entity.

According to the requirements of the asset appraisal, these assumptions are recognized to be true as at the appraisal base date. When the economic environment in the future undergoes any relatively material changes, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

The above contents are extracted from the main body of the appraisal report. Please refer to the main body of appraisal report for details of appraisal project and having a reasonable understanding of the appraisal results.

2. THE ASSET APPRAISAL OF SHANGHAI PUHAI SHIPPING LINES CO., LTD.

Summary

I. Economic Behavior Corresponding to the Asset Appraisal

According to the integration plan of China Ocean Shipping (Group) Company (hereinafter referred to as "COSCO") and China Shipping (Group) Company (hereinafter referred to as "CS"), CS plans to transfer its overall container business to China COSCO Holdings Company Limited (hereinafter referred to as "China COSCO"), a subsidiary of COSCO. Among the overall business, container ships and container transportation related assets in respect of container business were transferred into China COSCO by using leases and equity transfer way separately.

The economic behavior of the asset appraisal is that China Shipping Container Lines Company Limited proposed to transfer its 98.2% equity interest in Shanghai Puhai Shipping Lines Co., Ltd, which involves container transportation related assets of the container business.

Such economic behavior has been approved by China Shipping (Group) Company with an issue of the document titled Resolutions at the 47th Meeting of the First Session of the Board of China Shipping (Group) Company (《中國海運(集團)總公司第一屆董事會第四十七次會議決議》) (10 December 2015).

II. Purpose of Appraisal

The purpose of the asset appraisal is to provide a value reference for the economic behavior in relation to the proposed transfer of 98.2% equity interest in Shanghai Puhai Shipping Lines Co., Ltd. held by China Shipping Container Lines Company Limited, involving container transportation related assets of the container business.

III. Subject and Scope of Appraisal

(i) ***Subject of appraisal***

The subject of appraisal is 98.2% equity interest in Shanghai Puhai Shipping Lines Co., Ltd held by China Shipping container Lines Company Limited.

(ii) ***Scope of appraisal***

The scope of appraisal covers all on-balance and off-balance sheet assets and liabilities reported by Shanghai Puhai Shipping Lines Co., Ltd. as at the appraisal base date.

IV. Type of Value

The market value.

V. **Appraisal Base Date**

30 September 2015.

VI. **Appraisal Approaches**

The asset-based approach and the income approach have been adopted for the appraisal, and the appraisal conclusion has been arrived at using the asset-based approach.

VII. **Appraisal Conclusion and its Validity Period**

As at 30 September 2015, the base date of appraisal, the asset book value of Shanghai Puhai Shipping Lines Co., Ltd. is RMB 1,743.2648 million, the liability book value is RMB 1,255.4209 million, net assets book value is RMB 487.8439 million; after appraisal, the asset is RMB 1,622.5593 million, the liability is RMB 1,255.4209 million, the net asset is RMB 367.1384 million. The appraisal value of total assets is less RMB 120.7055 million than the book value, depreciation rate is 6.92%; The appraisal value of net assets is less RMB 120.7055 million than the book value, depreciation rate is 24.74%.

Details follow:

Asset appraisal results summary table
Base date of assets evaluation: 30 September 2015

Appraised Unit: Shanghai Puhai Shipping Lines Co., Ltd.

unit: RMB ten thousand

Project		**Book value**	**Appraisal value**	**Increase or decrease in value**	**Appreciation rate**
		A	**B**	**C=B-A**	**D=C/A×100%**
1	Current assets	128,886.60	128,994.04	107.44	0.08%
2	Non-current assets	45,439.88	33,261.89	-12,177.99	-26.80%
3	Of which: Long-term equity investments	39,065.86	25,703.91	-13,361.95	-34.20%
4	Fixed assets	5,627.76	5,725.53	97.77	1.74%
5	Intangible assets	175.27	1,261.46	1,086.19	619.72%
6	Long-term unamortized expenses	570.99	570.99	0.00	0.00%
7	**Total assets**	**174,326.48**	**162,255.93**	**-12,070.55**	**-6.92%**
8	Current liability	125,542.09	125,542.09	0.00	0.00%
9	**Total liabilities**	**125,542.09**	**125,542.09**	**0.00**	**0.00%**
10	**Net assets (owners equity)**	**48,784.39**	**36,713.84**	**-12,070.55**	**-24.74%**

The appraisal concludes that as at 30 September 2015, the base date of appraisal, Shanghai Puhai Shipping Lines Co., Ltd.'s net assets appraised value was RMB 367.1384 million, which the appraised value of 98.2% equity interests in Shanghai Puhai Shipping Lines Co., Ltd. held by China Shipping Container Lines Company Limited amounted to RMB 360.5299 million.

The appraisal conclusion stated in the appraisal report is valid for one year from 30 September 2015, being the appraisal base date, to 29 September 2016.

VIII. **Special Matters Affecting the Appraisal Conclusion**

(i) As a result of the limitation of objective conditions, evaluators failed to take stock of oil and spare parts in ships. Therefore evaluators took other steps instead. First, they checked the fuel diary of ships with corporate treasurers and related personnel. Then, they checked and ratified the documents and vouchers reported by captain, confirmed the authenticity and rationality of oil and spare parts in ships. This evaluation disregarded the impact caused by those factors.

(ii) Special instructions of the long-term equity investment included in the scope of assessment are as follows:

Special instructions of the Long-term equity investment - Shanghai Puhai (Hong Kong) Shipping Co., Ltd.:

The single-ship company of PH. Xiang Xiu Shipping S.A, the long-term equity investment of Shanghai Puhai (Hong Kong) Shipping Co., Ltd., which was included in the scope of assessment, was closed on August 14, 2015. But, due to the unavailability of the inventory date file, the asset-based method is only used for the overall appraisal, without considering the effect of the matter on the appraisal.

(iii) Because of the lack of sufficient market trade statistics, and the lack of basis for analysis and judgment concerning the effect of controlling stake factors and liquidity on the value of the appraisal target, no premium of the controlling stake or liquidity discount is taken into account in this appraisal.

Users of this report are advised to pay attention to the potential effect of the above special matters on the appraisal conclusion, and effect on the economic behavior.

IX. **Assumptions of Appraisal**

This appraisal report and the appraisal conclusion shall rely on the following assumptions of appraisal:

(i) ***Basic assumptions***

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction, the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open markets assumption. Under the open markets assumption, it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanism and depends on the market quotation rather than an individual transaction. Open market represents a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing and rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In use and continue to use assumption. Under the in use and continue to use assumption, it is assumed that the appraised assets being used would continue to be used in the current utility and way after the change of ownership and the occurrence of asset business.

(ii) ***Specific assumptions***

1. No material changes in the relevant prevailing national and local laws, regulations and policies followed by the appraised entity as well as national macro-economic situation; no material changes in the political, economic or social environment where the parties to the transaction are located; and no material and adverse effects arising from other unpredictable and force majeure factors.

2. It is assumed that the enterprise is on a going concern based on the actual status of assets on the appraisal base date.

3. It is assumed that the existing and future management of the appraised entity fulfill their duties on a bona fide basis and the management of the company has the ability to perform their responsibility, is able to keep the appraised entity running on normal conditions and carry out development plan and production plan as expected.

4. It is assumed that the appraised entity complies with all the relevant national laws and regulations in all aspects and there are no material non-compliance events affecting the company's development and revenue.

5. It is assumed that the accounting policies to be implemented by the company in the future are consistent with those used in preparing this report in all material aspects.

6. It is assumed that the business scope, mode and plan are in line with the existing ways based on the current management approach and level.

7. It is assumed that there are no material changes in regulations implemented or determined to be implemented in relation to interest rate, foreign exchange rate, tax basis and tax rate as well as policy charges according to the national laws and regulations.

8. It is assumed that the prescribed period of each existing industry qualification shall be renewed.

9. There are no force majeure and unforeseeable factors causing material and adverse effects on the entity.

According to the requirements of the asset appraisal, these assumptions are recognized to be true as at the appraisal base date. When the economic environment in the future undergoes any relatively material changes, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

The above contents have been extracted from the text of the asset appraisal report. Please read the text of the asset appraisal report for details of this appraisal project and having a reasonable understanding of the appraisal conclusion.

3. THE ASSET APPRAISAL OF 22 AGENCY COMPANIES

Summary

I. Economic Behavior Corresponding to the Asset Appraisal

The economic behavior of the asset appraisal is that China Shipping Container Lines Company Limited, involving subsidiaries of holding share rights under planned transfer of shareholders' equity in 22 companies including China Shipping Container Lines Dalian Co., Ltd.

Such economic behavior has been approved by China Shipping (Group) Company with an issue of the document titled Resolutions at the 47th Meeting of the First Session of the Board of China Shipping (Group) Company (《中國海運(集團)總公司第一屆董事會第四十七次會議決議》) (10 December 2015).

II. Purpose of Appraisal

According to the integration plan of China Ocean Shipping (Group) Company (hereinafter referred to as "COSCO") and the China Shipping (Group) Company (hereinafter referred to as "CS"), CS plans to transfer its overall container business to China COSCO Holdings Company Limited, a subsidiary of COSCO. Among the overall business, container ships and container transportation related assets in respect of container business are transferred into China COSCO Holdings Company Limited by using leases and equity transfer way separately.

The purpose of the asset appraisal is to provide a value reference for the equity of 22 companies including China Shipping Container Lines Dalian Co., Ltd. held by China Shipping Container Lines Company Limited, involving container transportation related assets of the container business.

III. Subject and Scope of Appraisal

(i) ***The subject of appraisal***

The subject of appraisal is the equity value of 22 companies including China Shipping Container Lines Dalian Co., Ltd. held by China Shipping Container Lines Company Limited. The subject of appraisal as follows:

Number	Name of the invested organization	Shareholding ratio	Note
1	China Shipping Container Lines Dalian Co., Ltd	100%	Dalian company
2	China Shipping Container Lines Tianjin Company Limited	100%	Tianjin company
3	China Shipping Container Lines Qingdao Company Limited	100%	Qingdao company
4	China Shipping Container Lines Shanghai Co., Ltd.	100%	Shanghai company

Number	Name of the invested organization	Shareholding ratio	Note
5	China Shipping Container Lines Xiamen Co., Ltd.	100%	Xiamen company
6	China Shipping Container Lines Guangzhou Co., Ltd.	100%	Guangzhou company
7	China Shipping Container Lines Shenzhen Co., Ltd.	100%	Shenzhen company
8	China Shipping Container Lines Hainan Company Limited	100%	Hainan company
9	China Shipping Container Lines Yingkou Company Limited	10%	The subordinate company of Dalian
10	China Chipping Container Lines Qinhuangdao Company Limited	10%	The subordinate company of Tianjin
11	China Shipping Container Lines Lianyungang Company Limited	10%	The subordinate company of Qingdao
12	China Shipping Container Lines Longkou Company Limited	10%	The subordinate company of Qingdao
13	China Shipping Container Lines Zhejiang Company Limited	45%	The subordinate company of Shanghai
14	China Shipping Container Lines Jiangsu Company Limited	45%	The subordinate company of Shanghai
15	China Shipping Container Lines Quanzhou Company Limited	10%	The subordinate company of Xiamen
16	China Shipping Container Lines Fuzhou Company Limited	10%	The subordinate company of Xiamen
17	China Shipping Container Lines Shantou City Company Limited	10%	The subordinate company of Guangzhou
18	China Shipping Container Lines Zhongshan Company Limited	10%	The subordinate company of Guangzhou
19	China Shipping Container Lines Fangchenggang Company Limited	10%	The subordinate company of guangzhou
20	China shipping container lines Zhanjiang Company Limited	10%	The subordinate company of Guangzhou
21	China Shipping Container Lines Jiangmen Company Limited	10%	The subordinate company of Guangzhou
22	China Shipping Container Lines Dongguan City Company Limited	10%	The subordinate company of Guangzhou

No. 1-8 are the wholly-owned subsidiaries (the secondary company) of China Shipping Container Lines Company Limited. No.9-22 are 14 level 3 companies joint venture set up by aforesaid 8 wholly-owned subsidiaries and China Shipping Container Lines Company Limited, shareholding ratio in 14 level 3 Companies held by 8 wholly-owned subsidiaries are as follow:

Number	Name of the invested organization	Shareholding ratio	Note
9	China Shipping Container Lines Yingkou Company Limited	90%	Held by Dalian Company
10	China Shipping Container Lines Qinhuangdao Company Limited	90%	Held by Tianjin Company
11	China Shipping Container Lines Lianyungang Company Limited	90%	Held by Qingdao Company
12	China Shipping Container Lines Longkou Company Limited	90%	Held by Qingdao Company
13	China Shipping Container Lines Zhejiang Company Limited	55%	Held by Shanghai Company
14	China Shipping Container Lines Jiangsu Company Limited	55%	Held by Shanghai Company
15	China Shipping Container Lines Quanzhou Company Limited	90%	Held by Xiamen Company
16	China Shipping Container Lines Fuzhou Company Limited	90%	Held by Xiamen Company
17	China Shipping Container Lines Shantou City Company Limited	90%	Held by Guangzhou Company
18	China Shipping Container Lines Zhongshan Company Limited	90%	Held by Guangzhou Company
19	China Shipping Container Lines Fangchenggang Company Limited	90%	Held by Guangzhou Company
20	China Shipping Container Lines Zhanjiang Company Limited	90%	Held by Guangzhou Company
21	China Shipping Container Lines Jiangmen Company Limited	90%	Held by Guangzhou Company
22	China Shipping Container Lines Dongguan City Company Limited	90%	Held by Guangzhou Company

(ii) ***Scope of Appraisal***

The scope of appraisal covers all on-balance sheet assets and liabilities reported by afforesaid 8 wholly-owned subsidiaries. Financial statements as at appraisal base date has been audited by certified public accountants.

IV. Type of Value

The market value.

V. Appraisal Base Date

30 September 2015.

VI. Appraisal Approaches

The asset-based approach and the income approach have been adopted for the appraisal, and the appraisal conclusion has been arrived at using the asset-based approach.

VII. **Appraisal Conclusion and its Validity Period**

As at 30 September 2015, the base date of appraisal, the equity evaluation value of 22 companies, including China Shipping Container Lines Dalian Co., Ltd. held by China Shipping Container Lines Company Limited as as follows:

Equity evaluation value table of 22 companies including China Shipping Container Lines Dalian Co., Ltd.

Base date of assets evaluation: 30 September 2015

Monetary Unit: RMB ten thousand yuan

Number	Name of the invested organization	The book net assets	Net assets assessment value	Shareholding ratio	Equity evaluation value	Note
1	China Shipping Container Lines Dalian Co., Ltd.	2,710.81	3,626.84	100%	3,626.84	Dalian company
2	China Shipping Container Lines Tianjin Company Limited	1,694.06	3,603.13	100%	3,603.13	Tianjin company
3	China Shipping Container Lines Qingdao Company Limited	2,612.53	2,024.20	100%	2,024.20	Qingdao company
4	China Shipping Container Lines Shanghai Co., Ltd.	14,213.98	14,756.10	100%	14,756.10	Shanghai company
5	China Shipping Container Lines Xiamen Co., Ltd.	1,832.90	2,351.40	100%	2,351.40	Xiamen company
6	China Shipping Container Lines Guangzhou Co., Ltd.	-990.74	2,744.75	100%	2,744.75	Guangzhou company
7	China Shipping Container Lines Shenzhen Co., Ltd.	3,839.32	3,858.39	100%	3,858.39	Shenzhen company
8	China Shipping Container Lines Hainan Company Limited	1,811.34	2,334.47	100%	2,334.47	Hainan company

Number	Name of the invested organization	The book net assets	Net assets assessment value	Shareholding ratio	Equity evaluation value	Note
9	China Shipping Container Lines Yingkou Company Limited	1,926.66	2,022.12	10%	202.21	The subordinate company of Dalian
10	China Shipping Container Lines Qinhuangdao Company Limited	449.12	449.07	10%	44.91	The subordinate company of Tianjin
11	China Shipping Container Lines Lianyungang Company Limited	-190.19	-169.68	10%	0.00	The subordinate company of Qingdao
12	China Shipping Container Lines Longkou Company Limited	100.29	100.80	10%	10.08	The subordinate company of Qingdao
13	China Shipping Container Lines Zhejiang Company Limited	2,307.37	2,377.86	45%	1,070.04	The subordinate company of Shanghai
14	China Shipping Container Lines Jiangsu Company Limited	778.85	777.59	45%	349.92	The subordinate company of Shanghai
15	China Shipping Container Lines Quanzhou Company Limited	604.60	607.92	10%	60.79	The subordinate company of Xiamen
16	China Shipping Container Lines Fuzhou Company Limited	670.15	671.07	10%	67.11	The subordinate company of Xiamen
17	China Shipping Container Lines Shantou City Company Limited	1,410.13	1,410.70	10%	141.07	The subordinate company of Guangzhou
18	China Shipping Container Lines Zhongshan Company Limited	275.33	281.79	10%	28.18	The subordinate company of Guangzhou

Number	Name of the invested organization	The book net assets	Net assets assessment value	Shareholding ratio	Equity evaluation value	Note
19	China Shipping Container Lines Fangchenggang Company Limited	1,202.48	1,203.38	10%	120.34	The subordinate company of Guangzhou
20	China Shipping Container Lines Zhanjiang Company Limited	977.57	978.66	10%	97.87	The subordinate company of Guangzhou
21	China Shipping Container Lines Jiangmen Company Limited	314.61	314.60	10%	31.46	The subordinate company of Guangzhou
22	China Shipping Container Lines Dongguan City Company Limited	307.03	315.07	10%	31.51	The subordinate company of Guangzhou
Total					**37,554.77**	

The appraisal conclusion stated in the appraisal report is valid for one year from 30 September 2015, being the appraisal base date, to 29 September 2016.

VIII. **Special Matters Affecting the Appraisal Conclusion**

(i) By the appraisal base date, the appraised entity exists the following action items:

1. China Shipping Container Lines Shanghai Co., Ltd.

On July 28, 2015, China Shipping Container Lines Shanghai Co., Ltd. applied to the Shanghai maritime court for compulsory execution, require Anhui Huaiyuan Yongyu Shipping Co., Ltd to pay compensation of RMB 380,000 and its accrued interest, the case number is (2015) Hu Hai Zhi Zi No. 276.

The cause of action: In November 2009, “Jihai 1006” ship occurred a maritime accident that containers fell into the sea caused by strong winds, causing damage to cargo of Jindong Paper (Jiangsu) Co., Ltd (金東紙業(江蘇)股份有限公司). China Shipping Container Lines Shanghai Co., Ltd. claimed damage recourse from Anhui Huaiyuan Yongyu Shipping Co., Ltd (安徽省懷遠縣永裕航運有限責任公司), the actual carrier of “Jihai 1006” ship, after paying compensation to Jindong Paper (Jiangsu) Co., Ltd. According to the (2014) Hu Gao Min Si (Hai) Zhong Zi Di No. 142 civil mediation statement achieved by the China Shipping Container Lines Shanghai Co., Ltd. and Anhui Huaiyuan Yongyu Shipping Co., Ltd, Anhui Huaiyuan Yongyu Shipping Co., Ltd should pay compensation of RMB380,000 to China Shipping Container Lines Shanghai Co., Ltd within 30 days after receipt of the court mediation statement. Due to Anhui Huaiyuan Yongyu Shipping Co., Ltd. failed to pay the due compensation after repeated requests, China Shipping Container Lines Shanghai Co., Ltd. applied to the court for compulsory execution. As of the appraisal base date, the lawsuit has not been resolved.

2. China Shipping Container Lines Zhejiang Company Limited

On September 25, 2015, PICC Property and Casualty Company Limited Ningbo Branch (中國人民財產保險股份有限公司寧波市分公司) filed an action against China Shipping Container Lines Zhejiang Company Limited and China Shipping Container Lines Company Limited, the case number is (2015) Yong Hai Fa Shang Chu Zi Di No. 991. The cause of action: Due to cargo loss and damage caused by bilging of "New Zhengzhou" ship. PICC Property and Casualty Company Limited Ningbo Branch, the insurer of cargo, claimed for subrogation and payment of the damage compensation from China Shipping Container Lines Zhejiang Company Limited and China Shipping Container Lines Company Limited, the carrier and agency of "New Zhengzhou" ship, after paying compensation to Ningbo Jiehua International Logistics Co., Ltd. (寧波傑華國際物流有限公司), the owner of cargo. As of the appraisal base date, the lawsuit has not been resolved.

The assessment has not considered the influence on the evaluation caused by the aforesaid litigation matters.

(ii) By the appraisal base date, the external guarantee made by the appraised entity:

No information.

(iii) Special instructions of fixed assets such as property included in the scope of assessment are as follows:

1. China Shipping Container Lines Hainan Company Limited

By the appraisal base date, there was property in total included in the scope of assessment, the building ownership certificate was not obtained, the details are as follows:

Number	Building name	Structure	Completion date	Floor	Floor height	Floor number	Unit of measurement	Floor area (m^2)
1	7 rooms at 22 floor of Sea International Building	frame	2007	22	3.0m	1	m^2	958.78

(iv) Special instructions of fixed assets such as equipment included in the scope of assessment of are as follows:

For equipment assets, we conducted on-site survey and verification on such assets as the circumstances permitted, only with support of general auxiliary tools and conventional methods, rather than sophisticated or professional devices to test and verify the structure, the actual status is based on information provided by the appraised entity and the judgements from appraisers.

(v) Due to insufficient statistical information of relevant market transactions and the lack of basis for analyzing and deciding the influence degree of controlling interest and non-controlling interest factor and liquidity on the value of the appraised target, controlling interest premium, non-controlling interest discount and liquidity discount were not considered in the appraisal.

Users of this report are advised to pay attention to the potential effect of the above special matters on the appraisal conclusion, and effect on the economic behavior.

IX. **Assumptions of Appraisal**

This appraisal report and the appraisal conclusion shall rely on the following assumptions of appraisal:

(i) ***Basic assumptions***

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction, and the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open markets assumption. Under the open markets assumption, it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanism and depends on the market quotation rather than an individual transaction. Open market represents a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing and rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In use and continue to use assumption. Under the in use and continue to use assumption, it is assumed that the appraised assets being used would continue to be used in the current utility and way after the change of ownership and the occurrence of asset business.

(ii) ***Specific assumptions***

1. No material changes in the relevant prevailing national and local laws, regulations and policies followed by the appraised entity as well as national macro-economic situation; no material changes in the political, economic or social environment where the parties to the transaction are located; and no material and adverse effects arising from other unpredictable and force majeure factors.

2. It is assumed that the enterprise is on a going concern based on the actual status of assets on the appraisal base date.

3. It is assumed that the existing and future management of the appraised entity fulfill their duties on a bona fide basis and the management of the company has the ability to perform their responsibility, is able to keep the appraised entity running on normal conditions and carry out development plan and production plan as expected.

4. It is assumed that the appraised entity complies with all the relevant national laws and regulations in all aspects and there are no material non-compliance events affecting the company's development and revenue.

5. It is assumed that the accounting policies to be implemented by the company in the future are consistent with those used in preparing this report in all material aspects.

6. It is assumed that the business scope, mode and plan are in line with the existing ways based on the current management approach and level.

7. It is assumed that there are no material changes in regulations implemented or determined to be implemented in relation to interest rate, foreign exchange rate, tax basis and tax rate as well as policy charges according to the national laws and regulations.

8. It is assumed that the prescribed period of each existing industry qualification shall be renewed.

9. There are no force majeure and unforeseeable factors causing material and adverse effects on the entity.

According to the requirements of the asset appraisal, these assumptions are recognized to be true as at the appraisal base date. When the economic environment in the future undergoes any relatively material changes, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

The above contents have been extracted from the text of the asset appraisal report. Please read the text of the asset appraisal report for details of this appraisal project and having a reasonable understanding of the appraisal conclusion.

4. THE ASSET APPRAISAL OF CHINA SHIPPING (YANGPU) REFRIGERATION STORAGE & TRANSPORTATION CO., LTD.

Summary

I. Economic Behavior Corresponding to the Asset Appraisal

According to the integration plan of China Ocean Shipping (Group) Company (hereinafter referred to as "COSCO") and China Shipping (Group) Company (hereinafter referred to as "CS"), CS plans to transfer its overall container business to China COSCO Holdings Company Limited (hereinafter referred to as "China COSCO"), a subsidiary of COSCO. Among the overall business, container ships and container transportation related assets into container business are proposed to be transferred to China COSCO by using leases and equity transfer way separately.

The economic behavior of the asset appraisal is that China Shipping Container Lines Company Limited proposed to transfer its 100% equity interest in China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. to China COSCO Holdings Company Limited, which involves container transportation related assets of the container business.

Such economic behavior has been approved by China Shipping (Group) Company with an issue of the document titled Resolutions at the 47th Meeting of the First Session of the Board of China Shipping (Group) Company (《中國海運(集團)總公司第一屆董事會第四十七次會議決議》) (10 December 2015).

II. Purpose of Appraisal

The purpose of the asset appraisal is to provide a value reference for the economic behavior in relation to the proposed transfer of 100% equity interest in China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. held by China Shipping Container Lines Company Limited, which involves container transportation related assets in the container business.

III. Subject and Scope of Appraisal

(i) ***Subject of appraisal***

The subject of appraisal is 100% equity interest in China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd held by China Shipping Container Lines Company Limited.

(ii) ***Scope of appraisal***

The scope of appraisal covers all on-balance and out-balance sheet assets and liabilities reported by China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. as at the appraisal base date.

IV. Type of Value

Market value.

V. **Appraisal Base Date**

30 September 2015.

VI. **Appraisal Approaches**

The asset-based approach and the income approach have been adopted for the appraisal, and the appraisal conclusion has been arrived at using the asset-based approach.

VII. **Appraisal Conclusion and its Validity Period**

The carrying values of the assets, liabilities and net assets of China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. as at 30 September 2015 amounted to RMB26.7069 million , RMB14.5775 million and RMB12.1294 million, respectively, and the appraised values of the same amounted to RMB34.2643 million, RMB14.5775 million and RMB19.6868 million, respectively, representing an increase of RMB7.5574 million or 28.30% as compared to its carrying value and an increase of RMB7.5574 million or 62.31% as compared to its carrying net asset value, respectively.

Details follow:

Asset appraisal results summary table
Base date of assets evaluation: 30 September 2015

Appraised Unit: China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd.

unit: RMB ten thousand

Project		**Book value**	**Appraisal value**	**Increase or decrease in value**	**Appreciation rate**
		A	**B**	**C=B-A**	**D=C/A×100%**
1	Current assets	2,151.08	2,151.08	0.00	0.00%
2	Non-current assets	519.61	1,275.36	755.75	145.45%
3	Including: Long-term equity Investments	200.00	847.72	647.72	323.86%
4	Fixed assets	233.49	329.23	95.74	41.00%
5	Intangible assets	52.52	64.80	12.28	23.38%
6	Long-term unamortized expenses	33.61	33.61	0.00	0.00%
7	**Total assets**	**2,670.69**	**3,426.43**	**755.74**	**28.30%**
8	Current liability	1,451.89	1,451.89	0.00	0.00%
9	Non-current liability	5.86	5.86	0.00	0.00%
10	**Total liabilities**	**1,457.75**	**1,457.75**	**0.00**	**0.00%**
11	**Net assets (owners equity)**	**1,212.94**	**1,968.68**	**755.74**	**62.31%**

The appraisal conclusion is that at 30 September 2015, base date of assets evaluation, China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd.'s net assets assessment value is RMB19.6868 million. Thus, the appraised value of the 100% equity interest in China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. held by China Shipping Container Lines Company Limited is RMB19.6868 million.

The appraisal conclusion stated in the appraisal report is valid for one year from 30 September 2015, being the appraisal base date, to 29 September 2016.

VIII. **Special Matters Affecting the Appraisal Conclusion**

No information.

IX. **Assumptions of Appraisal**

This appraisal report and the appraisal conclusion shall rely on the following assumptions of appraisal:

(i) ***Basic assumptions***

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction, and the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open markets assumption. Under the open markets assumption, it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanism and depends on the market quotation rather than an individual transaction. Open market represents a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing and rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In use and continue to use assumption. Under the in use and continue to use assumption, it is assumed that the appraised assets being used would continue to be used in the current utility and way after the change of ownership and the occurrence of asset business.

(ii) ***Specific assumptions***

1. No material changes in the relevant prevailing national and local laws, regulations and policies followed by the appraised entity as well as national macro-economic situation; no material changes in the political, economic or social environment where the parties to the transaction are located; and no material and adverse effects arising from other unpredictable and force majeure factors.

2. It is assumed that the enterprise is on a going concern based on the actual status of assets on the appraisal base date.

3. It is assumed that the existing and future management of the appraised entity fulfill their duties on a bona fide basis and the management of the company has the ability to perform their responsibility, is able to keep the appraised entity running on normal conditions and carry out development plan and production plan as expected.

4. It is assumed that the appraised entity complies with all the relevant national laws and regulations in all aspects and there are no material non-compliance events affecting the company's development and revenue.

5. It is assumed that the accounting policies to be implemented by the company in the future are consistent with those used in preparing this report in all material aspects.

6. It is assumed that the business scope, mode and plan are in line with the existing ways based on the current management approach and level.

7. It is assumed that there are no material changes in regulations implemented or determined to be implemented in relation to interest rate, foreign exchange rate, tax basis and tax rate as well as policy charges according to the national laws and regulations.

8. It is assumed that the prescribed period of each existing industry qualification shall be renewed.

9. There are no force majeure and unforeseeable factors causing material and adverse effects on the entity.

According to the requirements of the asset appraisal, these assumptions are recognized to be true as at the appraisal base date. When the economic environment in the future undergoes any relatively material changes, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

The above contents have been extracted from the text of the asset appraisal report. Please read the text of the asset appraisal report for details of this appraisal project and having a reasonable understanding of the appraisal conclusion.

5. THE ASSET APPRAISAL OF CSCL (DALIAN) DATA PROCESSING CO., LTD.

Summary

I. **Economic Behavior Corresponding to the Asset Appraisal**

According to the integration plan of China Ocean Shipping (Group) Company (hereinafter referred to as "COSCO") and China Shipping (Group) Company (hereinafter referred to as "CS"), CS plans to transfer it's overall container business to China COSCO Holdings Company Limited (hereinafter referred to as "China COSCO"), a subsidiary of COSCO. Among the overall business, container ships and container transportation related assets in container business are proposed to be transferred to China COSCO by using leases and equity transfer way separately.

The economic behavior of the asset appraisal is to evaluate the 100% equity interest of CSCL (Dalian) Data Processing Co., Ltd. held by China Shipping Container Lines Company Limited, which involves container transportation related-assets in the container business.

Such economic behavior has been approved by China Shipping (Group) Company with an issue of the document titled Resolutions at the 47th Meeting of the First Session of the Board of China Shipping (Group) Company (《中國海運(集團)總公司第一屆董事會第四十七次會議決議》) (10 December 2015).

II. **Purpose of Appraisal**

The purpose of the asset appraisal is to provide a value reference for the economic behavior in relation to proposed transfer of 100% equity interest in CSCL (Dalian) Data Processing Co., Ltd. held by China Shipping Container Lines Company Limited, which involves container transportation related assets in the container business.

III. **Subject and Scope of Appraisal**

The subject of appraisal is 100% equity interest in CSCL (Dalian) Data Processing Co., Ltd.

The scope of appraisal covers all on-balance and off-balance sheet assets and liabilities reported by CSCL (Dalian) Data Processing Co., Ltd..

IV. **Type of Value**

According to the specific circumstance of purpose of appraisal and subject of appraisal, the market value has been adopted for the appraisal.

V. **Appraisal Base Date**

30 September 2015.

VI. **Appraisal Approaches**

The asset-based approach and the income approach have been adopted for the appraisal.

VII. **Appraisal Conclusion and its Validity Period**

The carrying values of the assets, liabilities and net assets of CSCL (Dalian) Data Processing Co., Ltd. as at 30 September 2015 amounted to RMB5.4451 million, RMB0.5888 million and RMB4.8563 million, respectively, and the appraised values of the same amounted to RMB5.4614 million, RMB0.5888 million and RMB4.8726 million, respectively, representing an increase of RMB16,300 or 0.30% as compared to its carrying value and an increase of RMB16,300 or 0.34% as compared to its carrying net asset value, respectively.

Details follow:

Asset appraisal results summary table
Base date of assets evaluation: 30 September 2015

Appraised Unit: CSCL (Dalian) Data Processing Co., Ltd.

unit: RMB ten thousand

	Project	**Book value**	**Appraisal value**	**Increase or decrease in value**	**Appreciation rate**
		A	**B**	**C=B-A**	**D=C/A×100%**
1	**Current assets**	**355.93**	**355.93**	**0.00**	**0.00%**
2	Non-current assets	**188.58**	**190.21**	**1.63**	**0.86%**
3	Including: Fixed assets	54.05	55.68	1.63	3.02%
4	Long-term unamortized expenses	134.53	134.53	0.00	0.00%
5	**Total assets**	**544.51**	**546.14**	**1.63**	**0.30%**
6	Current liability	58.88	58.88	0.00	0.00%
7	Non-current liability				
8	**Total liabilities**	**58.88**	**58.88**	**0.00**	**0.00%**
9	**Net assets (owners equity)**	**485.63**	**487.26**	**1.63**	**0.34%**

The appraisal conclusion is that, CSCL (Dalian) Data Processing Co., Ltd.'s net assets assessment value is RMB4.8726 million. Thus, the appraised value of the 100% equity interest in CSCL (Dalian) Data Processing Co., Ltd. held by China Shipping Container Lines Company Limited is RMB4.8726 million.

This evaluation conclusion only in effect to the purpose of the China Shipping Container Lines Company Limited is proposed to transfer of its 100% interest in CSCL (Dalian) Data Processing Co., Ltd.

The appraisal report is valid for use from 30 September 2015 to 29 September 2016.

VIII. **Special Matters Affecting the Appraisal Conclusion**

No information.

IX. **Assumptions of Appraisal**

This appraisal report and the appraisal conclusion shall rely on the following assumptions of appraisal:

(i) ***Basic assumptions***

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction, and the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open markets assumption. Under the open markets assumption, it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanism and depends on the market quotation rather than an individual transaction. Open market represents a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing, rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In use and continue to use assumption. Under the in use and continue to use assumption, it is assumed that the appraised assets being used would continue to be used in the current utility and way after the change of ownership and the occurrence of asset business.

(ii) ***Specific assumptions***

1. No material changes in the relevant prevailing national and local laws, regulations and policies applicable to the appraised entity as well as national macro-economic situation; no material changes in the political, economic or social environment where the parties to the transaction are located; and no material and adverse effects arising from other unpredictable and force majeure factors.

2. It is assumed that the enterprise is on a going concern based on the actual status of assets on the appraisal base date.

3. It is assumed that the existing and future management of the appraised entity fulfill their duties on a bona fide basis and the management of the company has the ability to perform their responsibility, is able to keep the appraised entity running on normal conditions and carry out development plan and production plan as expected.

4. It is assumed that the appraised entity complies with all the relevant national laws and regulations in all aspects and there are no material non-compliance events affecting the company's development and revenue.

5. It is assumed that the accounting policies to be implemented by the company in the future are consistent with those used in preparing this report in all material aspects.

6. It is assumed that the business scope, mode and plan are in line with the existing ways based on the current management approach and level.

7. It is assumed that there are no material changes in regulations implemented or determined to be implemented in relation to interest rate, foreign exchange rate, tax basis and tax rate as well as policy charges according to the national laws and regulations.

8. It is assumed that the prescribed period of each existing industry qualification shall be renewed.

9. There are no force majeure and unforeseeable factors causing material and adverse effects on the entity.

According to the requirements of the asset appraisal, these assumptions are recognized to be true as at the appraisal base date. When the economic environment in the future undergoes any relatively material changes, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

The above contents have been extracted from the text of the asset appraisal report. Please read the text of the asset appraisal report for details of this appraisal project and having a reasonable understanding of the appraisal conclusion.

6. THE ASSET APPRAISAL OF GOLDEN SEA SHIPPING PTE. LTD.

Summary

I. Economic Behavior Corresponding to the Asset Appraisal

According to the integration plan of China Ocean Shipping (Group) Company (hereinafter referred to as "COSCO") and China Shipping (Group) Company (hereinafter referred to as "CS"), CS plans to transfer its overall container business to China COSCO Holdings Company Limited (hereinafter referred to as "China COSCO"), a subsidiary of COSCO. Among the overall business, container ships and container transportation related assets of the container business to be transferred to China COSCO by using leases and equity transfer way separately.

Economic behavior corresponding to the asset appraisal is that proposed transfer 60% equity interest in Golden Sea Shipping Pte. Ltd. held by China Shipping Container Lines Company Limited, which involved container transportation related assets of the container business.

Such economic behavior has been approved by China Shipping (Group) Company with an issue of the document titled Resolutions at the 47th Meeting of the First Session of the Board of China Shipping (Group) Company (《中國海運(集團)總公司第一屆董事會第四十七次會議決議》) (10 December 2015).

II. Purpose of Appraisal

The purpose of the asset appraisal is to provide a value reference for the economic behavior in relation to the proposed transfer of 60% equity interest in Golden Sea Shipping Pte. Ltd. held by China Shipping Container Lines Company Limited, involving container transportation related assets of the container business. China Shipping Container Lines Company Limited plans to transfer 51% equity interest in Golden Sea Shipping Pte. Ltd. held by it to COSCO Container Lines Co., Ltd., and 9% to China Shipping Regional Holdings Pte. Ltd..

III. Subject and Scope of Appraisal

(i) ***Subject of appraisal***

The subject of appraisal is 51% equity interest and 9% equity interest (sum to 60% equity interest) in Golden Sea Shipping Pte. Ltd. held by China Shipping Container Lines Company Limited.

(ii) ***Scope of appraisal***

The scope of appraisal covers all on-balance and off-balance sheet assets and liabilities reported by Golden Sea Shipping Pte. Ltd. as at the appraisal base date.

IV. Type of Value

Market value.

V. **Appraisal Base Date**

30 September 2015.

VI. **Appraisal Approaches**

The asset-based approach and the income approach have been adopted for the appraisal, and the appraisal conclusion has been arrived at using the asset-based approach.

VII. **Appraisal Conclusion and its Validity Period**

As at 30 September 2015, the asset book value of Golden Sea Shipping Pte. Ltd. was RMB191.1675 million, the liability book value was RMB52.0725 million, the net assets book value was RMB139.0950 million; after appraisal, the asset was RMB191.3588 million, the liability was RMB52.0725 million, and the net asset was RMB139.2862 million. The appraisal value of total assets appreciated by RMB191,200 compared to the book value, with appreciation rate of 0.10%; the appraisal value of net assets appreciated by RMB191,200 compared to the book value, with appreciation rate of 0.14%.

For details, please refer to the following table:

Asset appraisal results summary table
Base date of assets evaluation: 30 September 2015

Appraised Unit: Golden Sea Shipping Pte. Ltd.

unit: RMB ten thousand

Project		**Book value**	**Appraisal value**	**Increase or decrease in value**	**Appreciation rate**
		A	**B**	**C=B-A**	**D=C/A×100%**
1	Current assets	19,033.36	19,035.81	2.45	0.01%
2	Non-current assets	83.38	100.07	16.69	20.02%
3	Including: Fixed assets	83.38	100.07	16.69	20.02%
4	**Total assets**	**19,116.75**	**19,135.88**	**19.12**	**0.10%**
5	Current liability	5,171.73	5,171.73	0.00	0.00%
6	Non-current liability	35.52	35.52	0.00	0.00%
7	**Total liabilities**	**5,207.25**	**5,207.25**	**0.00**	**0.00%**
8	**Net assets (owners equity)**	**13,909.50**	**13,928.62**	**19.12**	**0.14%**

The subject of appraisal is 51% equity interest and 9% equity interest (sum to 60% equity interest) in Golden Sea Shipping Pte. Ltd. held by China Shipping Container Lines Company Limited. As part of the aforesaid container transportation related assets, the appraisal conclusion has been arrived at using the asset-based approach. That is to say, the appraisal conclusion is that at base date of assets evaluation, Golden Sea Shippin Pte. Ltd.'s net assets assessment value was 139.2862 million yuan. Thus, the appraised value of the 51% equity interest and 9% equity interest in Golden Sea Shipping Pte. Ltd. held by China Shipping Container Lines Company Limited was RMB71.0360 million and RMB12.5358 million.

The appraisal conclusion stated in the appraisal report is valid for one year from 30 September 2015, being the appraisal base date, to 29 September 2016.

VIII. **Special Matters Affecting the Appraisal Conclusion**

(i) as a result of the limitation of objective conditions, evaluators failed to take stock of oil in ships and diesel in warehouses; therefore evaluators took other steps instead. First, they checked the fuel diary of ships with corporate treasurers and related personnel. Then, they checked and ratified the captain reported documents and certificated inventory confirmation letter from supplier, confirmed the authenticity and rationality of stock of oil in ships and diesel. This evaluation ignored the impact caused by those factors.

(ii) because of the lack of sufficient market trade statistics and the analysis of the judgment related to controlling stake factors and liquidity, the evaluation has not taken into account a controlling stake in premium and liquidity discount.

Users of this report are advised to pay attention to the potential effect of the above special matters on the appraisal conclusion, and effect on the economic behavior.

IX. **Assumptions of Appraisal**

This appraisal report and the appraisal conclusion shall rely on the following assumptions of appraisal:

(i) ***Basic assumptions***

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction, and the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open markets assumption. Under the open markets assumption, it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanism and depends on the market quotation rather than an individual transaction. Open market represents a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing and rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In use and continue to use assumption. Under the in use and continue to use assumption, it is assumed that the appraised assets being used would continue to be used in the current utility and way after the change of ownership and the occurrence of asset business.

(ii) ***Specific assumptions***

1. No material changes in the relevant prevailing national and local laws, regulations and policies followed by the appraised entity as well as national macro-economic situation; no material changes in the political, economic or social environment where the parties to the transaction are located; and no material and adverse effects arising from other unpredictable and force majeure factors.

2. It is assumed that the enterprise is on a going concern based on the actual status of assets on the appraisal base date.

3. It is assumed that the existing and future management of the appraised entity fulfill their duties on a bona fide basis and the management of the company has the ability to perform their responsibility, is able to keep the appraised entity running on normal conditions and carry out development plan and production plan as expected.

4. It is assumed that the appraised entity complies with all the relevant national laws and regulations in all aspects and there are no material non-compliance events affecting the company's development and revenue.

5. It is assumed that the accounting policies to be implemented by the company in the future are consistent with those used in preparing this report in all material aspects.

6. It is assumed that the business scope, mode and plan are in line with the existing ways based on the current management approach and level.

7. It is assumed that there are no material changes in regulations implemented or determined to be implemented in relation to interest rate, foreign exchange rate, tax basis and tax rate as well as policy charges according to the national laws and regulations.

8. It is assumed that the prescribed period of each existing industry qualification shall be renewed.

9. There are no force majeure and unforeseeable factors causing material and adverse effects on the entity.

According to the requirements of the asset appraisal, these assumptions are recognized to be true as at the appraisal base date. When the economic environment in the future undergoes any relatively material changes, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

The above contents have been extracted from the text of the asset appraisal report. Please read the text of the asset appraisal report for details of this appraisal project and having a reasonable understanding of the appraisal conclusion.

7. THE ASSET APPRAISAL OF CHINA SHIPPING CONTAINER LINES (HONGKONG) AGENCY CO., LIMITED

Summary

I. Economic Behavior Corresponding to the Asset Appraisal

According to the integration plan of China Ocean Shipping (Group) Company (hereinafter referred to as "COSCO") and China Shipping (Group) Company (hereinafter referred to as "CS"), CS plans to transfer its overall container business to China COSCO Holdings Company Limited (hereinafter referred to as "China COSCO"), a subsidiary of COSCO. Among the overall business, container ships and container transportation related assets of the container business are proposed to be transferred to China COSCO by using leases and equity transfer way separately.

The purpose of the asset appraisal is to provide a value reference for the economic behavior in relation to the proposed transfer of 100% equity interest in China Shipping Container Lines (Hongkong) Agency Co., Limited held by of China Shipping Container Lines (Hong Kong) Co., Limited, which involves container transportation related assets of the container business.

Such economic behavior has been approved by China Shipping (Group) Company with an issue of the document titled Resolutions at the 47th Meeting of the First Session of the Board of China Shipping (Group) Company (《中國海運(集團)總公司第一屆董事會第四十七次會議決議》) (10 December 2015).

II. Purpose of Appraisal

The purpose of the asset appraisal is to provide a value reference for the economic behavior in relation to the proposed transfer of 100% equity interest in China Shipping Container Lines (Hongkong) Agency Co., Limited held by China Shipping Container Lines (Hong Kong) Co., Limited, which involves container transportation related assets of the container business.

III. Subject and Scope of Appraisal

(i) ***Subject of appraisal***

The subject of appraisal is 100% equity interest in China Shipping Container lines (Hongkong) Agency Co., Limited.

(ii) ***Scope of appraisal***

The scope of appraisal covers all on-balance and out-balance sheet assets and liabilities reported by China Shipping Container Lines (Hongkong) Agency Co., Limited as at the appraisal base date.

IV. **Type of Value**

Market value.

V. **Appraisal Base Date**

30 September 2015.

VI. **Appraisal Approaches**

The asset-based approach and the income approach have been adopted for the appraisal, and the appraisal conclusion has been arrived at using the asset-based approach.

VII. **Appraisal Conclusion and its Validity Period**

As at 30 September 2015, the asset book value of China Shipping Container Lines (Hongkong) Agency Co., Limited was RMB269.0599 million, the liability book value was RMB234.0016 million, net assets book value was RMB35.0583 million; after appraisal,the asset was RMB269.6722 million, the liability was RMB234.0016 million, the Net asset was RMB35.6706 million. Net assets value was RMB0.6123 million greater than the book value, appreciation rate was 0.23%. Net assets assessment value was RMB0.6123 million than the book value, appreciation rate was 1.75%.

Details follow:

Asset appraisal results summary table
Base date of assets evaluation: 30 September 2015

Appraised Unit: China Shipping Container Lines (Hongkong) Agency Co., Limited

unit: RMB ten thousand

Project		**Book value A**	**Appraisal value B**	**Increase or decrease in value C=B-A**	**Appreciation rate D=C/A×100%**
1	Current assets	26,388.69	26,388.69	0.00	0.00%
2	Non-current assets	517.30	578.53	61.23	11.84%
3	Including: fixed assets	30.34	91.12	60.78	200.33%
4	Intangible assets	2.26	2.70	0.44	19.47%
5	long-term unamortized expenses	481.26	481.26	0.00	0.00%
6	deferred income tax assets	3.45	3.45	0.00	0.00%
7	**Total assets**	**26,905.99**	**26,967.22**	**61.23**	**0.23%**
8	Current liability	23,400.16	23,400.16	0.00	0.00%
9	**Total Liabilities**	**23,400.16**	**23,400.16**	**0.00**	**0.00%**
10	**Net assets (Owners equity)**	**3,505.83**	**3,567.06**	**61.23**	**1.75%**

The appraisal conclusion is that as at 30 September 2015, the appraisal base date, China Shipping Container Lines (Hongkong) Agency Co., Limited's net assets assessment value was RMB35.6706 million. Thus, the appraised value of the 100% equity interest in China Shipping Container Lines (Hongkong) Agency Co., Limited held by China Shipping Container Lines (Hong Kong) Co., Limited was RMB35.6706 million.

The appraisal conclusion stated in the appraisal report is valid for one year from 30 September 2015, being the appraisal base date, to 29 September 2016.

VIII. **Special Matters Affecting the Appraisal Conclusion**

Included in the scope of assessment of fixed assets such as equipment special instructions are as follows:

As of the appraisal base date, in the book of China Shipping Container Lines (Hong Kong) Agency Co., Limited, there was a Toyota ALPHARD 350 GGH20RPFTSK commercial vehicle with the plate number of CS8100, the registered owner is China Shipping Container Lines (Hong Kong) Co., Limited, which is not in line with the company's name, but the actual controller and user of the vehicle is the company. The company has provided a statement of the ownership. As of the appraisal base date, Mercedes S500L sedan with the plate number of 2866 could not run normally, and the company is applying for the scrapping procedure.

Because of lack of sufficient market trade statistics and basis for analyzing and deciding the influence degree of controlling interest factor and liquidity on the value of the appraised target, the evaluation did not take into account liquidity discount.

Users of this report are advised to pay attention to the potential effect of the above special matters on the appraisal conclusion, and effect on the economic behavior.

IX. **Assumptions of Appraisal**

This appraisal report and the appraisal conclusion shall rely on the following assumptions of appraisal:

(i) ***Basic assumptions***

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction and the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open markets assumption. Under the open markets assumption, it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanism and depends on the market quotation rather than an individual transaction. Open market represents a competitive market with

adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing and rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In use and continue to use assumption. Under the in use and continue to use assumption, it is assumed that the appraised assets being used would continue to be used in the current utility and way after the change of ownership and the occurrence of asset business.

(ii) ***Specific assumptions***

1. No material changes in the relevant prevailing national and local laws, regulations and policies followed by the appraised entity as well as national macro-economic situation; no material changes in the political, economic or social environment where the parties to the transaction are located; and no material and adverse effects arising from other unpredictable and force majeure factors.

2. It is assumed that the enterprise is on a going concern based on the actual status of assets on the appraisal base date.

3. It is assumed that the existing and future management of the appraised entity fulfill their duties on a bona fide basis and the management of the company has the ability to perform their responsibility, is able to keep the appraised entity running on normal conditions and carry out development plan and production plan as expected.

4. It is assumed that the appraised entity complies with all the relevant national laws and regulations in all aspects and there are no material non-compliance events affecting the company's development and revenue.

5. It is assumed that the accounting policies to be implemented by the company in the future are consistent with those used in preparing this report in all material aspects.

6. It is assumed that the business scope, mode and plan are in line with the existing ways based on the current management approach and level.

7. It is assumed that there are no material changes in regulations implemented or determined to be implemented in relation to interest rate, foreign exchange rate, tax basis and tax rate as well as policy charges according to the national laws and regulations.

8. It is assumed that the prescribed period of each existing industry qualification shall be renewed.

9. There are no force majeure and unforeseeable factors causing material and adverse effects on the entity.

According to the requirements of the asset appraisal, these assumptions are recognized to be true as at the appraisal base date. When the economic environment in the future undergoes any relatively material changes, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

The above contents have been extracted from the text of the asset appraisal report. Please read the text of the asset appraisal report for details of this appraisal project and having a reasonable understanding of the appraisal conclusion.

8. THE ASSET APPRAISAL OF CHINA SHIPPING CONTAINER LINES AGENCY (SHENZHEN) CO., LTD.

Summary

I. Economic Behavior Corresponding to the Asset Appraisal

According to the integration plan of China Ocean Shipping (Group) Company (hereinafter referred to as "COSCO") and China Shipping (Group) Company (hereinafter referred to as "CS"), CS plans to transfer its overall container business to China COSCO Holdings Company Limited, a subsidiary of COSCO. Among the overall business, container ships and container transportation related assets in respect of container business will be transferred into China COSCO Holdings Company Limited by using leases and equity transfer way separately.

The purpose of the asset appraisal is to provide a value reference for the economic behavior in relation to the proposed transfer of 100% equity interest in China Shipping Container Lines Agency (Shen Zhen) Co., Ltd. held by China Shipping Container Lines (Hong Kong) Co., Limited, involving container transportation related assets of the container business.

Such economic behavior has been approved by China Shipping (Group) Company with an issue of the document titled Resolutions at the 47th Meeting of the First Session of the Board of China Shipping (Group) Company (《中國海運(集團)總公司第一屆董事會第四十七次會議決議》) (10 December 2015).

II. Purpose of Appraisal

The purpose of the asset appraisal is to provide a value reference for the economic behavior in relation to the proposed transfer of 100% equity interest in China Shipping Container Lines Agency (Shenzhen) Co., Ltd. held by China Shipping Container Lines (Hong Kong) Co., Limited, involving container transportation related assets of the container business.

III. Subject and Scope of Appraisal

(i) ***Subject of appraisal***

The subject of appraisal is 100% equity interest in China Shipping Container Lines Agency (Shenzhen) Co., Ltd.

(ii) ***Scope of appraisal***

The scope of appraisal covers all on-balance and off-balance sheet assets and liabilities reported by China Shipping Container Lines Agency (Shenzhen) Co., Ltd. as at the appraisal base date.

IV. Type of Value

Market value.

V. **Appraisal Base Date**

30 September 2015.

VI. **Appraisal Approaches**

The asset-based approach has been adopted for the appraisal.

VII. **Appraisal Conclusion and its Validity Period**

The carrying values of the assets, liabilities and net assets of China Shipping Container Lines Agency (Shenzhen) Co., Ltd. as at 30 September 2015, the appraisal base date, amounted to RMB36.7984 million, RMB21.8237 million and RMB14.9747 million, respectively, and the appraised values of the same amounted to RMB36.9978 million, RMB21.8237 million and RMB15.1741 million, respectively, representing an increase of RMB0.1994 million or 0.54% as compared to its carrying value and an increase of RMB0.1994 million or 1.33% as compared to its carrying net asset value, respectively.

Details follow:

Asset appraisal results summary table
Base date of assets evaluation: 30 September 2015

Appraised Unit: China Shipping Container Lines Agency (Shenzhen) Co., Ltd.

unit: RMB ten thousand

Project		**Book value**	**Appraisal value**	**Increase or decrease in value**	**Appreciation rate**
		A	**B**	**C=B-A**	**D=C/A×100%**
1	Current assets	3,579.41	3,579.41	0.00	0.00%
2	Non-current assets	100.44	120.38	19.94	19.85%
3	Of which: Fixed assets	100.44	120.38	19.94	19.85%
4	**Total assets**	**3,679.84**	**3,699.78**	**19.94**	**0.54%**
5	Current liability	2,182.37	2,182.37	0.00	0.00%
6	Non-current liability				
7	**Total liabilities**	**2,182.37**	**2,182.37**	**0.00**	**0.00%**
8	**Net assets (owners equity)**	**1,497.47**	**1,517.41**	**19.94**	**1.33%**

The appraisal conclusion is that as at 30 September 2015, the appraisal base date, China Shipping Container Lines Agency (Shenzhen) Co., Ltd.'s net assets assessment value was RMB15.1741 million. The appraised value of the 100% equity interest in China Shipping Container Agency (Shenzhen) Co., Ltd. was RMB15.1741 million.

The appraisal conclusion stated in the appraisal report is valid for one year from 30 September 2015, being the appraisal base date, to 29 September 2016.

VIII. **Special Matters Affecting the Appraisal Conclusion**

No information.

IX. **Assumptions of Appraisal**

This appraisal report and the appraisal conclusion shall rely on the following assumptions of appraisal:

(i) ***Basic assumptions***

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction and the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open markets assumption. Under the open markets assumption, it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanism and depends on the market quotation rather than an individual transaction. Open market represents a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing and rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In use and continue to use assumption. Under the in use and continue to use assumption, it is assumed that the appraised assets being used would continue to be used in the current utility and way after the change of ownership and the occurrence of asset business.

(ii) ***Specific assumptions***

1. No material changes in the relevant prevailing national and local laws, regulations and policies followed by the appraised entity as well as national macro-economic situation; no material changes in the political, economic or social environment where the parties to the transaction are located; and no material and adverse effects arising from other unpredictable and force majeure factors.

2. It is assumed that the enterprise is on a going concern based on the actual status of assets on the appraisal base date.

3. It is assumed that the existing and future management of the appraised entity fulfill their duties on a bona fide basis and the management of the company has the ability to perform their responsibility, is able to keep the appraised entity running on normal conditions and carry out development plan and production plan as expected.

4. It is assumed that the appraised entity complies with all the relevant national laws and regulations in all aspects and there are no material non-compliance events affecting the company's development and revenue.

5. It is assumed that the accounting policies to be implemented by the company in the future are consistent with those used in preparing this report in all material aspects.

6. It is assumed that the business scope, mode and plan are in line with the existing ways based on the current management approach and level.

7. It is assumed that there are no material changes in regulations implemented or determined to be implemented in relation to interest rate, foreign exchange rate, tax basis and tax rate as well as policy charges according to the national laws and regulations.

8. It is assumed that the prescribed period of each existing industry qualification shall be renewed.

9. There are no force majeure and unforeseeable factors causing material and adverse effects on the entity.

According to the requirements of the asset appraisal, these assumptions are recognized to be true as at the appraisal base date. When the economic environment in the future undergoes any relatively material changes, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

The above contents have been extracted from the text of the asset appraisal report. Please read the text of the asset appraisal report for details of this appraisal project and having a reasonable understanding of the appraisal conclusion.

9. THE ASSET APPRAISAL OF UNIVERSAL SHIPPING (ASIA) COMPANY LIMITED

Summary

I. Economic Behavior Corresponding to the Asset Appraisal

The economic behavior of the asset appraisal is according to the integration plan of China Ocean Shipping (Group) Company (hereinafter referred to as "COSCO") and China Shipping (Group) Company (hereinafter referred to as "CS"), CS plans to transfer its overall container business to China COSCO Holdings Company Limited (hereinafter referred to as "China COSCO"), a subsidiary of COSCO. Among the overall business, container ships and container transportation related assets refers to container business proposed to be transferred to China COSCO Holdings Company Limited by using leases and equity transfer way separately.

The subject of the asset appraisal is the 100% equity interest of the Universal Shipping (Asia) Company Limited held by China Shipping Container Lines (Hong Kong) Co., Limited, involving container transportation related assets of the container business.

Such economic behavior has been approved by China Ocean Shipping (Group) Company with an issue of the document titled Resolutions at the 47th Meeting of the First Session of the Board of China Ocean Shipping (Group) Company (《中國遠洋運輸(集團)總公司第一屆董事會第四十七次會議決議》) (December 10, 2015).

II. Purpose of Appraisal

The purpose of the asset appraisal is to provide a value reference for the 100% equity interest of the Universal Shipping (Asia) Company Limited held by China Shipping Container Lines (Hong Kong) Co., Limited, which involves container transportation related assets of the container business.

III. Subject and Scope of Appraisal

(i) ***Subject of appraisal***

The subject of appraisal is 100% equity interest in Universal Shipping (Asia) Company Limited.

(ii) ***Scope of appraisal***

The scope of appraisal covers all on-balance and out-balance sheet assets and liabilities reported by Universal Shipping (Asia) Company Limited as at the appraisal base date.

IV. Type of Value

Market value.

V. **Appraisal Base Date**

30 September 2015.

VI. **Appraisal Approaches**

The income approach and the asset-based approach have been adopted for the appraisal, and the appraisal conclusion has been arrived at using the asset-based approach.

VII. **Appraisal Conclusion and its Validity Period**

As at 30 September 2015, the asset book value of Universal Shipping (Asia) Company Limited was RMB176.1801 million, the liability book value was RMB58.4784 million, net assets book value was RMB117.7017 million; after appraisal, the asset was RMB182.7697 million, the liability was RMB58.4784 million, the net asset was RMB124.2913 million. Total assets value RMB6.5896 million greater than the book value, with appreciation rate of 3.74%; net assets assessment value was RMB6.5896 million greater than the book value, with appreciation rate of 5.60%.

Details follow:

Asset appraisal results summary table
Base date of assets evaluation: 30 September 2015

Appraised Entity: Universal Shipping (Asia) Company Limited

unit: RMB ten thousand

Project		**Book value**	**Appraisal value**	**Increase or decrease in value**	**Appreciation rate**
		A	**B**	**C=B-A**	**D=C/A×100%**
1	Current assets	17,538.18	17,919.86	381.68	2.18%
2	Non-current assets	79.83	357.11	277.28	347.34%
3	Including: Fixed assets	0.81	3.62	2.81	346.91%
4	Intangible assets	75.72	350.19	274.47	362.48%
5	Deferred income tax assets	3.30	3.30	0.00	0.00%
6	**Total assets**	**17,618.01**	**18,276.97**	**658.96**	**3.74%**
7	Current liability	5,847.84	5,847.84	0.00	0.00%
8	**Total liabilities**	**5,847.84**	**5,847.84**	**0.00**	**0.00%**
9	**Net assets (owners equity)**	**11,770.17**	**12,429.13**	**658.96**	**5.60%**

The appraisal conclusion is that at 30 September 2015, base date of assets evaluation, Universal Shipping (Asia) Company Limited's net assets assessment value was RMB124.2913 million. Thus, the appraised value of the 100% equity interest in Universal Shipping (Asia) Company Limited held by China Shipping Container Lines (Hong Kong) Co., Limited was RMB124.2913 million.

The appraisal conclusion stated in the appraisal report is valid for one year from 30 September 2015, being the appraisal base date, to 29 September 2016.

VIII. **Special Matters Affecting the Appraisal Conclusion**

(i) In evaluation of inventory, because the ships navigated in different places, evaluators failed to take stock of oil in ships and oil in warehouses. Therefore evaluators took other steps instead. First, they checked the fuel diary of ships with corporate treasurers and related personnel. Then, they checked and ratified the documents reported by captain and certificated inventory confirmation letter from supplier and confirmed the authenticity and rationality of ships. This evaluation disregarded the impact caused by those factors.

(ii) Because of the lack of sufficient market trade statistics and the analysis of the judgment related to minority stake and controlling stake factors and liquidity, the evaluation has not taken into account a minority stake in discount and a controlling stake in premium and liquidity discount.

Users of this report are advised to pay attention to the potential effect of the above special matters on the appraisal conclusion, and effect on the economic behavior.

IX. **Assumptions of Appraisal**

This appraisal report and the appraisal conclusion shall rely on the following assumptions of appraisal:

(i) ***Basic assumptions***

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction, and the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open markets assumption. Under the open markets assumption and it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanism and depends on the market quotation rather than an individual transaction. Open market represents a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing and rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In use and continue to use assumption. Under the in use and continue to use assumption, it is assumed that the appraised assets being used would continue to be used in the current utility and way after the change of ownership and the occurrence of asset business.

(ii) ***Specific assumptions***

1. No material changes in the relevant prevailing national and local laws, regulations and policies followed by the appraised entity as well as national macro-economic situation; no material changes in the political, economic or social environment where the parties to the transaction are located; and no material and adverse effects arising from other unpredictable and force majeure factors.

2. It is assumed that the enterprise is on a going concern based on the actual status of assets on the appraisal base date.

3. It is assumed that the existing and future management of the appraised entity fulfill their duties on a bona fide basis and the management of the company has the ability to perform their responsibility, is able to keep the appraised entity running on normal conditions and carry out development plan and production plan as expected.

4. It is assumed that the appraised entity complies with all the relevant national laws and regulations in all aspects and there are no material non-compliance events affecting the company's development and revenue.

5. It is assumed that the accounting policies to be implemented by the company in the future are consistent with those used in preparing this report in all material aspects.

6. It is assumed that the business scope, mode and plan are in line with the existing ways based on the current management approach and level.

7. It is assumed that there are no material changes in regulations implemented or determined to be implemented in relation to interest rate, foreign exchange rate, tax basis and tax rate as well as policy charges according to the national laws and regulations.

8. It is assumed that the prescribed period of each existing industry qualification shall be renewed.

9. There are no force majeure and unforeseeable factors causing material and adverse effects on the entity.

According to the requirements of the asset appraisal, these assumptions are recognized to be true as at the appraisal base date. When the economic environment in the future undergoes any relatively material changes, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

The above contents have been extracted from the text of the asset appraisal report. Please read the text of the asset appraisal report for details of this appraisal project and having a reasonable understanding of the appraisal conclusion.

10. THE ASSET APPRAISAL OF UNIVERSAL LOGISTICS (SHENZHEN) CO., LTD.

Summary

I. Economic Behavior Corresponding to the Asset Appraisal

The economic behavior of the asset appraisal is according to the integration plan of China Ocean Shipping (Group) Company (hereinafter referred to as "COSCO") and China Shipping (Group) Company (hereinafter referred to as "CS"), CS plans to transfer its overall container business to China COSCO Holdings Company Limited (hereinafter referred to as "China COSCO"), a subsidiary of COSCO. Among the overall business, container ships and container transportation related assets of the container business transfer into China COSCO Holdings Company Limited by using leases and equity transfer way separately.

The subject of the asset appraisal is the economic behavior in relation to the proposed transfer of 100% equity interest in Universal Logistics (Shenzhen) Co., Ltd. held by China Shipping Container Lines (Hong Kong) Co., Limited, which involves container transportation related assets of the container business.

Such economic behavior has been approved by China Ocean Shipping (Group) Company with an issue of the document titled Resolutions at the 47th Meeting of the First Session of the Board of China Ocean Shipping (Group) Company (《中國遠洋運輸(集團)總公司第一屆董事會第四十七次會議決議》) (December 10, 2015).

II. Purpose of Appraisal

The purpose of the asset appraisal is to provide a value reference for the economic behavior in relation to the proposed transfer of 100% equity interest in Universal Logistics (Shenzhen) Co., Ltd. held by China Shipping Container Lines (Hong Kong) Co., Limited, which involves container transportation related assets of the container business.

III. Subject and Scope of Appraisal

(i) ***Subject of appraisal***

The subject of appraisal is 100% equity interest in Universal Logistics (Shenzhen) Co., Ltd. held by China Shipping Container Lines (Hong Kong) Co., Limited.

(ii) ***Scope of appraisal***

The scope of appraisal covers all on-balance and out-balance sheet assets and liabilities reported by Universal Logistics (Shenzhen) Co., Ltd. as at the appraisal base date.

IV. Type of Value

Market value.

V. **Appraisal Base Date**

The appraisal base date was 30 September 2015.

VI. **Appraisal Approaches**

The income approach and the asset-based approach have been adopted for the appraisal, and the appraisal conclusion has been arrived at using the asset-based approach.

VII. **Appraisal Conclusion and its Validity Period**

As at 30 September 2015, the asset book value of Universal Logistics (Shenzhen) Co., Ltd. was RMB118.3085 million, the liability book value was RMB109.8090 million, net assets book value was RMB8.4995 million; after appraisal, the asset was RMB118.8606 million, the liability was RMB109.8090 million, the net asset was RMB9.0516 million. Total assets value was RMB0.5521 million greater than the book value, with appreciation rate of 0.47%; net assets assessment value was RMB0.5521 million greater than the book value, with appreciation rate of 6.50%.

Details follow:

Asset appraisal results summary table
Base date of assets evaluation: 30 September 2015

Appraised Entity: Universal Logistics (Shenzhen) Co., Ltd.

unit: RMB ten thousand

	Project	**Book value**	**Appraisal value**	**Increase or decrease in value**	**Appreciation rate**
		A	**B**	**C=B-A**	**D=C/A×100%**
1	Current assets	11,727.76	11,727.76	0.00	0.00%
2	Non-current assets	103.09	158.30	55.21	53.56%
3	Including: Fixed assets	103.09	158.30	55.21	53.56%
4	**Total assets**	**11,830.85**	**11,886.06**	**55.21**	**0.47%**
5	Current liability	10,980.90	10,980.90	0.00	0.00%
6	**Total liabilities**	**10,980.90**	**10,980.90**	**0.00**	**0.00%**
7	**Net assets (owners equity)**	**849.95**	**905.16**	**55.21**	**6.50%**

The appraisal conclusion is that at 30 September 2015, base date of assets evaluation, Universal Logistics (Shenzhen) Co., Ltd.'s net assets assessment value was RMB9.0516 million. Thus, the appraised value of the 100% equity interest in Universal Logistics (Shenzhen) Co., Ltd. held by China Shipping Container Lines (Hong Kong) Co., Limited was RMB9.0516 million.

The appraisal conclusion stated in the appraisal report is valid for one year from 30 September 2015, being the appraisal base date, to 29 September 2016.

VIII. **Special Matters Affecting the Appraisal Conclusion**

Because of the lack of sufficient market trade statistics and the analysis of the judgment related to minority stake and controlling stake factors and liquidity, the evaluation has not taken into account the minority stake in discount and a controlling stake in premium and liquidity discount.

Users of this report are advised to pay attention to the potential effect of the above special matters on the appraisal conclusion, and effect on the economic behavior.

IX. **Assumptions of Appraisal**

This appraisal report and the appraisal conclusion shall rely on the following assumptions of appraisal:

(i) ***Basic assumptions***

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction and the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open markets assumption. Under the open markets assumption, it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanism and depends on the market quotation rather than an individual transaction. Open market represents a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing and rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In use and continue to use assumption. Under the in use and continue to use assumption, it is assumed that the appraised assets being used would continue to be used in the current utility and way after the change of ownership and the occurrence of asset business.

(ii) ***Specific assumptions***

1. No material changes in the relevant prevailing national and local laws, regulations and policies followed by the appraised entity as well as national macro-economic situation; no material changes in the political, economic or social environment where the parties to the transaction are located; and no material and adverse effects arising from other unpredictable and force majeure factors.

2. It is assumed that the enterprise is on a going concern based on the actual status of assets on the appraisal base date.

3. It is assumed that the existing and future management of the appraised entity fulfill their duties on a bona fide basis and the management of the company has the ability to perform their responsibility, is able to keep the appraised entity running on normal conditions and carry out development plan and production plan as expected.

4. It is assumed that the appraised entity complies with all the relevant national laws and regulations in all aspects and there are no material non-compliance events affecting the company's development and revenue.

5. It is assumed that the accounting policies to be implemented by the company in the future are consistent with those used in preparing this report in all material aspects.

6. It is assumed that the business scope, mode and plan are in line with the existing ways based on the current management approach and level.

7. It is assumed that there are no material changes in regulations implemented or determined to be implemented in relation to interest rate, foreign exchange rate, tax basis and tax rate as well as policy charges according to the national laws and regulations.

8. It is assumed that the prescribed period of each existing industry qualification shall be renewed.

9. There are no force majeure and unforeseeable factors causing material and adverse effects on the entity.

According to the requirements of the asset appraisal, these assumptions are recognized to be true as at the appraisal base date. When the economic environment in the future undergoes any relatively material changes, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

The above contents have been extracted from the text of the asset appraisal report. Please read the text of the asset appraisal report for details of this appraisal project and having a reasonable understanding of the appraisal conclusion.

11. THE ASSET APPRAISAL OF ANGANG VEHICLE TRANSPORTATION CO., LTD.

Summary

I. Economic Behavior Corresponding to the Asset Appraisal

According to the integration plan of China Ocean Shipping (Group) Company (hereinafter referred to as "COSCO") and China Shipping (Group) Company (hereinafter referred to as "CS"), CS plans to transfer its overall container business to China COSCO Holdings Company Limited (hereinafter referred to as "China COSCO"), a subsidiary of COSCO. Among the overall business, container ships and container transportation related assets refers to container business transfer into China COSCO Holdings Company Limited by using leases and equity transfer way separately.

The economic behavior of the asset appraisal is that China Shipping Container Lines Company Limited proposed to transfer its 20.07% equity interest of Angang Vehicle Transportation Co., Ltd.

Such economic behavior has been approved by China Ocean Shipping (Group) Company with an issue of the document titled Resolutions at the 47th Meeting of the First Session of the Board of China Ocean Shipping (Group) Company (《中國遠洋運輸(集團)總公司第一屆董事會第四十七次會議決議》) (December 10, 2015).

II. Purpose of Appraisal

The purpose of the asset appraisal is to provide a value reference for the economic behavior in relation to the proposed transfer of 20.07% equity interest in Angang Vehicle Transportation Co., Ltd. held by China Shipping Container Lines Company Limited, which involves container transportation related assets of the container business.

III. Subject and Scope of Appraisal

(i) ***Subject of appraisal***

The subject of appraisal is 20.07% equity interest in Angang Vehicle Transportation Co., Ltd. to be transferred by China Shipping Container Lines Company Limited.

(ii) ***Scope of appraisal***

The scope of appraisal covers all on-balance and out-balance sheet assets and liabilities reported by Angang Vehicle Transportation Co., Ltd. as at the appraisal base date.

IV. Type of Value

Market value.

V. **Appraisal Base Date**

30 September 2015.

VI. **Appraisal Approaches**

The income approach and the asset-based approach have been adopted for the appraisal, and the appraisal conclusion has been arrived at using the asset-based approach.

VII. **Appraisal Conclusion and its Validity Period**

As at 30 September 2015, the asset book value of Angang Vehicle Transportation Co., Ltd. was RMB455.3943 million, the liability book value was RMB183.2173 million, net assets book value was RMB272.1770 million; after appraisal, the asset was RMB505.7421 million, the liability was RMB155.7622 million, the net asset was RMB349.9799 million. Total assets value was RMB50.3478 million greater than the book value, with appreciation rate of 11.06%; Net assets assessment value was RMB77.8029 million greater than the book value, with appreciation rate of 28.59%.

Details follow:

Asset appraisal results summary table
Base date of assets evaluation: 30 September 2015

Appraised Entity: Angang Vehicle Transportation Co., Ltd.

Monetary Unit: RMB ten thousand

Project		**Book value** A	**Appraisal value** B	**Increase or decrease in value** C=B-A	**Appreciation rate** D=C/A×100%
1	Current assets	15,152.50	15,162.34	9.84	0.06%
2	Non-current assets	30,386.93	35,411.87	5,024.94	16.54%
3	Including: long-term equity investments	1,114.22	1,291.06	176.84	15.87%
4	Investment Real Estate	63.60	797.74	734.14	1154.31%
5	Fixed assets	23,540.12	27,792.88	4,252.76	18.07%
6	Construction in progress	343.65	292.96	-50.69	-14.75%
7	Intangible assets	4,625.10	5,113.98	488.88	10.57%
8	Deferred income tax assets	700.24	123.25	-576.99	-82.40%
9	**Total assets**	**45,539.43**	**50,574.21**	**5,034.78**	**11.06%**
10	Current liability	11,122.57	11,068.86	-53.71	-0.48%
11	Non-current liability	7,199.16	4,507.36	-2,691.80	-37.39%
12	**Total liabilities**	**18,321.73**	**15,576.22**	**-2,745.51**	**-14.98%**
13	**Net assets (owners equity)**	**27,217.70**	**34,997.99**	**7,780.29**	**28.59%**

The appraisal conclusion is that at 30 September 2015, base date of assets evaluation, Angang Vehicle Transportation Co., Ltd.'s net assets assessment value was RMB349.9799 million. Thus, the appraised value of the 20.07% equity interest in Angang Vehicle Transportation Co., Ltd. held by China Shipping Container Lines Company Limited was RMB70.2410 million.

The appraisal conclusion stated in the appraisal report is valid for one year from 30 September 2015, being the appraisal base date, to 29 September 2016.

VIII. **Special Matters Affecting the Appraisal Conclusion**

1. In evaluation of inventory, most of the vehicles were in the field operation such that evaluators cannot check the vehicles one by one. Therefore, evaluators used alternative ways to monitor and determined that the vehicle is running, and spot checks some of the financial data such as vehicle purchase invoice and receipt voucher evidencing payment. Then, in order to know more about the status of the vehicle, evaluators obtained the copy of vehicle registration and vehicle status questionnaire.

   This evaluation disregarded the impact caused by the factor of evaluator's inability to check vehicles one by one.

2. Within the scope of assessment for buildings which without house property card including:

Building name	**Completion date**	**Unit of measurement**	**Floor area**	**Location**
Bajiazi Gas Station	2006/12/20	m^2	35.09	No.73 on Qianshan West Road iron west area
Comprehensive service warehouse	1986/06/24	m^2	654.00	No.8 on Heping Road
Office bicycle shed	1975/08/08	m^2	638.00	No.8 on Heping Road
first company parking garage	1970/11/11	m^2	928.80	No.8 on Heping Road
second repair workshop	2006/12/20	m^2	2,937.79	No.73 on Qianshan West Road iron west area
2#multiple-use building	2015/08/21	m^2	6,080.73	Dadao bay
Model brick and road	2015/08/21	m^2		Dadao bay
1#workshop	2015/08/21	m^2	6,967.12	Dadao bay
2#workshop	2015/08/21	m^2	2,880.12	Dadao bay
reserved workshop	2015/08/21	m^2	1,008.00	Dadao bay
3#workshop	2015/08/21	m^2	654.71	Dadao bay
4#workshop	2015/08/21	m^2	679.91	Dadao bay
fire pool	2015/08/21	m^2		Dadao bay
oil storage tanks	2015/08/21	m^2	309.63	Dadao bay
warehouse (4S store)	2015/08/21	m^2	1,241.90	Dadao bay
1#multiple-use building	2015/08/21	m^2	2,207.50	Dadao bay
3#multiple-use building	2015/08/21	m^2	2,207.50	Dadao bay
repair and second protect workshop	2009/06/20	m^2	6,317.50	Ba Yuquan
Gas Station	2009/06/20	m^2	181.70	Ba Yuquan
warehouse	2009/06/20	m^2	8,371.70	Ba Yuquan
multiple-use building	2009/06/20	m^2	3,275.40	Ba Yuquan

Those buildings above were without house property card, appraiser collaborated with enterprise personnel, confirm the area of the building, structure parameters by being access to relevant engineering data and including site visits and so on. At the same time, according to the certification documents which provided by enterprise, property right is confirmed to be faultless, and belongs to Angang Vehicle Transportation Co., Ltd.

No. 1-5 above, located in the land owned by Anshan Iron and Steel Group Co., Ltd. (鞍山鋼鐵集團公司): unable to deal with house property card. No.6-17 above,had no time to deal with house property card, because assess benchmark had just been completed; No.18-21 located in the land of BaYuQuan cannot deal with house property card because of the lack of land use right card.

This evaluation disregarded the impact caused by certain factors. First, those buildings above may lead to property disputes and problems involved. Then, taxes and dues which may need to pay when go though Real estate authority card formalities in the future.

3. For the buildings included in the houses and buildings of investment properties and fixed assets, certain properties has been obtained the property ownership certificate, according to the house property card provided by enterprise, the right written in the property right card belonged to Anshan Iron and Steel Motor Transport Co., Ltd.. At the same time, according to the certification documents provided by enterprise, property right is confirmed to be faultless, and belonged to Angang Vehicle Transportation Co., Ltd. Details are as follows:

No.	Card number	The manned	Building name	Completion date	Floor area (m^2)	Location
1	AN property ownership certificate Tiexi word No. 200104130814	Anshan Iron and Steel Group Corporation	Bajiazi office building	1982/06/24	4,760.27	Tiexi area Huangang Road
2	AN property ownership certificate No. 200104130689	Anshan Iron and Steel Group Corporation	Third company parking garage	1983/06/24	2,472.71	Tiexi area Huangang Road
3	AN property ownership certificate No. 009280	Anshan Iron and Steel Group Corporation	Multiple-use building	1994/06/24	3,255.00	No. 8 on Heping Road
4	AN property ownership certificate TieDong word No. 200104130643	Anshan Iron and Steel Group Corporation	Repairing guard room	1987/06/24	16.45	No. 8 on Heping Road
5	AN property ownership certificate TieDong word No. 200104130611	Anshan Iron and Steel Group Corporation	First company guard room	1994/06/24	62.07	No. 8 on Heping Road
6	AN property ownership certificate No. 009289	Anshan Iron and Steel Group Corporation	Reading room, playroom	1965/06/24	660.63	No. 8 on Heping Road
7	AN property ownership certificate No. 009291	Anshan Iron and Steel Group Corporation	Administrative office building	1970/06/24	3,577.65	No. 8 on Heping Road

No.	Card number	The manned	Building name	Completion date	Floor area (m^2)	Location
8	AN property ownership certificate No. 200104130637	Anshan Iron and Steel Group Corporation	Bathtub of the Company	1984/08/08	1,050.29	No. 8 on Heping Road
9	AN property ownership certificate No. 200104130676	Anshan Iron and Steel Group Corporation	Bajiazi service station and tire store	1982/06/24	1,802.00	Tiexi area Huangang Road
10	AN property ownership certificate Tiexi word No. 200104130652	Anshan Iron and Steel Group Corporation	Bajiazi eastern garage	1982/06/24	1,208.41	Tiexi area Huangang Road
11	AN property ownership certificate Tiexi word No. 200104130693	Anshan Iron and Steel Group Corporation	Bajiazi cleaning workshop	1982/06/24	194.15	Tiexi area Huangang Road
12	AN property ownership certificate No. 009277	Anshan Iron and Steel Group Corporation	Metal plate and engine repairing workshop (repairing and cleaning workshop)	1968/06/24	485.08	No. 8 on Heping Road
13	AN property ownership certificate No. 009278	Anshan Iron and Steel Group Corporation	Repairing comprehensive workshop	1979/06/24	161.80	No. 8 on Heping Road
14	AN property ownership certificate No. 009279	Anshan Iron and Steel Group Corporation	Repairing workshop	1987/06/24	7,273.00	No. 8 on Heping Road
15	AN property ownership certificate No. 009264	Anshan Iron and Steel Group Corporation	Products store	1969/06/24	784.93	No. 8 on Heping Road
16	AN property ownership certificate No. 009261	Anshan Iron and Steel Group Corporation	Supply and sales branch office building	1968/06/24	1,146.65	No. 8 on Heping Road
17	AN property ownership certificate No. 200104130619	Anshan Iron and Steel Group Corporation	Second company office building	1989/06/24	2,090.75	No. 8 on Heping Road
18	AN property ownership certificate No. 022777	Anshan Iron and Steel Group Corporation	Pump houseand pool	1994/06/24	66.66	No. 8 on Heping Road
19	AN property ownership certificate No. 022677	Anshan Iron and Steel Group Corporation	First company office building	1994/06/24	1,840.90	No. 8 on Heping Road
20	AN property ownership certificate TieDong word No. 200012260114	Anshan Iron and Steel Group Corporation	office building	1986.06.24	3,819.00	No. 8 on Heping Road

No.	Card number	The manned	Building name	Completion date	Floor area (m^2)	Location
21	AN property ownership certificate No. 022676	Anshan Iron and Steel Group Corporation	CNPC gas station	1993.06.24	167.58	No. 8 on Heping Road
	Total				36,895.98	

After verification, the land use right of the land located in Tiexi area Huangang Road and Heping Road No. 8 in the table above, belongs to Anshan Iron and Steel Group Corporation. The buildings on the land are described as above.

This evaluation disregarded the impact caused by certain factors. First the buildings above may lead to property disputes and problems involved. Then, taxes and dues which may need to be paid when undergoing real estate authority card formalities in the future.

4. Intangible assets within the scope of evaluation is land use rights. Land located in Bayujuan Fan Tun, did not deal with the use of state-owned land. According to the the enterprise statement, buildings on the land belongs to the Angang Vehicle Transportation Co., Ltd..

   This evaluation ignore the impact caused by some factors. First, those buildings above may lead to property disputes and problems involved. Then, taxes and dues which may need to pay when go though real estate authority card formalities in the future.

5. In this assessment, we looked at every object of the estimate's external condition, under the circumstances of buildings we started the on-site survey and appraisal. But we only with the aid of the general auxiliary tools and conventional means, without sophisticated or professional instrument testing and identification of the structure, the specific circumstances based on the experience and judgement of the evaluator and information provided by corporation.

6. In this assessment, we considered the building's economic life in evaluation of housing building, rather than the influence of the corresponding land use right time.

7. In this assessment, as a result of the limitation of objective conditions, under the circumstances of equipment, we started the on-site survey and appraisal. But we only with the aid of the general auxiliary tools and conventional means, without sophisticated or professional instrument testing and identification of the structure, the specific circumstances based on the experience and judgement of the evaluator and information provided by corporation.

8. Because of the lack of sufficient market trade statistics and the analysis of the judgment related to minority stake and controlling stake factors and liquidity, the evaluation did not take into account a minority stake in discount and a controlling stake in premium and liquidity discount.

Users of this report are advised to pay attention to the potential effect of the above special matters on the appraisal conclusion, and effect on the economic behavior.

IX. **Assumptions of Appraisal**

This appraisal report and the appraisal conclusion shall rely on the following assumptions of appraisal:

(i) ***Basic assumptions***

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction, and the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open markets assumption. Under the open markets assumption, it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanism and depends on the market quotation rather than an individual transaction. Open market represents a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing and rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In use and continue to use assumption. Under the in use and continue to use assumption, it is assumed that the appraised assets being used would continue to be used in the current utility and way after the change of ownership and the occurrence of asset business.

(ii) ***Specific assumptions***

1. There is no material change in the relevant prevailing laws and regulations and policies followed by the appraised entity as well as the macroeconomic environment of the country, the political, economic and social environments of the places where parties to this transaction are situated have not occurred any material changes and no material adverse effects due to other unforeseeable and force majeure factors.

2. It is assumed that the enterprise is on a going concern based on the actual status of assets on the appraisal base date.

3. It is assumed that the existing and future management of the appraised entity fulfill their duties on a bona fide basis and the management of the company has the ability to perform their responsibility, is able to keep the appraised entity running on normal conditions and carry out development plan and production plan as expected.

4. It is assumed that the appraised entity complies with all the relevant PRC laws and regulations in all aspects and there are no material non-compliance events affecting the company's development and revenue.

5. It is assumed that the accounting policies to be implemented by the company in the future are consistent with those used in preparing this report in all material aspects.

6. It is assumed that the business scope, mode and plan are in line with the existing ways based on the current management approach and level.

7. It is assumed that there are no material changes in regulations implemented or determined to be implemented in relation to interest rate, foreign exchange rate, tax basis and tax rate as well as policy charges according to the national laws and regulations.

8. It is assumed that the prescribed period of each existing industry qualification shall be renewed.

9. There are no force majeure and unforeseeable factors causing material and adverse effects on the entity.

According to the requirements of the asset appraisal, these assumptions are recognized to be true as at the appraisal base date. When the economic environment in the future undergoes any relatively material changes, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

The above contents have been extracted from the text of the asset appraisal report. Please read the text of the asset appraisal report for details of this appraisal project and having a reasonable understanding of the appraisal conclusion.

12. THE ASSET APPRAISAL OF DALIAN VANGUARD INTERNATIONAL LOGISTICS CO., LTD.

Summary

I. Economic Behavior Corresponding to the Asset Appraisal

According to the integration plan of China Ocean Shipping (Group) Company (hereinafter referred to as "COSCO") and China Shipping (Group) Company (hereinafter referred to as "CS"), CS plans to transfer its overall container business to China COSCO Holdings Company Limited (hereinafter referred to as "China COSCO"), a subsidiary of COSCO. Among the overall business, container ships and container transportation related assets in the container business transfer into China COSCO Holdings Company Limited by using leases and equity transfer way separately.

The economic behavior of the asset appraisal is to evaluate the 50% equity interest of Dalian Vanguard International Logistics Co., Ltd. held by China Shipping Container Lines Company Limited, which involves container transportation related-assets in the container business.

Such economic behavior has been approved by China Ocean Shipping (Group) Company with an issue of the document titled Resolutions at the 47th Meeting of the First Session of the Board of China Ocean Shipping (Group) Company (《中國遠洋運輸(集團)總公司第一屆董事會第四十七次會議決議》) (December 10, 2015).

II. Purpose of Appraisal

The purpose of the asset appraisal is to provide a value reference for the 50% equity interest of Dalian Vanguard International Logistics Co., Ltd. held by China Shipping Container Lines Company Limited, which involves container transportation related assets in the container business.

III. Subject and Scope of Appraisal

(i) ***Subject of appraisal***

The subject of appraisal is 50% equity interest in Dalian Vanguard International Logistics Co., Ltd. held by China Shipping Container Lines Company Limited.

(ii) ***Scope of appraisal***

The scope of appraisal covers all on-balance and off-balance sheet assets and liabilities reported by Dalian Vanguard International Logistics Co., Ltd.

IV. Type of Value

The market value has been adopted for the appraisal.

V. **Appraisal Base Date**

30 September 2015.

VI. **Appraisal Approaches**

The asset-based approach and income approach have been adopted for the appraisal, and the appraisal result based on the asset-based approach will be the final appraisal result ultimately.

VII. **Appraisal Conclusion and its Validity Period**

As at 30 September 2015, the asset book value of Dalian Vanguard International Logistics Co., Ltd. was RMB181.9580 million, the liability book value was RMB113.1030 million, net assets book value was RMB68.8550 million yuan; after appraisal, the total asset was RMB218.0311 million, the liability was RMB113.1030 million, the net asset was RMB104.9281 million. Total assets value was RMB36.0731 million greater than the book value, with appreciation rate of 19.82%; net assets assessment value was RMB36.0731 million greater than the book value, appreciation rate of 52.39%.

Details follow:

Asset appraisal results summary table
Base date of assets evaluation: 30 September 2015

Appraised Entity: Dalian Vanguard International Logistics Co., Ltd.

Monetary Unit:RMB ten thousand

Project		**Book value A**	**Appraisal value B**	**Increase or decrease in value C=B-A**	**Appreciation rate D=C/A×100%**
1	Current assets	1,256.86	1,192.46	-64.40	-5.12%
2	Non-current assets	16,938.94	20,610.65	3,671.71	21.68%
3	Including: Fixed assets	10,721.38	11,795.35	1,073.97	10.02%
4	Intangible assets	6,217.56	8,815.30	2,597.74	41.78%
5	**Total assets**	**18,195.80**	**21,803.11**	**3,607.31**	**19.82%**
6	Current liability	910.30	910.30	0.00	0.00%
7	Non-current liability	10,400.00	10,400.00	0.00	0.00%
8	**Total liabilities**	**11,310.30**	**11,310.30**	**0.00**	**0.00%**
9	**Owners equity**	**6,885.50**	**10,492.81**	**3,607.31**	**52.39%**

The appraisal conclusion is that at 30 September 2015, base date of assets evaluation, Dalian Vanguard International Logistics Co., Ltd.'s net assets assessment value was RMB104.9281 million. Thus, the appraised value of the 50% equity interest in Dalian Vanguard International Logistics Co., Ltd. held by China Shipping Container Lines Company Limited was RMB52.4641 million.

This evaluation conclusion is only applicable to the purpose of proposal by China Shipping Container Lines Company Limited to transfer its 50% equity interest in Dalian Vanguard International Logistics Co., Ltd.

The appraisal conclusion stated in the appraisal report is valid for one year from 30 September 2015, being the appraisal base date, to 29 September 2016.

VIII. **Special Matters Affecting the Appraisal Conclusion**

1. Of the properties and buildings of the enterprise, 540 m^2 of office was leased to Dalian ZhongLian Tally Limited (大連中聯理貨有限公司), and 3,500 m^2 of site was leased to Suzhou China Shipping International Container Storage and Transportation Co., Ltd., which the appraisal has not taken account into the effect of leases to the appraisal value.

2. Because of the lack of sufficient market trade statistics and the analysis of the judgment related to minority stake and controlling stake factors and liquidity, the evaluation did not take into account a minority stake in discount and a controlling stake in premium and liquidity discount.

Users of this report are advised to pay attention to the potential effect of the above special matters on the appraisal conclusion, and effect on the economic behavior.

IX. **Assumptions of Appraisal**

This appraisal report and the appraisal conclusion shall rely on the following assumptions of appraisal:

(i) ***Basic assumptions***

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction, and the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open markets assumption. Under the open markets assumption, it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanism and depends on the market quotation rather than an individual transaction. Open market represents a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing and rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In use and continue to use assumption. Under the in use and continue to use assumption, it is assumed that the appraised assets being used would continue to be used in the current utility and way after the change of ownership and the occurrence of asset business.

(ii) ***Specific assumptions***

1. No material changes in the relevant prevailing national and local laws, regulations and policies followed by the appraised entity as well as national macro-economic situation; no material changes in the political, economic or social environment where the parties to the transaction are located; and no material and adverse effects arising from other unpredictable and force majeure factors.

2. It is assumed that the enterprise is on a going concern based on the actual status of assets on the appraisal base date.

3. It is assumed that the existing and future management of the appraised entity fulfill their duties on a bona fide basis and the management of the company has the ability to perform their responsibility, is able to keep the appraised entity running on normal conditions and carry out development plan and production plan as expected.

4. It is assumed that the appraised entity complies with all the relevant national laws and regulations in all aspects and there are no material non-compliance events affecting the company's development and revenue.

5. It is assumed that the accounting policies to be implemented by the company in the future are consistent with those used in preparing this report in all material aspects.

6. It is assumed that the business scope, mode and plan are in line with the existing ways based on the current management approach and level.

7. It is assumed that there are no material changes in regulations implemented or determined to be implemented in relation to interest rate, foreign exchange rate, tax basis and tax rate as well as policy charges according to the national laws and regulations.

8. It is assumed that the prescribed period of each existing industry qualification shall be renewed.

9. There are no force majeure and unforeseeable factors causing material and adverse effects on the entity.

According to the requirements of the asset appraisal, these assumptions are recognized to be true as at the appraisal base date. When the economic environment in the future undergoes any relatively material changes, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

The above contents have been extracted from the text of the asset appraisal report. Please read the text of the asset appraisal report for details of this appraisal project and having a reasonable understanding of the appraisal conclusion.

13. THE ASSET APPRAISAL OF JINZHOU PORT CONTAINER AND RAILWAY LOGISTICS LIMITED

Summary

I. Economic Behavior Corresponding to the Asset Appraisal

According to the integration plan of China Ocean Shipping (Group) Company (hereinafter referred to as "COSCO") and China Shipping (Group) Company (hereinafter referred to as "CS"), CS plans to transfer its overall container business to China COSCO Holdings Company Limited (hereinafter referred to as "China COSCO"), a subsidiary of COSCO. Among the overall business, container ships and container transportation related assets refers to container business transfer into China COSCO by using leases and equity transfer way separately.

The economic behavior of the asset appraisal is that China Shipping Container Lines Company Limtied proposed to transfer its 45% equity interest in Jinzhou Port Container and Railway Logistics Limited.

Such economic behavior has been approved by China Shipping (Group) Company with an issue of the document titled Resolutions at the 47th Meeting of the First Session of the Board of China Shipping (Group) Company (10 December 2015).

II. Purpose of Appraisal

The purpose of the asset appraisal is to provide a value reference for the economic behavior in relation to the proposal of China Shipping Container Lines Company Limited to transfer its 45% equity interest in Jinzhou Port Container and Railway Logistics Limited.

III. Subject and Scope of Appraisal

(i) ***Subject of appraisal***

The subject of appraisal is 45% equity interest in Jinzhou Port Container and Railway Logistics Limited held by China Shipping Container Lines Company Limited.

(ii) ***Scope of appraisal***

The scope of appraisal covers all on-balance and off-balance sheet assets and liabilities reported by Jinzhou Port Container and Railway Logistics Limited as at the appraisal base date, which were audited by Baker Tilly China Certified Public Accountants.

IV. Type of Value

According to the specific circumstance of the purpose of appraisal and subject of appraisal, the market value has been adopted for the appraisal.

V. **Appraisal Base Date**

30 September 2015.

VI. **Appraisal Approaches**

The asset-based approach and the income approach have been adopted for the appraisal, and the appraisal conclusion has been arrived at using the asset-based approach.

VII. **Appraisal Conclusion and its Validity Period**

As at 30 September 2015, the asset book value of Jinzhou Port Container and Railway Logistics Limited was RMB9.0293 million, the liability book value was RMB3.9123 million and the net assets book value was RMB5.1170 million; after appraisal, the asset was RMB9.0936 million, the liability was RMB3.9123 million, the net asset was RMB5.1813 million. The appraisal value of total assets appreciated by RMB64,300 compared to the book value with appreciation rate of 0.71%; the appraisal value of net assets appreciated by RMB64,300 compared to the book value, with appreciation rate of 1.26%.

Details as follows:

Asset appraisal results summary table
Base date of assets evaluation: 30 September 2015

Appraised Unit: Jinzhou Port Container and Railway Logistics Limited

unit: RMB ten thousand

Project		**Book value**	**Appraisal value**	**Increase or decrease in value**	**Appreciation rate**
		A	**B**	**C=B-A**	**D=C/A×100%**
1	Current assets	461.64	466.97	5.33	1.15%
2	Non-current assets	441.29	442.39	1.10	0.25%
3	Including: Fixed assets	439.88	440.88	1.00	0.23%
4	Intangible assets	1.37	1.37	0.00	0.00%
5	Deferred income tax assets	0.04	0.14	0.10	250.00%
6	**Total assets**	**902.93**	**909.36**	**6.43**	**0.71%**
7	Current liability	151.83	151.83	0.00	0.00%
8	Non-current liability	239.40	239.40	0.00	0.00%
9	**Total liabilities**	**391.23**	**391.23**	**0.00**	**0.00%**
10	**Net assets (owners equity)**	**511.70**	**518.13**	**6.43**	**1.26%**

The appraisal conclusion is that at 30 September 2015, base date of assets evaluation, Jinzhou Port Container and Railway Logistics Limited's net assets assessment value was RMB5.1813 million. Thus, the appraised value of the 45% equity interest in Jinzhou Port Container and Railway Logistics Limited held by China Shipping Container Lines Company Limited was RMB2.3316 million.

The appraisal conclusion stated in the appraisal report is valid for one year from 30 September 2015, being the appraisal base date, to 29 September 2016.

VIII. **Special Matters Affecting the Appraisal Conclusion**

Because of the lack of sufficent market trade statistics and the analysis of the judgment related to minority stake and controlling stake factors and liquidity, the evaluation did not take into account a minority stake in discount and a controlling stake in premium and liquidity discount.

Users of this report are advised to pay attention to the potential effect of the above special matters on the appraisal conclusion, and effect on the economic behavior.

IX. **Assumptions of Appraisal**

This appraisal report and the appraisal conclusion shall rely on the following assumptions of appraisal:

(i) ***General assumptions***

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction, and the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open markets assumption. Under the open markets assumption, it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanism and depends on the market quotation rather than an individual transaction. Open market represents a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing and rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In use and continue to use assumption. Under the in use and continue to use assumption, it is assumed that the appraised assets being used would continue to be used in the current utility and way after the change of ownership and the occurrence of asset business.

(ii) ***Special assumptions***

1. No material changes in the relevant prevailing national laws, regulations and policies as well as national macro-economic situation; no material changes in the political, economic or social environment where the parties to the transaction are located; and no material and adverse effects arising from other unpredictable and force majeure factors.

2. It is assumed that the enterprise is on a going concern based on the actual status of assets on the appraisal base date.

3. It is assumed that the operator of the company is responsible and the management of the company has the ability to perform their responsibility.

4. Unless otherwise stated, it is assumed that the company complies with all relevant laws and regulations in all aspects.

5. It is assumed that the accounting policies to be implemented by the company in the future are consistent with those used in preparing this report in all material aspects.

6. It is assumed that the business scope and mode are in line with the existing ways based on the current management approach and level.

7. There are no material changes in interest rate, foreign exchange rate, tax basis and tax rate as well as policy charges.

8. There are no force majeure and unforeseeable factors causing material and adverse effects on the entity.

According to the requirements of the asset appraisal, these assumptions are recognized to be true as at the appraisal base date. When the economic environment in the future undergoes any relatively material changes, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

The above contents have been extracted from the text of the asset appraisal report. Please read the text of the asset appraisal report for details of this appraisal project and having a reasonable understanding of the appraisal conclusion.

14. THE ASSET APPRAISAL OF FLORENS CONTAINER HOLDINGS LIMITED

Summary

I. The Corresponding Economic Behavior of the Appraisal

The corresponding economic behavior of the appraisal is that COSCO Pacific Limited proposed to transfer its 100% equity interest in Florens Container Holdings Limited to China Shipping Container Lines Company Limited.

Such economic behavior has been approved by China Ocean Shipping (Group) Company and China Shipping (Group) Company with the issue of the documents titled Resolutions at the 52nd Meeting of the First Session of the Board of China Ocean Shipping (Group) Company and Resolutions at the 47th Meeting of the First Session of the Board of China Shipping (Group) Company, respectively.

II. Purpose of Appraisal

The purpose of the asset appraisal is to provide a value reference for the economic behavior of COSCO Pacific Limited whereby it proposed to transfer its 100% equity interest in Florens Container Holdings Limited to China Shipping Container Lines Company Limited.

III. Subject and Scope of Appraisal

(i) ***Subject of appraisal***

The subject of appraisal is the 100% equity interest in Florens Container Holdings Limited held by COSCO Pacific Limited.

(ii) ***Scope of appraisal***

The scope of appraisal covers all assets and liabilities reported by Florens Container Holdings Limited at the appraisal base date.

IV. Type of Value

Market value.

V. Appraisal Base Date

30 September 2015.

VI. Appraisal Approaches

The market comparison approach and the income approach have been adopted for the appraisal, and the final appraisal conclusion has been achieved through the market comparison approach.

VII. **Appraisal Conclusion and its Validity Period**

As at the appraisal base date, being 30 September 2015, appraisal value of all equity interest in Florens Container Holdings Limited with market approach was US$1,223,725,200 (equivalent to RMB7,784,483,300), representing a premium of RMB6,640,952,000 or 580.74% over the book value of all shareholders' equity on a unconsolidated basis of RMB1,143,531,300 and a premium of RMB384,135,900 or 5.19% over the book value of all shareholders' equity on a consolidated basis of RMB7,400,347,400.

The appraisal conclusion stated in the appraisal report is valid for one year from 30 September 2015, being the appraisal base date, to 29 September 2016.

VIII. **Special Matters Affecting the Appraisal Conclusion**

(i) As at the appraisal base date, most containers of the enterprise were on lease. We checked the state of containers against the data in the container management platform provided by the enterprise and spot checked the lease contracts, which provide that at the expiry of the lease term of tenancy, the state of containers shall meet the technical standards as agreed upon by both parties, being the state of containers of varying remaining use life under normal use. Considering the actual operation and circulation of above leased containers, we were unable to perform the on-site investigation of all leased containers. In the appraisal, we conducted necessary confirmation of the technical conditions of the leased containers in accordance with the procedures of the enterprises appraised for leased container management but were unable to conduct on-site investigation one by one.

(ii) As at the appraisal base date, the enterprise had some containers stored in the storage yards pending lease. The enterprise has a lot of contracted storage yards in the world. We reviewed the information on the status and locations of the storage yards to be leased of the enterprise according to the data in the container management platform provided by enterprise, reviewed annual inspection records of the enterprise and spot checked certain containers of the enterprise in storage yards. For the new containers purchased from the manufacturers, we carried out a verification by spot checking the purchase contract and invoice and did not carry out on-site investigation.

(iii) In this appraisal, we conducted on-site surveys of and investigations into buildings and structures as circumstance permits, using general auxiliary tools and conventional means but without using precise or special instruments to test and examine the structures. Due to the limitation of conditions, we were unable to survey and observe hidden parts and relied on the information provided by the enterprise appraised and our experiences.

(iv) As at the date of the appraisal report, the enterprises within the scope of consolidation of Florens Container Holdings Limited were as follows:

Plaintiff (Applicant)	Defendant (Respondent)	Persons assuming joint and several liabilities	Type of litigations (arbitrations)	Summary of litigations (arbitrations)	Amount of claim (in Renminbi ten thousands) Florens only	Including investors	Progress of litigations (arbitrations)	Outcome and impact of litigations (arbitrations)
Florens Management Services (Macau Commercial Offshore) Limited	Hainan Pan Ocean Shipping Co., Ltd. (HNP)	None	Bankruptcy liquidation	On 31 October 2013, Hainan court accepted the case of HNP bankruptcy liquidation. The amount of claimed creditor's right is expected to include rent receivable, recovery cost and the remaining value of containers unreturned.	228.23	246.00	At the request of the court, Florens completed filing of creditor's rights by 30 February 2014 and attended the meeting of creditors convened by the Court on 4 March 2014. The liquidation is still in progress. HNP disposed of the vessels at approximately RMB60 million. The liquidator and financial staff will issue a report or notify all creditors after reviewing and registering the claims.	Pending
Florens Management Services (Macau Commercial Offshore) Limited	Phoenix Agencies Pte. Ltd. (PHOENIX)	None	Civil arbitration	The customers is also an agent in Singapore to sublet containers and its agency contract was terminated in January 2014. The marketing personnel tried to reach the customer many times but received no reply and no rent was received. A collection letter was issued and litigation was initiated, and the pre-trial hearing was held in late August 2015. A summary judgment was delivered in February 2015, ordering Phoenix to pay US$389,000 and legal costs. Phoenix did not comply with the judgment.	66.40	688.65	In June 2015, the risk manager and financial personnel had a without prejudice meeting with the directors of Phoenix in Singapore, requiring and discussing to recover the containers in possession by the sub-lessees, and no agreement had been reached. The litigation is still in progress. A lawyer's letter has been issued to Phoenix and its directors in respect of Phoenix's illegal sub-lease of containers to Nha Trang. A discussion with the lawyer regarding the feasibility of a fraud arbitration is under way.	A summary judgment had been delivered to require further actions

Plaintiff (Applicant)	Defendant (Respondent)	Persons assuming joint and several liabilities	Type of litigations (arbitrations)	Summary of litigations (arbitrations)	Amount of claim (in Renminbi ten thousands) Florens only	Amount of claim (in Renminbi ten thousands) Including investors	Progress of litigations (arbitrations)	Outcome and impact of litigations (arbitrations)
Florens Container Services (USA), Ltd.	Pescanova Shipping (India) Pvt. Ltd. (PESCA)	None	Litigation for creditor's rights	Florens had brought an action against it before Bombay high court, and the amount of claim includes rent receivable and the remaining value of the containers not returned. Due to the lengthy process of litigation, however, Florens plans to apply to the court for bankruptcy against it.	12.61	514.42	The litigation in relation to the creditor's rights is still in progress. In addition, Florens has contacted its lawyer to apply to the court for bankruptcy.	Pending
Florens Container Inc.	Marshal hipping Pte. Ltd. (MARSHAL)	None	Litigation for creditor's rights	As Marshal had long been in default by refusing payment and not returning the containers, Florens had brought an action against it before Bombay high court, and the amount of claim includes rent receivable and the remaining value of the containers not returned. Due to the lengthy process of litigation, however, Florens plans to apply to the court for bankruptcy against it.	6.15	716.12	The litigation in relation to the creditor's rights is still in progress. In addition, Florens has contacted its lawyer and plans to bring actions against the affiliated companies of Marshal in India and Singapore, respectively, and apply to the court for bankruptcy at the same time.	Pending
Florens Management Services (Macau Commercial Offshore) Limited	WINLAND	None	Civil arbitration	As Winland fails to pay rent in time and refuses to return the containers leased, Florens has decided, as advised by the lawyer, to bring a litigation against it in the United States and execute the award in the PRC. The amount of claim will include rent receivable and the remaining value of the containers not returned.	44.49	192.47	A lawyer was appointed to handle the matters and visited the customer on 22 January 2014. The customer requested settlement and asked the company to prepare a payment schedule. The matter is being handled. The arbitration was completed in the United States. As understood by the head of the risk management department, the customer is selectively transferring its assets to avoid legal liability. The head of risk management department is handling the matter.	Pending

As the final judgment has not been formed about the litigation and arbitration events above, the possible impact of above matters on the appraisal conclusion was not taken into account.

Users of the appraisal report should pay attention to the possible impact of above matters on the appraisal conclusion.

IX. **Assumptions of Appraisal**

This appraisal report and the appraisal conclusion shall rely on the following assumptions of appraisal:

(i) ***Basic assumptions***

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction, and the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open markets assumption. Under the open markets assumption, it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanism and depends on the market quotation rather than an individual transaction. Open market represents a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing and rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In use and continue to use assumption. Under the in use and continue to use assumption, it is assumed that the appraised assets being used would continue to be used in the current utility and way after the change of ownership and the occurrence of asset business.

(ii) ***Specific assumptions***

1. No material changes in the relevant prevailing national and local laws, regulations and policies followed by the appraised entity as well as national macro-economic situation; no material changes in the political, economic or social environment where the parties to the transaction are located; and no material and adverse effects arising from other unpredictable and force majeure factors.

2. It is assumed that the enterprise is on a going concern based on the actual status of assets on the appraisal base date.

3. It is assumed that the existing and future management of the appraised entity fulfilled their duties on a bona fide basis and the management of the company has the ability to perform their responsibility, is able to keep the appraised entity running on normal conditions and carry out development plan and production plan as expected.

4. It is assumed that the appraised entity complies with all the relevant PRC laws and regulations in all aspects and there are no material non-compliance events affecting the company's development and revenue.

5. It is assumed that the accounting policies to be implemented by the company in the future are consistent with those used in preparing this report in all material aspects.

6. It is assumed that the business scope, mode and plan are in line with the existing ways based on the current management approach and level.

7. It is assumed that there are no material changes in regulations implemented or determined to be implemented in relation to interest rate, foreign exchange rate, tax basis and tax rate as well as policy charges according to the national laws and regulations.

8. It is assumed that the enterprise's future main business model remains stable and the main tax residence will still be the British Virgin Islands, the ratio of the taxable income in the countries where other subsidiaries are operated as a percentage of the total taxable income remains stable.

9. According to the company's development strategy, it will continue to expand its business scale in the coming years. The appraised enterprise will purchase containers according to its investment plan and put into rental service, and can raise enough funds to meet the needs of the capital invested.

10. There are no force majeure and unforeseeable factors causing material and adverse effects on the entity.

According to the requirements of the asset appraisal, these assumptions are recognized to be true as at the appraisal base date. When the economic environment in the future undergoes any relatively material changes, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

The above contents have been extracted from the text of the asset appraisal report. Please read the text of the asset appraisal report for details of this appraisal project and having a reasonable understanding of the appraisal conclusion.

15. THE ASSET APPRAISAL OF CHINA SHIPPING PORTS DEVELOPMENT CO., LIMITED

Summary

I. **Underlying transaction of the valuation**

China Shipping (Hong Kong) Holdings Co., Limited (CSHK) and China Shipping Container Lines Company Limited (CSCL) intend to transfer all of their equity interests in China Shipping Ports Development Co., Limited (CSPD), respectively, which requires a valuation to be conducted on all of the issued shares in CSPD.

Such economic behavior has been approved by resolutions at the 47th Meeting of the First Session of the Board of China Shipping (Group) Company on 10 December 2015.

II. **Purpose of the valuation**

Since CSHK and CSCL intend to transfer all of their equity interests in CSPD, respectively, China Tong Cheng Assets Appraisal Co., Ltd. (ZTC) was appointed to conduct a valuation on all of the assets and liabilities of CSPD with a view to providing the basis for determining the consideration.

III. **Subject and scope of the valuation**

The subject of the valuation is the equity interests in CSPD intended to be transferred by CSHK and CSCL respectively.

The scope of the valuation covers all of the assets and liabilities as at the Base Date (as defined below) reported by CSPD in its financial statements, which were audited by Baker Tilly China Certified Public Accountants. According to the audited financial statements, prior to the valuation, CSPD had total assets of RMB6,487,142,600 (equivalent to HK$8,626,744,700); total liabilities of RMB14,345,300 (equivalent to HK$17,477,000); and net assets of RMB6,472,797,300 (equivalent to HK$8,609,267,700). CSPD did not have any off-balance-sheet assets. The types of assets that were subject to the valuation mainly include: current assets, non-current assets (including available-for-sale financial assets and long-term equity investments) and liabilities.

IV. **Type of value to be ascertained**

Market value

V. **Base Date**

30 September 2015

VI. **Valuation approach**

The asset-based approach has been adopted for the valuation.

VII. **Conclusion and validity period**

As at the Base Date (30 September 2015), the appraised value of all equity interests in CSPD was RMB7,632,455,300.

The appraised value of the 51% and 49% equity interests held by CSHK and CSCL respectively were RMB3,892,552,200 and RMB3,739,903,100, respectively.

The conclusion of the valuation report is valid for use from 30 September 2015 to 29 September 2016.

VIII. **Special matters affecting the conclusion**

(i) Since CSPD and its subsidiary China Shipping Terminal Development Co., Ltd. (CSTD) only hold minority interests in some of their terminal subsidiaries, the valuation did not include on-site inspections of the assets of such terminal subsidiaries that were included in available-for-sale financial assets and long-term equity investments. The valuation also did not verify whether the assets of CSPD were subject to any material matters which may affect the conclusion such as mortgage, pledge, guarantee and material litigation and did not take into account the impacts thereof.

(ii) Since CSPD and its subsidiary CSTD generally hold minority interests in their terminal subsidiaries, no audit was conducted on those subsidiaries which were not consolidated into CSPD's financial statements. The information on the subsidiaries adopted in the valuation not consolidated was unaudited, and the valuation did not take into account the fact that financial information of such terminal subsidiaries may have to be adjusted if audits were conducted.

(iii) As at the Base Date, the book value of CSPD's total prepayments was RMB34,528,927.26 (equivalent to HK$42,066,894.00) which was attributable to tax reserve certificates purchased from the Hong Kong Inland Revenue Department. Such tax reserve certificates were purchased upon demand of the Hong Kong Inland Revenue Department due to a dispute in relation to whether CSPD's disposal of part of its equity interest in its Xiamen and Dalian port subsidiaries since 2005 pursuant to investment structure adjustment would trigger CSPD's obligation to pay profit tax. The Hong Kong Inland Revenue Department was of the view that such disposal was of the nature of speculative investment and therefore requested CSPD to pay profit tax calculated based on transactional gain and gain in fair value from the disposal. On the other hand, CSPD was of the view that the proceeds from the disposal was not speculative in nature because the equity interests in question were held with an intention of long-term investments instead of obtaining short-term gains, which should not be taxed due to its nature as capital gain according to Article 14 of the Inland Revenue Ordinance. The tax reserve certificates of the value of HK$42,066,894.00 were purchased to avoid late payment penalties in case CSPD is declared to be liable for profit tax payment, and were currently recorded as prepayment in CSPD's accounts.

As at the date of the valuation report, the Hong Kong Inland Revenue Department had not made any ruling regarding the dispute. As such, the valuation adopted the book value of such prepayment as at the Base Date and did not take into account the effect such dispute may have on the conclusion.

(iv) In November 2007, CSPD invested in the Damietta Port of Egypt by holding 20% equity interest in Damietta International Ports Company, S.A.E..

As the political and business environment in Egypt is relatively unstable at the moment, construction of ports in Egypt have been experiencing a standstill. Due to various factors, we were unable to conduct on-site inspections in Egypt. We verified the legality of the investment through interviewing relevant personnel at CSPD. Given that CSPD will request the original shareholders of the port to repurchase their shares according to the relevant agreements, the book value of this long-term investment of RMB216,989,682.29 as at the Base Date was adopted in the valuation, without taking into account the impacts the repurchase and other matters might have on the conclusion.

(v) In July 2009, CSPD set up China Shipping Terminals (USA) LLC, an investment company, in the United States, which invested in only one terminal company, SSA Terminals (Seattle) LLC, as at the Base Date. As SSA Terminals (Seattle) LLC had been loss-making in operation, China Shipping Terminals (USA) LLC was in a position of net liabilities, and such long-term equity investment assessment was valued at zero. CSPD currently intends to liquidate SSA Terminals (Seattle) LLC. As we were unable to conduct on-site investigation, we did not consider the impact of the liquidation of SSA Terminals (Seattle) LLC on the conclusion.

(vi) CSTD, a subsidiary of CSPD

As at the Base Date, CSTD provided two guarantees for its subsidiaries, details of which are as follows:

Guarantees

No.	Contract no.	Guarantee form	Guarantor	Guarantee	Secured party	Guarantee amount	Term of performance of principal obligation	Guarantee period
1	Qin Zhong Yin Zong Bao Zi [2015] No. 15020	Suretyship	CSTD	Guangxi Qinzhou International Container Terminal Co., Ltd.	Bank of China, Qinzhou Branch	16,000,000.00	2016.8.3-2018.8.3	2016.8.3-2018.8.3
2	No.32901200 900049098-1	Suretyship	CSTD	Lianyungang New Oriental International Container Terminal Co., Ltd.	Agricultural Bank of China, Lianyungang Lianyun Branch	220,000,000.00	2016.6.30-2018.6.30	2016.6.30-2018.6.30

1. On 19 August 2015, CSTD and Bank of China Limited, Qinzhou Branch entered into a maximum amount guarantee contract with contract number of Qin Zhong Yin Zong Bao Zi [2015] No. 15020, pursuant to which CSTD provided a joint and several guarantee for a loan of RMB40 million granted to Guangxi Qinzhou International Container Terminal Co., Ltd., its subsidiary, as to RMB16 million in proportion to its shareholding in favor of the bank. The term of guarantee is two years of the expiry of the term of principal obligation, being 4 August 2015 to 3 August 2016.

2. On 14 July 2009, CSTD and Agricultural Bank of China Co., Ltd., Lianyungang Lianyun Branch entered into a guarantee contract with contract number of 32901200900049098-1, pursuant to which CSTD provided a joint and several guarantee for a loan of RMB400 million granted to Lianyungang New Oriental International Container Terminal Co., Ltd., its subsidiary, as to RMB220 million in proportion to its shareholding in favor of the bank. The term of guarantee is two years of the expiry of the term of principal obligation, being 1 June 2011 to 13 July 2016.

(vii) Jiangsu Yangtze Petrochemical Co. Ltd., a subsidiary of CSPD

1. As at the Base Date, no property certificates had been obtained for 29 buildings of Jiangsu Yangtze Petrochemical Co. Ltd. (with a total gross floor area of 6,666.16 square meters, a total original value of RMB24,395,232.23 and a total net book value of RMB19,002,414.02), which were included in its fixed assets. In the valuation, the gross floor area of such buildings was determined based on the project construction plans provided and the impact of the cost of obtaining certificates and the difference between the area stated in the certificates to be issued and actual area on the conclusion was not taken into account.

2. As at the Base Date, Jiangsu Yangtze Petrochemical Co. Ltd. and Shanghai Shangbo Auto Trade Co., Ltd. entered into a Vehicle Affiliation Agreement pursuant to which the owner of six vehicles, being Hu H12919, Hu FK8906, Hu GS8930, Hu M02801, Hu N65567 and Hu NG7690, stated on the vehicle registration certificates is Shanghai Shangbo Auto Trade Co., Ltd., while their actual owner is Jiangsu Yangtze Petrochemical Co. Ltd. There are no other legal disputes in relation to the vehicles. The valuation did not take into account the impact of such matter on the conclusion. Details are set out in the following table:

No.	Vehicle plate number	Models and specifications of vehicles	Manufacturer	Unit of measurement	Quantity	Purchase date	Book value Original value	Net value
1	Hu F-K8906	Passat SVW7203FPi	Shanghai Volkswagen	Unit	1	2007.04	214,028.26	21,402.83
2	Hu H12919	Audi A6.2.8	Faw-Volkswagen Audi	Unit	1	2008.08	698,332.00	34,916.60
3	Hu N65567	AUDIFV728 1BDCWG	Faw-Volkswagen Audi	Unit	1	2013.02	584,335.00	297,523.93
4	Hu NG7690	Audi 2995CCQ73. 0TFSI	Faw-Volkswagen Audi	Unit	1	2013.04	1,155,094.00	624,713.29

No.	Vehicle plate number	Models and specifications of vehicles	Manufacturer	Unit of measurement	Quantity	Purchase date	Book value Original value	Net value
5	Hu G8930	Toyota Previa JTEGSJ4M68A	Toyota	Unit	1	2013.05	618,891.00	30,944.55
6	Hu M02801	Toyota Alphard JTEGS21H	Toyota	Unit	1	2013.05	816,095.00	273,392.00
Total							4,086,775.26	1,282,893.20

3. As at the Base Date, a property of Jiangsu Yangtze Petrochemical Co. Ltd. located at the New Century Plaza, Zhangjiagang Free Trade Zone was registered in the name of Zhangjiagang Free Trade Zone Canghai Petrochemical Industry Trade Co., Ltd.. A property payment receivable from Zhangjiagang Free Trade Zone Canghai Petrochemical Industry Trade Co., Ltd. amounting to RMB166,530.00 was included in other receivables of Jiangsu Yangtze Petrochemical Co. Ltd.. As the transaction took place a long time ago in May 1997, and there was no evidence that the property is owned by Jiangsu Yangtze Petrochemical Co. Ltd., full provision had been made for impairment loss of such receivable. The valuation did not take into account the impact of the recovery of the receivable on the conclusion.

4. As at the Base Date, according to the land use right certificate Tai Cang Shi Guo Yong (2000) Zi No. 05002001 of Jiangsu Yangtze Petrochemical Co. Ltd., it transferred the land use right of 6,146.67 square meters to Kingboard (Taicang) Chemical Co., Ltd. in 1998 and the land use right of 67,929.9 square meters to Jiangsu Huayou Liquefied Gas Co., Ltd. in 2004. As changes had not been made to the registration of the land use right certificate following these two transfers, the valuation determined the remaining area of land use rights to be 183,162.23 square meters based on the State-owned Land Right Certificate. The valuation did not take into account the impact of the change in area of land use right following the issue of new land use right certificates on the conclusion.

5. As at the Base Date, items No. 3 “production garage” and No. 4 “Domestic sewage treatment” in the list of structures of Jiangsu Yangtze Petrochemical Co. Ltd. to be valued had been demolished and were valued at zero in the valuation.

6. As at the Base Date, certain assets of Jiangsu Yangtze Petrochemical Co. Ltd. were pledged in favor of Daqing Petroleum Administration Bureau to secure borrowings granted to China Petroleum Finance Co., Ltd., details of which are as follows:

List of pledged assets of Jiangsu Yangtze Petrochemical Co. Ltd.

Unit: RMB ten thousand

No.	Item	Berth	Quantity	Original book value
1	Fixed assets	Berths 2-3 of F Terminal	3,000 tons	5,270,392.21

No.	Item	Berth	Quantity	Original book value
2		50 thousand tons No.6 berth	50,000 tons	14,018,949.16
3		5 thousand tons No.7 berth	5,000 tons	18,692,044.92
4		2000 tons No. 4-5 berth	2,000 tons	3,181,554.21
5		50 thousand tons no.1 berth	bridge approach of 1,756 meters	55,353,836.19
6		Extension		4,272,151.21
7		Strengthening		3,245,636.21
8		Construction of new bridge approach	1,617 meters	24,223,518.71
9		subtotal		128,258,082.82
10	Intangible assets	Water use right	68.02 mu	4,994,030.15
11		Subtotal		4,994,030.15
12		Total		133,252,112.97

(viii) Dalian International Container Terminal Co., Ltd., an indirect subsidiary of CSPD

1. As at the Base Date, no property ownership certificates had been obtained for the buildings in the list of assets of Dalian International Container Terminal Co., Ltd. to be appraised. Their gross floor areas had been determined according to project construction plans and survey reports. The valuation did not take into account the impact of the difference between the areas to be stated in property ownership certificates and the actual areas on the conclusion.

2. As at the Base Date, certain investment properties of Dalian International Container Terminal Co., Ltd. had been leased to Dalian CRI International Container Co., Ltd. for operation and management. The valuation did not take into account the impact of the lease on the conclusion.

3. As at the Base Date, a construction in progress of Dalian International Container Terminal Co., Ltd., being item 14-(8) in the list of items of civil works to be apprised, represented the occupation of berths. According to the Water Use Right Certificate Guo Hai Zheng No. 2012A21020000121, Dalian International Container Terminal Co., Ltd. has obtained the water use rights of reclaimed land with an area of 280,400 square meters. As at the Base Date, berths No.s 17-18 had been completed and the area of land formed was estimated to be 167,000.00 square meters according to the information provided by the enterprise appraised. No land use right certificates had been obtained for such area. Berths No.s 19-21 had not been completed and the land area had not been formed, which was estimated to be 113,400.00 square meters based on the information provided by the enterprise appraised. The areas of water use rights above were estimated by the enterprise appraised based on data available and an on-site investigation had been conducted. The estimated data was adopted in the valuation and the impact of estimate errors on the conclusion had not been taken into account.

(ix) Nansha Stevedoring Co., Ltd of Guangzhou Port, an indirect subsidiary of CSPD

1. As at the Base Date, no property certificates had been obtained for 14 buildings and structures of Nansha Stevedoring Co., Ltd of Guangzhou Port (with a total gross floor area of 16,299.00 square meters, a total original value of RMB12,740,868.95 and a total net book value of RMB11,596,068.69), which were included in its fixed assets. In the valuation, the gross floor area of such buildings was determined based on the project construction plans provided and the impact of the cost of obtaining certificates and the difference between the area stated in the certificates to be issued and actual area on the conclusion was not taken into account.

2. As at the Base Date, an office building and a single dormitory building with gross floor areas of 4,163.50 and 4,914 square meters, respectively among fixed assets of Nansha Stevedoring Co., Ltd of Guangzhou Port had been leased out. The valuation did not take into account the impact of the lease on the conclusion.

3. According to the information provided by Nansha Stevedoring Co., Ltd of Guangzhou Port, in order to develop foreign trading foreign trade container transportation business and improve the efficiency of inspection by customs departments at the early development stage of Nansha Port, the cost of the inspection centre was prepaid by Nansha Stevedoring Co., Ltd of Guangzhou Port and Guangzhou South China Oceangate Container Terminal Co., Ltd. at the request of Guangzhou Port Group Co., Ltd.. Given that as at the Base Date the cost sharing plan had not been determined by Guangzhou Port Group Co., Ltd., the cost of sharing cannot be determined. As a result, the percentage of shareholding in physical assets, being items 10 and 21 on the list of buildings and structures and items 35, 36 and 91 on the list of ancillary facilities, cannot be determined, and their book values were adopted in the valuation, without taking into account the impact of future cost sharing plan on the conclusion. The book values of the assets involved as at the Base Date were as follows:

List of assets in the inspection area

No.	**Name of the asset**	**Completion date**	**Original book value**	**Book value**
	Buildings			
10	Inspection center	2012.12	7,081,422.42	6,618,916.95
21	Dangerous chemicals warehouse in the inspection area	2008.07	138,377.12	114,824.30
	Structures			
35	Soft foundations treatment project in phase 2 of the port area (I-1)	2010.09	947,468.00	722,444.51
36	Soft foundations treatment project in phase 2 of the port area (I-2)	2010.10	4,664,910.00	3,575,459.07
91	Pipelines in the inspection area	2010.10	475,174.58	197,741.83
			13,307,352.12	11,229,386.66

4. As at the Base Date, the annual inspection procedure had not been timely completed for an Isuzu TFR55HDLJX vehicle with plate number of Yue ACS731, which was included in fixed assets of Nansha Stevedoring Co., Ltd of Guangzhou Port. The valuation did not take into account the impact of the matter on the conclusion. Details are as follows:

No.	Plate number	Descriptions and specifications of vehicle models	Unit of measurement	Quantity	Purchase date	Book value Original value	Net value
1	Yue ACS731	Isuzu TFR55HDLJX	Unit	1	2005.8	147,947.53	7,397.38

(x) Guangxi Qinzhou International Container Terminal Co., Ltd., an indirect subsidiary of CSPD

(1) As at the Base Date, no property certificates had been obtained for 22 buildings and structures of Guangxi Qinzhou International Container Terminal Co., Ltd. (with a total gross floor area of 16,189.14 square meters, a total original value of RMB46,483,051.40 and a total net book value of RMB43,320,148.86), which were included in its fixed assets. In the valuation, the gross floor area of such buildings was determined based on the project construction plans provided and the impact of the cost of obtaining certificates and the difference between the area stated in the certificates to be issued and actual area on the conclusion was not taken into account.

(2) As at the Base Date, a vehicle Jinlong XN014JL9B050205 (with plate number of Gui N33260) include in fixed assets of Guangxi Qinzhou International Container Terminal Co., Ltd. was registered in the name of Guangxi Qinzhou International Container Terminal Co., Ltd.. As the original vehicle registration certificate was lost and the procedures for change of ownership cannot be completed, it had been declared that the vehicle is owned by Guangxi Qinzhou International Container Terminal Co., Ltd. and is not subject to any ownership dispute. The valuation did not take into account the impact of the matter on the conclusion.

No.	Plate number	Descriptions and specifications of vehicle models	Unit of measurement	Quantity	Purchase date	Book value Original value	Net value
1	Gui N33260	Jinlong XN014JL9B050205	Unit	1	2010.1	84,666.00	27,692.20

(xi) Jinzhou New Age Container Terminal Co., Ltd., an indirect subsidiary of CSPD

1. As at the Base Date, no property ownership certificates had been obtained for the buildings in the list of assets of Jinzhou New Age Container Terminal Co., Ltd. to be appraised. Their gross floor areas had been determined according to project construction plans and survey reports. The valuation did not take into account the impact of the difference between the areas to be stated in property ownership certificates and the actual areas on the conclusion.

2. As at the Base Date, the land parcel No. 2 to be appraised had been formed through berth structures, and water use rights had been obtained according to the Water Use Right Certificate

Guo Hai Zheng No. 082100568. The owner of the water use right is Jinzhou New Age Container Terminal Co., Ltd. and the method of use is reclamation. The area of the water use right is 5.243 hectare with the expiry date of 19 September 2058. Construction of the structures on the land had been completed in 2005, and the land use right certificate had not been obtained from local land administration. Based on on-site investigation, the area of water use right has formed land. The area of land use rights of 52,430 square meters was adopted in the valuation and the expenses to be incurred for obtaining land use right certificate had not been taken into account.

3. As at the Base Date, the land parcel No. 3 to be appraised had been formed through reclamation. According to a framework agreement entered into between CSTD and Jinzhou Port Co., Ltd. in November 2004 in relation to the addition and construction of two container berths No.s 207B and 208B for Jinzhou New Age Container Terminal Co., Ltd., the use rights of the land area formed through the water area was vested in the enterprise appraised. The relevant water use right certificates were Guo Hai Zheng No. 042101975 and Guo Hai Zheng No. 042101976 and the stated owner of water use rights is Jinzhou Port Co., Ltd.. As at the Base Date, the enterprise appraised had not completed the procedures for the division and transfer of water use rights, and the land use right certificate had not been obtained following the reclamation. According to the information provided by the enterprise appraised and the area for which the certificate has been obtained, the area was estimated to be 167,725.29 square meters, which was adopted in the valuation as the area of land use rights of the stockyard in phase two. Based on the information provided by the enterprise appraised, Jinzhou Port Co., Ltd. had no disagreement with the area of water use rights for the stockyard in phase two. The valuation did not take into account the expenses to be incurred for the division and transfer of water use rights and change in registration of land use rights.

4. On 27 June 2013, certain assets of Jinzhou New Age Container Terminal Co., Ltd. (see the table below for details) were pledged in favor of The Industrial and Commercial Bank of China Co., Ltd., Shanghai Bund Branch to secure a loan of RMB285 million under a syndicate loan fixed assets loan contract with contract number of 17134000846 and a term from 27 June 2013 to 27 June 2025. As at the Base Date, the outstanding balance of the loan was RMB267 million.

As at the Base Date, Jinzhou New Age Container Terminal Co., Ltd. was subject to the following mortgage:

List of mortgage

Mortgagee	**Borrowing amount (in Renminbi ten thousands)**	**Collateral**	**Mortgage term**
The Industrial and Commercial Bank of China Co., Ltd., Shanghai Bund Branch	267,000,000.00	Land, part of the machinery, equipment and structures	From 27 June 2013 to 27 June 2025

List of collaterals (1)

No.	name	Unit of measurement	Quantity	Date of commencement	Original book value	Net book value	Note
1	207B berth	m	238.87	2006.03	101,073,060.03	81,825,661.57	mortgage
2	208B berth	m	294.14	2006.03	93,634,065.47	75,803,278.95	mortgage
3	Stockyard of phase 2	m^2	176,200.00	2006.03	115,519,760.86	88,370,295.16	mortgage
4	Stockyard of phase 1	m^2	106,600.00	2006.03	67,366,206.76	51,630,170.91	mortgage
5	Gantry cranes 101-01	Unit	1	2002.01	15,427,501.00	617,100.04	mortgage
6	Gantry cranes 102-02	Unit	1	2003.12	14,400,000.00	5,405,986.55	mortgage
7	Gantry cranes 103-03	Unit	1	2006.03	37,635,785.05	20,513,253.33	mortgage
8	Gantry cranes 104-04	Unit	1	2006.03	37,635,785.03	20,513,253.33	mortgage
9	Gantry cranes 105-05	Unit	1	2006.12	39,800,141.12	23,123,662.32	mortgage
10	Gantry cranes 106-06	Unit	1	2006.12	39,800,141.11	23,123,662.32	mortgage
11	Gantry cranes 201-01	Unit	1	2002.12	6,050,000.00	1,949,469.14	mortgage
12	Gantry cranes 202-02	Unit	1	2003.12	6,050,000.00	2,271,265.10	mortgage
13	Gantry cranes 203-03	Unit	1	2003.12	6,050,000.00	2,271,265.10	mortgage
14	Gantry cranes 205-04	Unit	1	2006.04	7,634,249.71	3,814,217.10	mortgage
15	Gantry cranes 206-05	Unit	1	2006.04	7,634,249.71	3,814,217.10	mortgage
16	Gantry cranes 207-06	Unit	1	2006.04	7,634,249.70	3,814,217.08	mortgage
17	Gantry cranes 208-07	Unit	1	2006.09	7,844,651.19	4,093,401.92	mortgage
18	Gantry cranes 209-08	Unit	1	2006.09	7,844,651.19	4,093,401.92	mortgage
19	Gantry cranes 210-09	Unit	1	2006.09	7,844,651.19	4,093,401.92	mortgage
20	Gantry cranes 211-10	Unit	1	2006.09	7,844,651.19	4,093,401.92	mortgage
21	Gantry cranes 212-11	Unit	1	2006.09	7,844,651.19	4,093,401.92	mortgage
22	Gantry cranes 213-12	Unit	1	2006.09	7,844,651.16	4,093,401.92	mortgage
23	Stacking machine 301-01(hyster)	Unit	1	2006.02	2,250,000.00	533,596.35	mortgage
24	Stacking machine 302-02	Unit	1	2006.05	1,920,000.00	493,415.59	mortgage
25	Stacking machine 303-03(Fantuzzi)	Unit	1	2006.07	2,330,000.00	629,603.87	mortgage
26	Positive hanging 401-01	Unit	1	2001.12	2,086,000.00	83,440.00	mortgage
27	Positive hanging 402-02	Unit	1	2001.12	2,687,500.00	107,500.00	mortgage
28	Positive hanging 403-03(Qantas)	Unit	1	2006.12	2,960,000.00	897,797.00	mortgage
29	Positive hanging 405-04(Qantas)	Unit	1	2006.12	2,960,000.00	897,797.00	mortgage

List of collaterals (2)

No.	Land use right certificate no.	Name of parcel	Land location	Date of acquisition	Nature of the land	Land use
1	Jin Zhou Guo Yong (2005) Zi No. 000453	Stockyard of phase 1	No. 1, Section 1, Jingang Street, Development Zone	2005.8.19	Grant	Terminal
2	Guo Hai Zheng No. 082100568	Terminal land	No. 1, Section 1, Jingang Street, Development Zone	2008.9.17	Grant	Reclamation

No.	Useful life until	Development level	Area (m^2)	Original book value	Book value	Note
1	2053.7.22	Five connections and one flat	99,084.03	7,273,630.86	5,947,708.71	mortgage
2	2058.9.19	Five connections and one flat	52,430.00	2,902,900.00	2,513,493.76	mortgage

(xii) Lianyungang New Oriental International Container Terminal Co., Ltd., an indirect subsidiary of CSPD

As at the Base Date, no property ownership certificates had been obtained for the buildings in the list of assets of Lianyungang New Oriental International Container Terminal Co., Ltd. to be appraised. Their gross floor areas had been determined according to project construction plans and survey reports. The valuation did not take into account the impact of the difference between the areas to be stated in property ownership certificates and the actual areas on the conclusion.

(xiii) Due to the limiting conditions, technical inspection of machinery and equipment in the valuation was mainly conducted through on-site investigation, communication with on-site equipment mangers and checking against documents and records, without using precise instruments to test and examine the equipment. For fixed assets, in particular hidden parts such as water works and drainage works in terminals that cannot be surveyed or observed, the information provided by the managers of these assets was adopted in the valuation using the experiences of the valuation personnel.

(xiv) This is not involved in the effect of liquidity and right of control factors as we adopted asset based method conclusion to determine the appraisal value.

IX. **Assumptions of Appraisal**

This appraisal report and the appraisal conclusion shall rely on the following assumptions of appraisal:

(i) ***Basic assumptions***

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction, and the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open markets assumption. Under the open markets assumption, it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanism and depends on the market quotation rather than an individual transaction. Open market represents a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing and rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In use and continue to use assumption. Under the in use and continue to use assumption, it is assumed that the appraised assets being used would continue to be used in the current utility and way after the change of ownership and the occurrence of asset business.

(ii) ***Specific assumptions***

1. No material changes in the relevant prevailing national and local laws, regulations and policies followed by the appraised entity as well as national macro-economic situation; no material changes in the political, economic or social environment where the parties to the transaction are located; and no material and adverse effects arising from other unpredictable and force majeure factors.

2. It is assumed that the enterprise is on a going concern based on the actual status of assets on the appraisal base date.

3. It is assumed that the existing and future management of the appraised entity fulfill their duties on a bona fide basis and the management of the company has the ability to perform their responsibility, is able to keep the appraised entity running on normal conditions and carry out development plan and production plan as expected.

4. It is assumed that the appraised entity complies with all the relevant national laws and regulations in all aspects and there are no material non-compliance events affecting the company's development and revenue.

5. It is assumed that the accounting policies to be implemented by the company in the future are consistent with those used in preparing this report in all material aspects.

6. It is assumed that on the basis of the business scope, mode and current plan are in line with the existing ways based on the current management approach and level.

7. It is assumed that there are no material changes in regulations implemented or determined to be implemented in relation to interest rate, foreign exchange rate, tax basis and tax rate as well as policy charges according to the national laws and regulations.

8. There are no force majeure and unforeseeable factors causing material and adverse effects on the entity.

According to the requirements of the asset appraisal, these assumptions are recognized to be true as at the appraisal base date. When the economic environment in the future undergoes any relatively material changes, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

On the base date of appraisal, i.e. 30 September 2015, the asset book value of China Shipping Ports Development Co., Limited was RMB6,487.1426 million, the liability book value was RMB 14.3453 million, the net assets book value was RMB6,472.7973 million; after appraisal, the appraisal value of total asset was RMB7,646.7879 million, the appraisal value of liability was RMB14.3326 million, the appraisal value of net asset was RMB7,632.4553 million. The appraisal value of total assets was appreciated by RMB1,159.6453 million than the book value with appreciation rate of 17.88%; the appraisal value of net assets was appreciated by RMB1,159.6580 million than the book value with appreciation rate of 17.92%. For details, please refer to the following table:

Asset appraisal results summary table

Base date of assets evaluation: 30 September 2015

Appraised Unit: China Shipping Ports Development Co., Limited

Unit: RMB ten thousand

Item		**Book value** (HK$)	**Book value** (RMB)	**Appraisal value**	**Increase or decrease in value**	**Appreciation rate**
		A	A’	B	C = B-A’	D = C/A’ X 100%
Current assets	1	37,474.94	30,759.80	30,754.26	-5.54	-0.02%
Non-current assets	2	825,199.53	617,954.45	733,924.53	115,970.08	18.77%
Of which: Available-for-sale financial assets	3	31,064.11	25,497.73	35,373.66	9,875.93	38.73%
Long-term equity investments	4	794,135.42	592,456.72	698,550.87	106,094.15	17.91%

Item		Book value (HK$)	Book value (RMB)	Appraisal value	Increase or decrease in value	Appreciation rate
		A	A’	B	C = B-A’	D = C/A’ X 100%
Total assets	**8**	**862,674.47**	**648,714.26**	**764,678.79**	**115,964.53**	**17.88%**
Current liabilities	9	548.20	449.97	448.69	-1.27	-0.28%
Non-current liabilities	10	1,199.50	984.56	984.56	0.00	0.00%
Total liabilities	**11**	**1,747.70**	**1,434.53**	**1,433.26**	**-1.27**	**-0.09%**
Net assets (owners equity)	**12**	**860,926.77**	**647,279.73**	**763,245.53**	**115,965.80**	**17.92%**

The appraisal concludes that as at 30 September 2015, the base date of appraisal, China Shipping Ports Development Co., Limited’s total equity of shareholders was RMB7,632.4553 million. 51% and 49% shareholder’s equity of China Shipping Ports Development Co., Limited held by China Shipping (Hong Kong) Holdings Co., Limited and China Shipping Container Lines Company Limited was amounted to RMB3,892.5522 million and RMB3,739.9031 million, respectively.

The above contents have been extracted from the text of the asset appraisal report. Please read the text of the asset appraisal report for details of this appraisal project to have a reasonable understanding of the appraisal conclusion.

The following provides an overview of containership and container leasing market, and summarizes Drewry's approach in assisting the Company and CSCL in determining lease rates and tenors under the Lease Transactions.

Containership

Containership leasing market

In mid-2015, the global containership fleet numbered 5,157 vessels with a standing capacity of approximately 19 million TEU. The vessel fleet has grown strongly in the last 10 years, at approximately 11% per annum in the period 2005-2010 and 7% per annum 2010-2015 (measured in TEU capacity). Recently, the strongest growth has been in vessels with capacity over 10,000 TEU, at 52% per annum (measured in TEU capacity) from 2010 to 2015, as shipping lines are increasingly ordering larger vessels to exploit economies of scale.

In the large vessel segment, vessel lessors have provided an alternative to the outright purchase of vessels required for longer periods, as they have been able to finance vessel purchases on better terms than those available to carriers. In the smaller vessel segment, chartering rather than purchasing vessels is attractive where future demand is uncertain, due to expected volume growth or service changes.

In the case of larger vessels, charter periods are up to 10-12 years. Vessels are often contracted from the shipyard by the lessor against a firm charter commitment. In smaller vessel categories, charter periods are much shorter, usually up to 3 years.

Containership lessors are asset providers to the containership operators, providing financing and taking asset value risk. Long term contracts serve the purpose of de-risking short cycles in the freight markets and securing cash flow for debt servicing, dividend payments and further asset acquisitions.

In the current volatile markets with slow global growth, vessel lessors appear to be well placed versus the shipping lines and are in a position to capitalise on the carriers' determination to secure larger vessels in pursuit of economies of scale.

Currently, the lessors' share of the total fleet is approximately 50%, with a larger share in the smaller vessel ranges, where the market is more liquid and vessels are more easily chartered on the open market. However lessors have also built a market share in the over 10,000 TEU category, with vessels invariably having a charter committed before being built.

The lessor market is relatively fragmented, with the top 10 players representing a share of only 37% (measured in TEU capacity) as of July 2015. However, the top 10 players dominate in the larger vessel segments (>60% of total TEU capacity) while only having a small share of the smaller vessel segments (14% of TEU capacity of vessels under 4,000 TEU).

Charter rates have declined for vessel size ranges of 5,000-5,999 TEU and 6,000-6,999 TEU, with rates in the last two years below the 5-year and 10-year averages. This reflects the greater availability of vessels of these sizes, and therefore the more liquid market. Rates for vessels of 8,000-11,999 TEU have shown greater stability, in a less liquid market. In the last two years, a majority of the fixtures in this size range have been new vessels and/or on longer charters (3-5 years), as a result of which rates have held up better than smaller vessels. Time charter rates for vessels above 12,000 TEU peaked in early 2008. After the financial crisis, in 2010, there was an unexpected recovery in the container shipping market. This has led to a favourable charter market in the first half of 2011. Since 2012, charter rates have declined in parallel with newbuilding prices.

Drewry has followed the following principles and calculation assumptions in determining the lease rates and tenors for containerships.

Key principle: fairness

- In accordance with the instructions given to Drewry by the Company and CSCL, the core principle that it has applied in preparing its recommendations is fairness.

- The aim of Drewry is to allow the Company to pay CSCL reasonable rates based on current market vessel valuations, where overall lease payment is comparable to that under current market conditions, and CSCL is expected to generate a fair rate of return.

Methodology

For CSCL's self-owned vessels, the lease rate has been determined based on the (i) the current market values of the vessels; (ii) residual value at the end of the duration for the leases; (iii) a reasonable rate of return on vessel leasing; (iv) lease tenors; and (v) daily running costs on the basis of CSCL's projected vessel operating expenses (including vessel administration cost).

In proposing lease tenors, Drewry has:

- Taken into consideration market practice, liquidity of charter markets for various vessel sizes and the nature of this lease transaction deal;

- For vessels above 8,000 TEU, for which charter markets have fewer transactions, a 10-year tenor is recommended, and for vessels below 8,000 TEU, which are more liquid vessel classes, a 5-year tenor is recommended;

- This aims to balance income security for CSCL with operational flexibility for the Company;

- Used lease tenors that will qualify as operating leases (tenor of up to 75% of the vessel's remaining life according to applicable accounting principles).

Drewry has classified the vessels in the fleet according to their container carrying capacity and their vintage. Drewry has clubbed vessels of similar age and container carrying capacity (within a margin of below 2 years) into the same of class for computation of the charter rates. When these vessels are clubbed together, Drewry has used the maximum age in this class for arriving at the maximum duration for the charters to be classified as an operating lease. By applying the methodology illustrated above and assuming, amongst other things, (i) the charter starts on 1 January 2017 and (ii) a 10-day off-hire period per year for each vessel to compute the time charter rates applicable, Drewry has arrived at the following results.

Results:

Drewry has extracted market level time charter rates based, as far as possible, on comparable reported time charter fixtures of past three years of similar vessel size and age. For 2017, the calculated rates are comparable with market rates, both on an individual vessel-type basis and on an aggregate basis. Estimation of annual lease payment for CSCL's self-owned fleet based on calculated TC rate is US$665 million, whereas estimation of annual lease payment for CS Container's self-owned fleet based on market TC rate is US$666 million.

Containers

Container leasing market

At the end of 2014, the size of the global container fleet was 36.6 million TEUs, of which 17.3 million (47%) was owned by lessors, with 19.3 million (53%) owned by shipping lines. Drewry projects that by the end of 2015, 48% of the global container fleet will be lessor-owned, up from a low of 41% in 2009.

The container leasing industry provides a vital service to shipping lines, whose capital constraints mean they cannot afford to own all the containers they operate. Lessors also provide shipping lines with some operational flexibility, allowing them to downsize or increase their fleets during low and peak periods of demand.

The industry norm is for new build containers to be leased by container lessors to shipping lines for an initial period of 5 years (Long Term Lease). Thereafter, the leases are usually renewed for a further 2 or 3 years followed either by further extensions of 2 or 3 years or alternatively the containers are leased under a more flexible shorter term Master Lease.

The life expectancy of a container is generally 12 years, although some leasing companies and shipping lines are now aiming to increase this to 13 or 14 years. At the end of a container's life, it is sold in the secondary market (for use, for example, as storage capacity in the construction industry), and the second-hand market values of the containers have consistently exceeded their scrap values and therefore the sale of aged containers is an important source of income for the lessors.

By end of 2014, the top 10 lessors combined control 87% of the total leased container fleet, with the top 5 controlling 66% of the total leased container fleet.

The NYSE listed container leasing companies consistently reported strong revenue and operating margin growth during the period from 2009 to 2013 as shipping lines' appetite for leasing increased. However, during the last two years, competition among lessors has increased as global container trade volume growth has slowed. The lessors have continued with their strategies to increase market share, encouraged by the low cost of readily available finance and declining new container prices. As a result, market lease rates have declined.

Drewry has followed the following principles and calculation assumptions in determining the lease rates and tenors for containers.

Key principle: fairness

- In accordance with the instructions given to Drewry by the Company and CSCL, the core principle that it has applied in preparing its recommendations is fairness.

- The aim of Drewry is to allow the Company to pay CSCL reasonable rates based on current market container valuations, where overall lease payment is comparable to that under current market conditions, and CSCL is expected to generate a fair rate of return.

- Each box range (defined as type and date of build) will have its own rate and lease period.

Methodology:

For CSCL's self-owned containers, the lease rate has been determined based on (i) market values of the containers when the lease period starts; (ii) residual value at the end of the duration for the leases; (iii) a reasonable rate of return on container leasing based on historical average of listed container leasing companies; and (iv) lease tenors.

In proposing lease tenors, Drewry has suggested:

- Container age <6 years: lease period of 5 years;

- Container age 6-8 years: lease period of 3 years;

- Container age 9-10 years: lease period of 2 years;

- Container age >10 years: lease period of 1 year.

Results:

The resulting annual lease payment for owned containers is US$53.8 million in 2017.

Abbreviation list

TC: Time Charter

TEU: Twenty foot equivalent unit

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and Supervisors' interests or short positions in the Shares

Save as disclosed in this section, as at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

(i) ***Long positions in the Shares, underlying Shares and debentures of the Company***

Name of Director	Capacity	Nature of interests	Number of Shares	Class of Shares	Approximate percentage of total issued share capital in the class	Approximate percentage of total issued share capital of the Company
FAN HSU Lai Tai, Rita	Beneficial owner	Personal	10,000	H Share	0.0004%	0.00010%
Peter Guy BOWIE	Beneficial owner	Personal	15,000	H Share	0.0006%	0.00015%
LI Yunpeng	Beneficial owner	Family	3,000	A Share	0.00004%	0.00003%
WAN Min	Beneficial owner	Personal	2,500	H Share	0.00010%	0.00002%
	Beneficial owner	Personal	35,000	A Share	0.0005%	0.00034%
	Beneficial Owner	Family	12,000	A Share	0.00016%	0.00012%

(ii) ***Long positions in the Shares, underlying Shares and debentures of associated corporations of the Company***

Name of associated corporation	Name of Director	Capacity	Nature of interest	Number of Shares	Approximate percentage of total issued share capital
COSCO Corporation (Singapore) Limited	SUN Yueying	Beneficial owner	Personal	600,000	0.030%
COSCO Pacific	KWONG Che Keung, Gordon	Beneficial owner	Personal	250,000	0.009%

(iii) ***Long position in the underlying shares of equity derivative of the Company***

A share appreciation rights plan (the "**Share Appreciation Rights Plan**") was adopted by the Company, which was designed to align the interests of the Directors, Supervisors and senior management of the Company with the operating results and share value of the Company. The issuance of share appreciation rights does not involve any issuance of new Shares.

As at the Latest Practicable Date, the share appreciation rights held by the Directors and Supervisors are set at below:

Name of Director/Supervisor	Capacity	Nature of interest	Outstanding share appreciation rights	Approximate % of issued share capital of H Shares as at the Latest Practicable Date	Note
LI Yunpeng	Beneficial owner	Personal	600,000	0.023%	(1)
			580,000	0.022%	(2)
SUN Yueying	Beneficial owner	Personal	600,000	0.023%	(1)
			580,000	0.022%	(2)
SUN Jiakang	Beneficial owner	Personal	500,000	0.019%	(1)
			480,000	0.019%	(2)
YE Weilong	Beneficial owner	Personal	480,000	0.019%	(2)

Name of Director/Supervisor	Capacity	Nature of interest	Outstanding share appreciation rights	Approximate % of issued share capital of H Shares as at the Latest Practicable Date	Note
WAN Min	Beneficial owner	Personal	280,000	0.011%	(1)
			260,000	0.010%	(2)
FU Xiangyang	Beneficial owner	Personal	90,000	0.003%	(1)
			85,000	0.003%	(2)
GAO Ping	Beneficial owner	Personal	90,000	0.003%	(1)
			85,000	0.003%	(2)

Notes:

(1) The share appreciation rights were granted by the Company in units with each unit representing one H Share pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 5 October 2006), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$3.588 per unit according to its terms between 5 October 2008 and 4 October 2016.

(2) The share appreciation rights were granted by the Company in units with each unit representing one H Share pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 4 June 2007), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$9.540 per unit according to its terms between 4 June 2009 and 3 June 2017.

(b) **Competing Interests**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or Supervisors nor their respective close associates had any interest in any business, which competes or may compete, either directly or indirectly, with the business of the Group.

(c) **Directors' and Supervisors' Interests in assets of the Enlarged Group**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or Supervisors nor their respective close associates had any direct or indirect interests in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, any member of the Enlarged Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(d) **Directors' and Supervisors' interests in contracts or arrangements of the Enlarged Group**

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement, which was significant in relation to the business of the Enlarged Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company has entered or proposed to enter into a service contract with any member of the Enlarged Group which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. LITIGATION

Particulars of the litigation or claims of material importance pending or threatened against any member of the Enlarged Group as at the Latest Practicable Date as set out as follows:

Plaintiff	Defendant	Other parties involved	Nature	Brief description	Amount involved	Expected liabilities and amount involved	Status	Judgment and effects	Execution of Judgment
COSCO Container Lines Company Limited	URAL Container Carrier S.A.	Nil	Litigation in respect of vessel collision	Containership Zhenhe collided with MOL MANEUVER in the waters nearby Hong Kong on 22 February 2012 which caused serious damages to our ship and cargos	RMB105 million	Nil	Court of first instance held a hearing in 2014 according to procedures. On 21 December 2014, the court of first instance made a first-instance judgment on liabilities caused by collision which became final and effective upon expiry of the litigation period. The court of first instance also held a hearing relating to liabilities caused by damage of cargos seperately and have not yet made the judgment.	The first-instance judgment decided that we bear 20% collision liability and the counterparty bear 80% thereof.	Upon the expiration of the litigation period, both parties did not make any appeal; the first instance judgment was effective, and both parties shall perform their respective payment obligation presided by the court according to the first-instance judgment.
Shanghai Puhai	Shanghai Hong Sheng Gang Tai Shipping Co., Ltd. (上海鴻盛港泰海運有限公司)	Litigation	Shanghai Inchon International Ferry Co., Ltd. (上海仁川國際爾輪有限公司)	Disputes relating damages caused by vessel collision	RMB60,000,000	N/A	Ongoing litigation	N/A	N/A
the Intermediate Court of Shanghai Railway Transport (上海鐵路運輸中級法院)	CSCL Lianyungang	Litigation	Nil	In November 2015, CSCL received a bill of indictment served by the Intermediate Court of Shanghai Railway Transport (上海鐵路運輸中級法院) claiming that CSCL Lianyungang and its two responsible staff were charged with suspected evasion of a railway freight totaling RMB22,295,395.1.	RMB22,295,395.1	N/A	Ongoing litigation	N/A	N/A

Save as disclosed above, so far as the Directors are aware, there was no litigation or arbitration of material importance pending or threatened against the Enlarged Group as at the Latest Practicable Date.

6. EXPERTS

The following is the qualification of the professional advisers who have given their opinion or advice which is contained in this circular:

Name	**Qualification**
Platinum Securities Company Limited	a licensed corporation under the SFO licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Ernst & Young	Certified Public Accountants
China Tong Cheng Appraisal Co., Ltd.	Independent Asset Valuer
Drewry Shipping Consultant Ltd.	Independent Industry Consultant

As at the Latest Practicable Date, Platinum Securities, PricewaterhouseCoopers, Ernst & Young, China Tong Cheng and Drewry did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Platinum Securities, PricewaterhouseCoopers, Ernst & Young, China Tong Cheng and Drewry has given and has not withdrawn its consent to the issue of this circular with the inclusion herein of its letter of advice and references to its names and its advice in the form and context in which they appear.

As at the Latest Practicable Date, each of Platinum Securities, PricewaterhouseCoopers, Ernst & Young, China Tong Cheng Appraisal and Drewry did not have any direct or indirect interests in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(a) COSCO Bulk SPA;

(b) Onshore Agency SPAs;

(c) Offshore Agency SPAs;

(d) FCHL SPA;

(e) CSPD SPA; and

(f) Lease Agreement.

8. MISCELLANEOUS

(1) The company secretary of the Company is Dr. GUO Huawei, who is a senior economist.

(2) The registered office of the Company is located at 2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Airport Economic Zone, Tianjin, the PRC. The head office and principal place of business of the Company in Hong Kong is located at 49/F, COSCO Tower, 183 Queen's Road Central, Hong Kong.

(3) The Hong Kong H share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the Articles of Association of the Company;

(b) the material contracts referred to in the paragraph headed "7. Material Contracts" in this appendix;

(c) the annual reports of the Company for the two financial years ended 31 December 2013 and 31 December 2014;

(d) the written consents from the experts referred to in the paragraph headed "6. Experts" in this appendix;

(e) the letter from the Independent Financial Adviser dated the date of this circular setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to Transaction Agreements and the transactions contemplated thereunder, the text of which is set out in pages 88 to 169 of this circular;

(f) the accountants' report of CSPD for the three years ended 31 December 2014 and the nine months ended 30 September 2015 issued by Ernst & Young, the text of which is set out in Appendix II.1 to this circular;

(g) the accountants' reports of the Agency Companies issued by Ernst & Young for the three years ended 31 December 2014 and the nine months ended 30 September 2015, the text of which is set out in Appendix II.3 to this circular;

(h) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(i) the appraisal reports issued by China Tong Cheng Appraisal Co., Ltd. on COSCO Bulk, the Agency Companies, FCHL and CSPD, the extracts of which is set out in Appendix IV to this circular;

(j) the container shipping asset leasing strategy report issued by Drewry Shipping Consultant Ltd., the summary of which is set out in Appendix V to this circular;

(k) the circular of the Company dated 2 October 2015 in relation to discloseable and connected transaction; and

(l) this circular.