THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in COSCO Pacific Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Pacific

COSCO Pacific Limited
中遠太平洋有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

(1) MAJOR AND CONNECTED TRANSACTION – ACQUISITION OF ALL THE ISSUED SHARES OF CHINA SHIPPING PORTS DEVELOPMENT CO., LIMITED
(2) MAJOR AND CONNECTED TRANSACTION – DISPOSAL OF ALL THE ISSUED SHARES OF FLORENS CONTAINER HOLDINGS LIMITED

Financial Adviser to the Company

UBS

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

投資 亞洲 亞洲資產管理 ASIA INVESTMENT MANAGEMENT

信溢投資策劃有限公司 CHALLENGE CAPITAL MANAGEMENT LIMITED

ING

A letter from the Board is set out on pages 11 to 35 of this circular, a letter from the Independent Board Committee is set out on page 36 of this circular. A joint letter from AIM, Challenge Capital and ING, the independent financial advisers to the Independent Board Committee and the Independent Shareholders in respect of the Transactions is set out on pages 37 to 85 of this circular.

A notice convening the SGM to be held at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Monday, 1 February 2016 at 2:30 p.m. is set out on pages 223 to 224 of this circular. Whether or not you are able to attend the SGM, please complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the principal place of business of the Company in Hong Kong at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the SGM or any adjourned meeting should you so wish.

Shareholders who are entitled to vote at the SGM are those whose names appear as Shareholders on the register of members of the Company as at the close of business on Friday, 29 January 2016. In order to be entitled to vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 29 January 2016.

31 December 2015

CONTENTS

PAGE

This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at "http://www.coscopac.com.hk" and Hong Kong Exchanges and Clearing Limited at "http://www.hkexnews.hk". To the extent that there are any inconsistencies between the English version and the Chinese version of this circular, the English version shall prevail.

In this circular the following expressions have the following meanings unless the context requires otherwise:

"Acquisition"	the acquisition of the CSPD Shares by the Company pursuant to the terms of the CSPD SPA;
"Agency Companies SPA I"	the agreement between CSCL as seller and China COSCO as purchaser dated 11 December 2015 in relation to the sale and purchase of equity interest in various agency companies;
"Agency Companies SPA II"	the agreement between CSCLHK as seller and COSCON and Pan Asia Shipping as purchasers dated 11 December 2015 in relation to the sale and purchase of 100% equity interest in various agency companies;
"AIM"	Asia Investment Management Limited;
"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;
"Anti-Monopoly Bureau"	the Anti-Monopoly Bureau of the Ministry of Commerce of the PRC;
"berth"	a designated location where a vessel may be moored, usually for the purposes of loading and unloading cargo;
"Board"	the board of Directors;
"Bohai Bank"	China Bohai Bank Co., Ltd.* (渤海銀行股份有限公司), a company incorporated in the PRC with limited liability;
"Bohai Bank SPA"	the agreement between COSCO as seller and CSCL as purchaser dated 11 December 2015 in relation to the sale and purchase of 13.67% of the issued share capital of Bohai Bank;
"BVI"	the British Virgin Islands;
"Challenge Capital"	Challenge Capital Management Limited;

"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) and an intermediate holding company of the Company;
"China COSCO Bulk"	China COSCO Bulk Shipping (Group) Co., Ltd.* (中遠散貨運輸(集團)有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of China COSCO;
"China COSCO Group"	China COSCO and its subsidiaries;
"China Shipping"	China Shipping (Group) Company* (中國海運(集團)總公司), a PRC SOE and a controlling shareholder of CSCL;
"China Shipping Group"	China Shipping and its subsidiaries;
"China Tong Cheng"	China Tong Cheng Assets Appraisal Co., Ltd., professional valuer and independent appraiser with respect to the valuation of CSPD and FCHL as at 30 September 2015;
"Company"	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);
"Completion Accounts Date"	the last day of the previous month where the date of completion of the Acquisition or the 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;
"COSCO"	China Ocean Shipping (Group) Company* (中國遠洋運輸(集團)總公司), a PRC SOE and the ultimate holding company of the Company;
"COSCO Finance"	COSCO Finance Co., Ltd.* (中遠財務有限責任公司), a company incorporated in the PRC;

"COSCO Finance Agreement"	the agreement between COSCO, COSCON, COSCO Bulk Carrier Co., Ltd.* (中遠散貨運輸有限公司), Qingdao Ocean Shipping Co., Ltd.* (青島遠洋運輸有限公司), COSCO Shipping Co., Ltd.* (中遠航運股份有限公司), Guangzhou Ocean Shipping Co., Ltd.* (廣州遠洋運輸有限公司), Dalian Ocean Shipping Co., Ltd.* (大連遠洋運輸公司), Xiamen Ocean Shipping Co., Ltd.* (廈門遠洋運輸公司) , COSCO International Freight Co., Ltd.* (中遠國際貨運有限公司), China Ocean Shipping Agency Co., Ltd. (PENAVICO)* (中國外輪代理有限公司), China Ocean Shipping Tally Co., Ltd.* (中國外輪理貨總公司), COSCO Shipbuilding Industry Co., Ltd.* (中遠造船工業公司), COSCO Shipyard Group Co., Ltd.* (中遠船務工程集團有限公司), China Marine Bunker (PetroChina) Co., Ltd.* (中國船舶燃料有限責任公司) as shareholders and CSCL as contributing party dated 11 December 2015 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;
"COSCO Group"	COSCO and its subsidiaries;
"COSCO HK"	COSCO (Hong Kong) Group Limited (中遠(香港)集團有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of COSCO;
"COSCON"	COSCO Container Lines Company Limited* (中遠集裝箱運輸有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of China COSCO;
"COSCON HK"	COSCO Container Lines (Hongkong) Co., Limited (中遠集運(香港)有限公司), a company incorporated in Hong Kong;
"CP Agreements"	the Agency Companies SPA I, the Agency Companies SPA II, the Bohai Bank SPA, the COSCO Finance Agreement, the CSCL Agency HK SPA, the CSF SPA, the CSI SPA, the CSL SPA, the CS Nauticgreen Helen Insurance SPA, the CSP Singapore SPA, the Dong Fang International SPA, the Dry Bulk SPA, the Golden Sea SPA I, the Golden Sea SPA II, the Long Honour SPA, the Universal Shipping SPA and the Vessel Lease Agreement;

"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), respectively, a direct non-wholly-owned subsidiary of China Shipping;
"CSCL Agency HK"	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 with limited liability;
"CSCL Agency HK SPA"	the agreement between CSCLHK as seller and COSCON HK as purchaser dated 11 December 2015 in relation to the sale and purchase of 100% equity interest in CSCL Agency HK;
"CSCLHK"	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 and a subsidiary of CSCL;
"CSF"	China Shipping Finance Company Limited* (中海集團財務有限責任公司), a company incorporated in the PRC with limited liability;
"CSF SPA"	the agreement between China Shipping and Guangzhou Maritime as sellers and CSCL as purchaser dated 11 December 2015 in relation to the sale and purchase of 40% of the issued share capital of CSF;
"CSHK"	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 a wholly-owned subsidiary of China Shipping;
"CSI"	China Shipping Investment Co., Ltd.* (中海集團投資有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of China Shipping;
"CSI SPA"	the agreement between China Shipping, Guangzhou Maritime, Shanghai Shipping as sellers and CSCL as purchaser dated 11 December 2015 in relation to the sale and purchase of 100% of the issued share capital of CSI;

"CSL"	China Shipping (Group) Leasing Co., Ltd.*(中海集團租賃有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of China Shipping;
"CSL SPA"	the agreement between China Shipping as seller and CSCL as purchaser dated 11 December 2015 in relation to the sale and purchase of 100% of the issued share capital of CSL;
"CS Nauticgreen"	China Shipping Nauticgreen Holdings Company Limited (中海綠舟控股有限公司), a company incorporated in Hong Kong;
"CS Nauticgreen Helen Insurance SPA"	the agreement between CSHK as seller and CSCLHK as purchaser dated 11 December 2015 in relation to the sale and purchase of 100% of the issued share capital of CS Nauticgreen and Helen Insurance;
"CSPD"	China Shipping Ports Development Co., Limited (中海港口發展有限公司), a company incorporated in Hong Kong, the shares of which are held by CSCL and CSHK as to 49% and 51%, respectively;
"CSPD Group"	CSPD and its subsidiaries;
"CSPD Shares"	5,679,542,724 ordinary shares in CSPD, representing all the issued shares of CSPD;
"CSPD SPA"	the sale and purchase agreement dated 11 December 2015 entered into between the Company, CSCL and CSHK in relation to the Acquisition;
"CSP Singapore"	China Shipping (Singapore) Petroleum Pte. Ltd. (中國海運(新加坡)石油有限公司), a company incorporated in Singapore and in which CSCLHK and CS Regional each holds 91% and 4% equity interest;
"CSP Singapore SPA"	the agreement between CSCLHK as seller and CS Regional as purchaser dated 11 December 2015 in relation to the sale and purchase of 91% equity interest in CSP Singapore;
"CS Regional"	China Shipping Regional Holdings Pte. Ltd. (中國海運(東南亞)控股有限公司), a company incorporated in Singapore;

"CSTD"	China Shipping Terminal Development Co., Ltd.* (中海碼頭發展有限公司), a limited liability company incorporated in the PRC and currently a wholly-owned subsidiary of CSPD;
"Damietta"	Damietta International Ports, S.A.E., a company in which CSPD held a 20% equity interest as at the Latest Practicable Date;
"Damietta Sale"	the proposed sale of CSPD's entire 20% equity interest 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;
"Disposal"	the disposal of the FCHL Shares and the assignment of the FCHL Shareholder's Loans by the Company to CSCLHK pursuant to the terms of the FCHL SPA;
"Dong Fang International"	Dong Fang International Investment Limited (東方國際投資有限公司), a company incorporated in the BVI;
"Dong Fang International SPA"	the agreement between CSHK as seller and CSCLHK as purchaser dated 11 December 2015 in relation to the sale and purchase of 100% of the issued share capital of Dong Fang International;
"Drewry Report"	the 2015 annual report by Drewry Maritime Research, the research arm of Drewry Shipping Consultants Limited, a maritime sector specialist;
"Dry Bulk SPA"	the agreement between China COSCO as seller and COSCO as purchaser dated 11 December 2015 in relation to the sale and purchase of 100% equity interest in China COSCO Bulk;
"equity throughput"	the multiple of the total throughput of a terminal multiplied by the percentage stake held in that terminal;
"EY"	Ernst & Young;
"FCHL"	Florens Container Holdings Limited (佛羅倫貨箱控股有限公司)*, a company incorporated in the BVI with limited liability and (immediately before completion of the Disposal) a direct wholly-owned subsidiary of the Company;

"FCHL Shares"	22,014 ordinary shares of FCHL, representing all the issued shares of FCHL;
"FCHL Shareholder's Loans"	the shareholder's loans in the aggregate amount of US$285,000,000 owed by FCHL to the Company and remains outstanding immediately before completion of the Disposal;
"FCHL SPA"	the sale and purchase agreement dated 11 December 2015 entered into between the Company and CSCLHK in relation to the Disposal;
"Golden Sea"	Golden Sea Shipping Pte. Ltd. (鑫海航運有限公司), a company incorporated in Singapore, the shares of which are held by CSCL and CS Regional as to 60% and 40% respectively;
"Golden Sea SPA I"	the agreement between CSCL as seller and CS Regional as purchaser dated 11 December 2015 in relation to the sale and purchase of 9% equity interest in Golden Sea;
"Golden Sea SPA II"	the agreement between CSCL as seller and COSCON as purchaser dated 11 December 2015 in relation to the sale and purchase of 51% equity interest in Golden Sea;
"Group"	the Company and its subsidiaries;
"Guangzhou Maritime"	Guangzhou Maritime Transport (Group) Co., Ltd.* (廣州海運(集團)有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of China Shipping;
"Helen Insurance"	Helen Insurance Brokers Limited (海寧保險經紀有限公司), a company incorporated in Hong Kong and a direct wholly-owned subsidiary of CSHK;
"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. Adrian David LI Man Kiu, Mr. FAN Ergang and Mr. LAM Yiu Kin, all being independent non-executive Directors, established for the purpose of considering and advising the Independent Shareholders in connection with the Transactions;

"Independent Financial Advisers"	AIM, Challenge Capital and ING;
"Independent Shareholders"	Shareholders other than China COSCO (Hong Kong) Limited and COSCO Investments Limited (both being indirect subsidiaries of COSCO) and any other Shareholders who are required by the Listing Rules to abstain from voting on the resolution to be proposed at the SGM to approve the Transactions;
"ING"	ING Bank N.V.;
"Latest Practicable Date"	24 December 2015;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Honour"	Long Honour Investments Limited (長譽投資有限公司), a company incorporated in the BVI with limited liability, a wholly-owned subsidiary of COSCO HK;
"Long Honour SPA"	the agreement between COSCO HK as seller and CSCLHK as purchaser dated 11 December 2015 in relation to the sale and purchase of 100% of the issued share capital of Long Honour;
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會);
"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;
"Pan Asia Shipping"	Shanghai Pan Asia Shipping Company Limited* (上海泛亞航運有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of COSCON;
"PRC"	the People's Republic of China;

"Pre-Closing Dividend"	a dividend of an amount no greater than the amount of the distributable profits of CSPD (in case of the Acquisition) or FCHL (in case of the Disposal) as at 30 September 2015 which in the case of Acquisition, CSHK and CSCL or, in the case of Disposal, the Company may, on a date that is at least 10 business days prior to the completion of the Acquisition or Disposal (as applicable), subject to the applicable law, procure CSPD or FCHL (as applicable) to declare and pay, in the case of Acquisition, to CSHK and CSCL or, in the case of Disposal, to the Company. 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;
"PwC"	PricewaterhouseCoopers, the auditor of the Company and the reporting accountant as to the unaudited pro forma financial information of the Reorganized Group;
"Reorganization"	the reorganization exercise involving the COSCO Group and the China Shipping Group;
"Reorganized Group"	the Group upon completion of the Transactions;
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會);
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be convened for the purpose of the Independent Shareholders considering and, if thought fit, approving the Transactions;
"Shanghai Shipping"	Shanghai Shipping (Group) Company* (上海海運(集團)公司) , a company incorporated in the PRC and a wholly-owned subsidiary of China Shipping;
"Shareholder(s)"	shareholder(s) of the Company;
"Shares"	shares in the capital of the Company;

"SOE"	state-owned enterprise;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"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;
"Transactions"	the Acquisition and the Disposal;
"Universal Shipping"	Universal Shipping (Asia) Company Limited (五洲航運有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of CSCLHK;
"Universal Shipping SPA"	the agreement between CSCLHK as seller and Pan Asia Shipping as purchaser dated 11 December 2015 in relation to the sale and purchase of 100% equity interest in Universal Shipping;
"USA"	the United States of America;
"Vessel Lease Agreement"	the agreement between CSCL as lessor and China COSCO as lessee dated 11 December 2015 in relation to the lease of certain vessels and containers;
"EUR"	Euro, the common currency of the European Union;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"RMB"	Renminbi, the lawful currency of the PRC;
"US$"	United States dollars, the lawful currency of the USA; and
"%"	per cent.

For the purposes of this circular, the English or Chinese name with an asterisk (*) is an unofficial English or Chinese (as the case may be) transliteration or translation and is for identification purposes only. Information about the total throughput, the annual designed handling capacity and the quay length of a terminal disclosed in this circular is derived from the internal records of that terminal. Their meanings may not always correspond to the meanings adopted by another terminal.

COSCO Pacific Limited
中遠太平洋有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

Directors:
Mr. WAN Min[2] *(Chairman)*
Mr. QIU Jinguang[1]
(Vice Chairman & Managing Director)
Mr. DENG Huangjun[1]
Mr. TANG Runjiang[1]
Mr. FENG Bo[1]
Mr. WANG Wei[2]
Mr. WANG Haimin[2]
Mr. ZHANG Wei[2]
Dr. WONG Tin Yau, Kelvin[1]
Dr. FAN HSU Lai Tai, Rita[3]
Mr. Adrian David LI Man Kiu[3]
Mr. IP Sing Chi[3]
Mr. FAN Ergang[3]
Mr. LAM Yiu Kin[3]

General Counsel & Company Secretary:
Ms. HUNG Man, Michelle

1 Executive Director
2 Non-executive Director
3 Independent Non-executive Director

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office:
49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

31 December 2015

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION – ACQUISITION OF ALL THE ISSUED SHARES OF CHINA SHIPPING PORTS DEVELOPMENT CO., LIMITED
(2) MAJOR AND CONNECTED TRANSACTION – DISPOSAL OF ALL THE ISSUED SHARES OF FLORENS CONTAINER HOLDINGS LIMITED

INTRODUCTION

We refer to the announcement of the Company dated 11 December 2015 that the Company, CSCL and CSHK entered into the CSPD SPA on 11 December 2015, pursuant to which CSCL and CSHK have conditionally agreed to sell, and the Company has conditionally agreed to purchase, the CSPD Shares for an initial consideration of RMB7,632,455,300 (subject to certain adjustments, which are disclosed in the sub-section headed "PRINCIPAL TERMS OF THE CSPD SPA" under the section headed "THE TRANSACTIONS"). Upon completion of the Acquisition, CSPD will become a wholly-owned subsidiary of the Company. In the same announcement, the Company also announced that the Company and CSCLHK entered into the FCHL SPA on 11 December 2015, pursuant to which the Company has conditionally agreed to sell the FCHL Shares and assign the FCHL Shareholder's Loans, and CSCLHK has conditionally agreed to purchase the FCHL Shares and take the assignment of the FCHL Shareholder's Loans. The initial consideration for the FCHL Shares is RMB7,784,483,300 (subject to certain adjustments, which are disclosed in the sub-section headed "PRINCIPAL TERMS OF THE FCHL SPA" under the section headed "THE TRANSACTIONS") and the consideration for the FCHL Shareholder's Loans is US$285,000,000. Upon completion of the Disposal, FCHL will cease to be a subsidiary of the Company.

The Transactions are:

(a) part of the Reorganization involving the businesses of the COSCO Group and the businesses of the China Shipping Group; and

(b) inter-conditional with a number of other transactions as part of the Reorganization, details of which are set out in the sub-sections headed "PRINCIPAL TERMS OF THE CSPD SPA" and "PRINCIPAL TERMS OF THE FCHL SPA" under the section headed "THE TRANSACTIONS" respectively below.

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 (USA) and the PRC) and mainly provide loading, storage and maintenance services. Further information relating to CSPD are set out on pages 91 to 176 of this circular.

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's owned, sale-and-lease back and managed containers fleet size reached 1,969,196 TEU providing long-term and short-term leasing services to its customers.

The purpose of this circular is to provide you with, among other information, (a) further details of the Transactions; (b) the recommendation of the Independent Board Committee to the Independent Shareholders; (c) the joint letter from AIM, Challenge Capital and ING to the Independent Board Committee and the Independent Shareholders in respect of the Transactions; and (d) a notice of the SGM.

CONDITIONAL SPECIAL CASH DIVIDEND

As disclosed in the announcement of the Company dated 23 December 2015, the Board 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 passing the resolution approving the Transactions at the SGM; and (b) the completion of the Transactions 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 whose names appear on the register of members of the Company on a record date that will be determined by the Board and announced after the SGM and before the completion of the Transactions. The Company will issue an announcement after the Board has determined the record date.

If the resolution approving the Transactions is not passed by the Independent Shareholders at the SGM or if the Transactions 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. Shareholders and potential investors in the Company should therefore exercise caution when dealing in or investing in the securities of the Company.

THE TRANSACTIONS

PRINCIPAL TERMS OF THE CSPD SPA

1. Date and parties

Date: 11 December 2015

Parties: (a) the Company as the purchaser

(b) CSCL and CSHK as the sellers

2. General nature of the Acquisition

CSCL and CSHK 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.

3. Consideration and payment terms

The initial consideration for the CSPD Shares is RMB7,632,455,300 (the "**Initial Price**").

The Initial Price will be subject to certain adjustments. The price payable by the Company for the CSPD Shares at completion of the 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 completion of the 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 Acquisition, *minus* an amount equal to RMB216,989,700.

The final consideration will be determined after completion of the 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 Acquisition will be financed by internal resources and bank borrowings.

The consideration for the Acquisition was determined based on normal commercial terms after arm's length negotiations between the parties to the CSPD SPA, taking into account the valuation of CSPD by China Tong Cheng.

If, after the filing with competent authorities of the valuation report by China Tong Cheng 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.

4. Conditions precedent under the CSPD SPA

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

(a) the approval by the Independent Shareholders in respect of the Acquisition;

(b) the approval by the shareholders of CSCL and CSHK in respect of the Acquisition;

(c) the approval by the independent shareholders of China COSCO in respect of the Acquisition;

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

(e) the representations and warranties given by each of CSCL and CSHK and the Company respectively being true and accurate as at completion of the Acquisition;

(f) approval from the Anti-Monopoly Bureau in connection with the 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 CSHK, in all material respects, their respective obligations under the CSPD SPA which are required to be complied with prior to completion of the Acquisition;

(i) all regulatory approvals and shareholders' approvals (if any) in respect of the 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.

5. Non-compete

CSCL and CSHK 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 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 also 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.

6. Completion

Under the CSPD SPA, completion of the 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 31 December 2016 (or such later date as the parties to the CSPD SPA may agree), the CSPD SPA shall automatically terminate (other than in respect of certain surviving provisions therein). Upon completion of the Acquisition, the Company will hold 100% of the issued shares in CSPD.

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

PRINCIPAL TERMS OF THE FCHL SPA

1. Date and parties

Date: 11 December 2015

Parties: (a) the Company as the seller

(b) CSCLHK as the purchaser

2. General nature of the Disposal

The Company has conditionally agreed to sell the FCHL Shares and assign the FCHL Shareholder's Loans, and CSCLHK 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.

3. Consideration and payment terms

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 CSCLHK upon completion of the Disposal.

The final consideration for the FCHL Shares will be determined after completion of the 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.

If, after the filing with competent authorities of the valuation report by China Tong Cheng 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.

The consideration for the Disposal was determined based on normal commercial terms after arm's length negotiations between the parties to the FCHL SPA, taking into account the valuation of FCHL by China Tong Cheng.

4. Conditions precedent under the FCHL SPA

Completion of the Disposal is conditional upon the satisfaction of, among other things, the following conditions:

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

(b) the approval by the shareholders of CSCL in respect of the Disposal;

(c) the approval by the independent shareholders of China COSCO in respect of the Disposal;

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

(e) the representations and warranties given by the Company and CSCLHK respectively being true and accurate as at completion of the Disposal;

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

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

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

(i) all regulatory approvals and shareholders' approvals (if any) in respect of the Acquisition in accordance with the CSPD 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.

5. Completion

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

If the conditions precedent under the FCHL SPA are not fulfilled or waived on or before 31 December 2016 (or such later date as the parties to the FCHL SPA may agree), the FCHL SPA shall automatically terminate (other than in respect of certain surviving provisions therein). Upon completion of the Disposal, FCHL will cease to be a subsidiary of the Company.

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

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE DISPOSAL

Background to the Acquisition and the Disposal: SOE Reform

The Acquisition and the Disposal form parts of the Reorganization, 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 Reorganization, 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 China COSCO Group, the Group and the China Shipping Group respectively.

Focus on terminals business

The Group's main strategy is to focus on terminals business. The Reorganization therefore provides an opportunity that suits the Group's strategy. The Company became listed on the Stock Exchange in 1994 with container leasing as its sole business. Since 1995, the Group has diversified into terminals business. In 1995, the Group acquired an interest in COSCO-HIT Terminals (Hong Kong) Limited and generated total throughput of 1.2 million TEU. In 1997, the Group entered the PRC market by acquiring partial equity interests in four container terminals from COSCO. In 2003, the Group acquired 49% stake in COSCO-PSA Terminal Private Limited in Singapore, the Group's first overseas terminal project. In 2009, the Group invested 100% stake in Piraeus Container Terminal S.A., the Group's first wholly-owned terminal operation. By the end of 2014, the Group's total throughput amounted to 67.3 million TEU. The Transactions present the Group with a golden opportunity to focus on terminals business.

The 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 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 Acquisition and the management expertise of CSPD, the 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 Reorganization, the 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 8.0% of the world's total fleet capacity in 2014. The PRC is a material market for the Group as it remains significant to global economic growth. Following the Acquisition with an enlarged market share and more balanced geographical coverage, the Group is expected to be well-positioned to benefit from the potential opportunities in the Greater China market[1].

A larger terminal portfolio

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

A greater market share

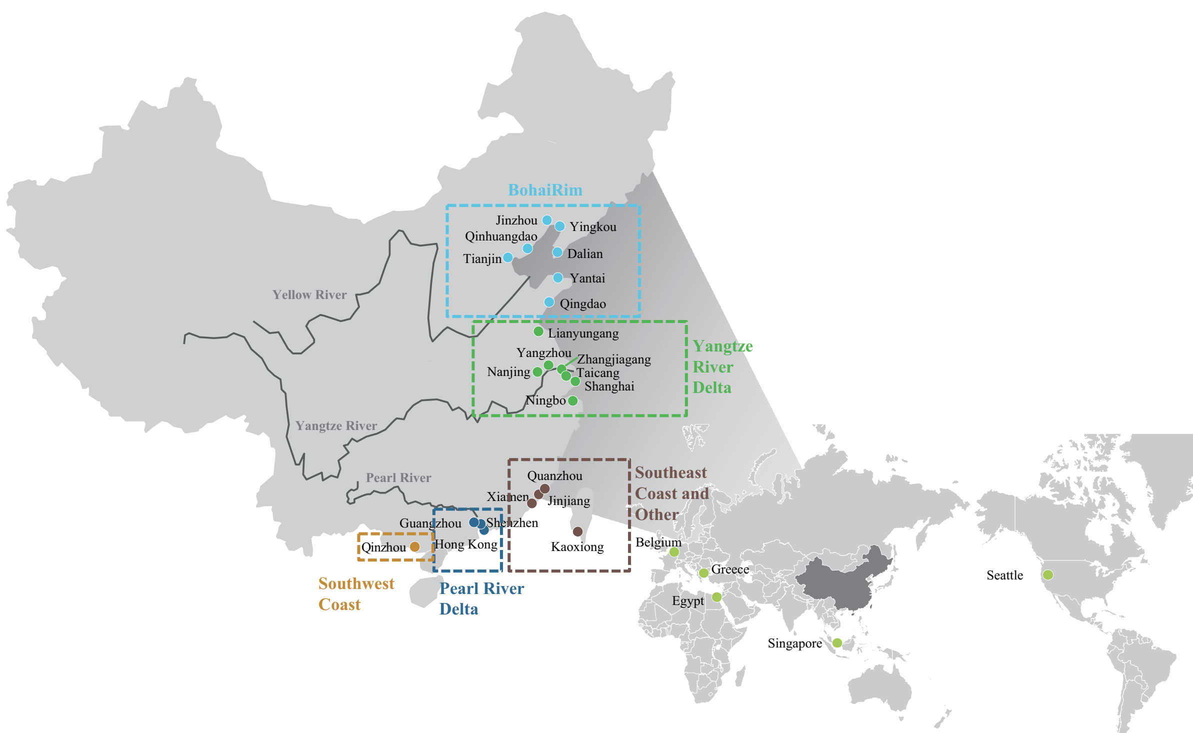
On the basis of the annual designed handling capacity in the world's container terminal market in 2014 (as shown in the Drewry Report), the total global market share of the terminals in which the Group is interested would, as a result of the Acquisition, increase from 7.7% to 10.3%, making the Group 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 Group post the 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.

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

A further strengthened dominant position in Greater China

After the Acquisition, the 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 Acquisition would increase the market share of the Group in Greater China from 27.0% to 32.2%. Greater China remains the key focus for the Group. 85.7% of the pro-forma total throughput of the Group and the CSPD Group and 84.0% of the total throughput of the Group were attributable to Greater China in 2014.

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

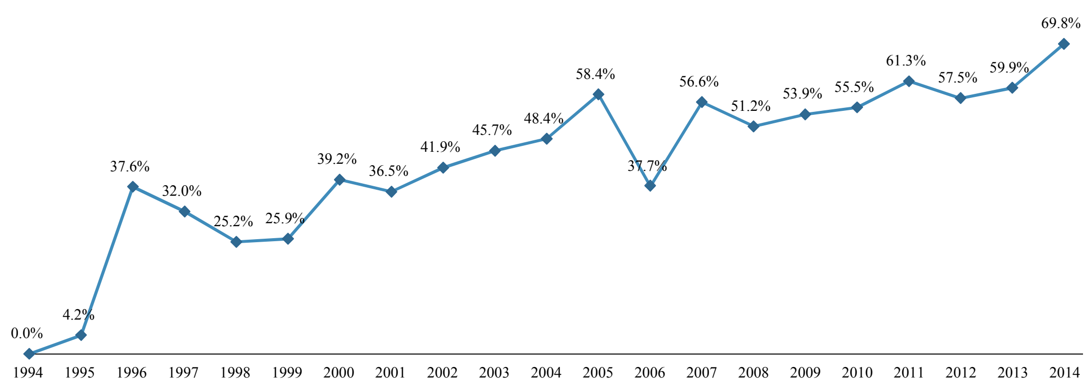


The Disposal

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

The Company became listed on the Stock Exchange in 1994 with container leasing being its sole business. The synergies of the Group's container leasing business with the Group's terminals operations, which have now grown to become the largest part of the Group's business in terms of net profit contribution, are limited. The net profit of terminals business attributable to the equity holders of the Company 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 Company, and its contribution to the sum of terminal and container leasing businesses from 1994 to 2014. [1, 2]



Source: the Company's Annual Reports

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

Note 2: The percentage of terminals profit contribution largely decreased 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 the Company and the Shareholders to change the Group's business focus to terminals business operations.

The Board considers that it is now an opportunity for the Group to be transformed into a pure terminals operator. That is expected to unlock the 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 Group intends to create long-term value by implementing a sustainable growth strategy as follows. The 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 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 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 Group will further strengthen the profitability by capturing investment opportunities through equity investments in addition to investments with controlling stake.

FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION AND DISPOSAL

Earnings

After completion of the Acquisition, CSPD will become a subsidiary of the Company and the results of CSPD will be accounted for in the consolidated financial statements of the Group. FCHL will cease to be a subsidiary of the Company after completion of the Disposal. The Disposal is expected to record a gain of approximately US$62.7 million. The estimated gain on the Disposal is calculated with reference to the consideration for the Disposal and the net asset value of FCHL as at 30 September 2015. The actual gain or loss that the Company is able to realise will depend on the actual net book value of FCHL on the date of completion of the Disposal.

Assets

Based on the unaudited pro forma financial information on the Reorganized Group in Appendix III, the Transactions would decrease the total assets of the Group by the amount of approximately US$970.6 million.

Liabilities

Based on the unaudited pro forma financial information of the Reorganized Group in Appendix III, the Transactions would decrease the total liabilities of the Group by the amount of approximately US$623.5 million.

Net Proceeds from the Disposal

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

INFORMATION ON THE PARTIES TO THE ACQUISITION AND DISPOSAL

1. INFORMATION ON 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 Accountant's Report prepared in respect of CSPD is set out in Appendix II.

Upon the incorporation of CSPD in July 2001, CSHK subscribed for 20% of the shares in CSPD for a total subscription price of HK$2,000,000. In August 2005, CSHK acquired the remaining 80% shareholding in CSPD from CSTD for a consideration of HK$8,000,000, as a result of which CSPD became a wholly-owned subsidiary of CSHK. In March 2007, CSHK subscribed further shares in CSPD for a total subscription price of HK$224,000,000. In June 2014, CSHK 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 CSHK and CSCL as to 51% and 49% respectively.

Interests in container terminals held by CSPD

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

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, PRC
Effective interest	:	CSPD holds 20% equity interest in Asia Container Terminals Holdings Limited, the holding company holding 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, People's Republic of China
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC holding company holding 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 has been 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, People's Republic of China
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC holding company holding 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 has been granted approval to operate at Lianyungang Port No. 29 – 32 Terminal (連雲港港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, People's Republic of China
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC holding company holding 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 has been 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, People's Republic of China
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC holding company holding 40% interest in Yingkou New Century Terminal Co., Ltd.* (營口新世紀集裝箱碼頭有限公司) which has been granted approvals to operate at Yingkou Port Bayuquan Area No. 53, 54 Terminal* (營口港鮁魚圈區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, People's Republic of China
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC holding company holding 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 has been 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, People's Republic of China
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC holding company holding 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, which has been 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, People's Republic of China
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC holding company holding 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 Terminals

Location	:	Shanghai, People's Republic of China
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC holding company holding 20% interest in Shanghai Mingdong Container Terminals Co., Ltd.* (上海明東集裝箱碼頭有限公司), which has been 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, People's Republic of China
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC holding company holding 40% interest in Nansha Stevedoring Co., Ltd* of Guangzhou Port (廣州港南沙港務有限公司), which has been 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, People's Republic of China
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC holding company holding 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 has been 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, People's Republic of China
Effective interest	:	CSPD holds 100% equity interest in CSTD, a PRC holding company holding 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 (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.

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's owned, sale-and-lease back and managed containers 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

3. INFORMATION ON CSCL, CSHK AND CSCLHK

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

CSHK is principally engaged in international shipping businesses. It is an indirect wholly-owned subsidiary of China Shipping.

CSCLHK is principally engaged in route management, shipping agency, shipping transportation, and shipping-rail transportation.

4. INFORMATION ON THE GROUP

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

LISTING RULES IMPLICATIONS

The highest of the applicable percentage ratios in respect of the Acquisition is higher than 25% but below 100%. Accordingly, the Acquisition constitutes a major transaction of the Company and is subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The highest of the applicable percentage ratios in respect of the Disposal is higher than 25% but below 75%. Accordingly, the Disposal constitutes a major transaction of the Company and is subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Transactions are deemed by the Stock Exchange to constitute connected transactions of the Company and are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH THE PROFIT FORECAST REQUIREMENTS

The final valuation of FCHL by China Tong Cheng is based on the market comparison approach. However, as China Tong Cheng is required under the relevant requirements in the PRC to conduct the valuation of FCHL using at least two valuation approaches, the valuation report in respect of FCHL therefore also covers a valuation based on the income approach.

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 the valuation of FCHL.

INDEPENDENT FINANCIAL ADVISERS

AIM and Challenge Capital have been appointed as the independent financial advisers to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. ING has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal. AIM, Challenge Capital and ING have issued a joint letter to the Independent Board Committee and the Independent Shareholders in respect of the Transactions. A copy of the joint letter from AIM, Challenge Capital and ING is set out from page 37 to page 85 of this circular.

RECOMMENDATION

Mr. WAN Min, a non-executive Director and Chairman of the Board, is an executive vice president of COSCO and a non-executive director of China COSCO. Dr. FAN HSU Lai Tai, Rita, an independent non-executive Director, is an independent non-executive director of China COSCO. China COSCO is not a party to the Transactions but is involved in the Reorganization. Mr. WAN Min and Dr. FAN HSU Lai Tai, Rita are allowed under the bye-laws of the Company and the Listing Rules to vote on the board resolution of the Company in respect of the Transactions. Mr. IP Sing Chi, an independent non-executive Director, is an independent non-executive director of China Shipping Development Company Limited, which is involved in the Reorganization (other than the Transactions) and is an associate of CSCL and CSHK, and is required to abstain from voting on the board resolution of the Company in respect of the Transactions.

The Independent Board Committee comprising Dr. FAN HSU Lai Tai, Rita, Mr. Adrian David LI Man Kiu, Mr. FAN Ergang and Mr. LAM Yiu Kin, all being independent non-executive Directors, has been formed to advise the Independent Shareholders:

(i) as to whether the terms of the Transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole;

(ii) as to whether the Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and

(iii) on how to vote, taking into account the recommendation of AIM, Challenge Capital and ING.

A copy of the letter from the Independent Board Committee is set out on page 36 of this circular.

The Directors (other than the Director who is required to abstain from voting as mentioned above, and the members of the Independent Board Committee in respect of the Transactions, who have indicated their recommendation in their letter to the Independent Shareholders in respect of the Transactions set out on page 36 of this circular) consider that the terms of the Transactions are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole and, accordingly, recommend the Independent Shareholders to vote in favour of the relevant resolution to approve the Transactions.

SGM

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Transactions.

China COSCO (Hong Kong) Limited and COSCO Investments Limited (both being indirect subsidiaries of COSCO), which held approximately 44.83% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the resolution to be proposed at the SGM to approve the Transactions.

A notice of the SGM is set out on pages 223 to 224 of this circular.

Shareholders who are entitled to vote at the SGM are those whose names appear as Shareholders on the register of members of the Company as at the close of business on Friday, 29 January 2016. In order to be entitled to vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 29 January 2016.

A proxy form for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM or any adjournment thereof, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the principal place of business of the Company in Hong Kong at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
COSCO Pacific Limited
QIU Jinguang
Vice Chairman & Managing Director

COSCO Pacific Limited
中遠太平洋有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1199)

31 December 2015

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION – ACQUISITION OF ALL THE ISSUED SHARES OF CHINA SHIPPING PORTS DEVELOPMENT CO., LIMITED
(2) MAJOR AND CONNECTED TRANSACTION – DISPOSAL OF ALL THE ISSUED SHARES OF FLORENS CONTAINER HOLDINGS LIMITED

The Independent Board Committee has been established to advise you in connection with the Transactions, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 31 December 2015 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context otherwise requires.

Having considered the terms of the Transactions, and the joint advice of AIM, Challenge Capital and ING in relation thereto as set out on pages 37 to 85 of the Circular, we are of the opinion that, although the Transactions are not in the ordinary and usual course of business of the Group, the terms of the Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Transactions.

Yours faithfully,
Independent Board Committee of
COSCO Pacific Limited

FAN HSU Lai Tai, Rita | **Adrian David LI Man Kiu**

FAN Ergang | **LAM Yiu Kin**

Independent non-executive Directors

The following is the text of the letter prepared by AIM, Challenge Capital and ING setting out their advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

亞洲資產管理
ASIA INVESTMENT MANAGEMENT
14th Floor, Vulcan House
21-23 Leighton Road
Causeway Bay, Hong Kong

信溢投資策劃有限公司
CHALLENGE CAPITAL MANAGEMENT LIMITED
3/F, Kailey Tower
16 Stanley Street
Central, Hong Kong

ING
36/F One International Finance Centre,
1 Harbour View Street,
Central, Hong Kong

31 December 2015

To the Independent Board Committee and Independent Shareholders of COSCO Pacific Limited

Dear Sirs,

(1) MAJOR AND CONNECTED TRANSACTION – ACQUISITION OF ALL THE ISSUED SHARES OF CHINA SHIPPING PORTS DEVELOPMENT CO., LIMITED
(2) MAJOR AND CONNECTED TRANSACTION – DISPOSAL OF ALL THE ISSUED SHARES OF FLORENS CONTAINER HOLDINGS LIMITED

The Independent Board Committee (as defined herein) of COSCO Pacific Limited ("**CPL**" or the "**Company**", and together with its subsidiaries, the "**Group**"), has asked Asia Investment Management Limited ("**AIM**") and Challenge Capital Management Limited ("**Challenge Capital**"), pursuant to an engagement (the "**Acquisition Engagement**") set out in an Acquisition Engagement letter dated 11 December 2015, to give an opinion (the "**Acquisition Opinion**") with respect to the fairness and reasonableness of the terms of the CSPD SPA (as defined herein) and the Acquisition (as defined herein) contemplated under the CSPD SPA. The Independent Board Committee has also asked the Corporate Finance Division of ING Bank N.V., Hong Kong Branch ("**ING**"), pursuant to an engagement (the "**Disposal Engagement**") set out in a Disposal Engagement letter dated 11 December 2015, to give an opinion (the "**Disposal Opinion**") with respect to the fairness and reasonableness of the terms of the FCHL SPA (as defined herein) and the Disposal (as defined herein) contemplated under the FCHL SPA. The Acquisition Opinion and the Disposal Opinion are jointly referred to as the "**Opinions**" herein. The Acquisition Engagement and the Disposal Engagement are jointly referred to as the "**Engagements**" herein. The Acquisition and the Disposal are jointly referred to as the "**Transactions**" or the "**Restructuring**" herein.

In arriving at our Opinion, we have reviewed and considered CPL's circular to its shareholders dated 31 December 2015 (the "**Circular**"), and the annual and interim reports of CPL. We have also discussed with the management of CPL in respect of the business operation and future prospects of CPL.

We have also compared the data provided to us with similar publicly available data for various other companies in the business sector of the Group, and we have considered, to the extent publicly available, the financial terms of certain other business acquisitions and disposals and other transactions which have recently been effected by such companies. We have also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which we deemed relevant for the purposes of producing our Opinions.

INTRODUCTION

The board of directors of the Company (the "**Board**") announced that on 11 December 2015, the Company, China Shipping Container Lines Company Limited ("**CSCL**") and China Shipping (Hong Kong) Holdings Co., Limited ("**CSHK**") entered into the conditional sale and purchase agreement (the "**CSPD SPA**"), pursuant to which CSCL and CSHK have conditionally agreed to sell, and the Company has conditionally agreed to purchase, 5,679,542,724 ordinary shares (the "**CSPD Shares**") in China Shipping Ports Development Co., Limited ("**CSPD**"), representing all the issued shares of CSPD, for an initial consideration of RMB7,632,455,300 (subject to certain adjustments) (the "**Acquisition**"). Upon completion of the Acquisition, CSPD will become a wholly-owned subsidiary of the Company.

The Board announced also on 11 December 2015 that the Company and China Shipping Container Lines (Hong Kong) Co., Limited ("**CSCLHK**"), a subsidiary of CSCL, entered into the conditional sale and purchase agreement (the "**FCHL SPA**") pursuant to which the Company has conditionally agreed to sell and CSCLHK has conditionally agreed to acquire 22,014 ordinary shares of US$1.0 par value in the issued shares ("**FCHL Shares**") of Florens Container Holdings Limited ("**FCHL**"), representing all the issued shares of FCHL, for an initial consideration of RMB7,784,483,300. The Company has also conditionally agreed to assign the shareholder's loans in the aggregate amount of US$285,000,000 owed by FCHL to the Company and remains outstanding immediately before completion of the Disposal (as defined herein) (the "**FCHL Shareholder's Loans**") and CSCLHK has conditionally agreed to take the assignment of the FCHL Shareholder's Loans for a consideration of US$285,000,000. The disposal of FCHL shares and the assignment of the FCHL Shareholder's Loans are referred to as the "**Disposal**" in this letter. Upon completion of the Disposal, FCHL will cease to be a subsidiary of the Company.

It was further announced on 23 December 2015 that the Board had declared a conditional special cash dividend of HK80 cents per share of the Company (the "**Conditional Special Cash Dividend**"). Payment of the Conditional Special Cash Dividend is conditional upon (i) the Independent Shareholders (as defined herein) passing the resolution approving the Transactions at the SGM (as defined herein); and (ii) the completion of the Transactions in accordance with the provisions of the CSPD SPA and the FCHL SPA.

The Transactions are deemed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") to constitute connected transactions of the Company and are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). An independent board committee (the "**Independent Board Committee**"), comprising Dr. FAN HSU Lai Tai, Rita, Mr. Adrian David LI Man Kiu, Mr. FAN Ergang and Mr. LAM Yiu Kin, all being independent non-executive directors of the Company, has been formed to advise the Independent Shareholders (i) as to whether the terms of the Transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole; (ii) as to whether the Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) on how to vote, taking into account the recommendation of the independent financial advisors, in respect of such matters at the special general meeting of the Company (the "**SGM**"). CPL has appointed AIM, Challenge Capital and ING as the independent financial advisors (the "**Joint IFAs**") to the Independent Board Committee and shareholders of the Company other than those who are required by the Listing Rules to abstain from voting on the resolution approving the Transactions (the "**Independent Shareholders**") in connection with the Acquisition and the Disposal, respectively.

This letter forms part of the Circular which provides, inter alia, further details of the Transactions, the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Transactions and the notice of the SGM. Unless otherwise defined or where the context otherwise requires, capitalised terms used in this letter shall have the same meaning as defined in the Circular.

TERMS OF REFERENCE

In accordance with the terms of our respective Engagements (namely, AIM and Challenge Capital in their Acquisition Engagement and ING in its Disposal Engagement) and in formulating our respective Opinions and recommendations with regard to the Transactions:

1. We have not assumed any responsibility for independent verification of, and we have not independently verified, any of the foregoing information and have relied on all such information as being true, sufficient, complete and accurate and not misleading in all material respects, without any additional check being undertaken to verify the truthfulness, completeness and accuracy of such disclosure. For the avoidance of doubt, we have assumed that no information has been withheld from us that could have an impact on the Opinions;

2. We have not assumed any responsibility for any aspect of the work that any professional advisors have produced regarding the Transactions and we have assumed as true, complete and accurate and not misleading any work produced by such advisors. We have not provided any legal, tax, regulatory, accounting, actuarial or other advice and as such assume no liability or responsibility in connection therewith. In providing the Opinions, we have not taken into account the possible implications of any such above advice by any of these other advisors. None of the Joint IFAs, on neither joint nor several basis, have assumed any responsibility for any aspect of the work and advice that any of the other Joint IFAs have rendered regarding the Transactions;

3. We have assumed that all corporate and other action required by the Group to complete the Transactions and carry out its obligations thereunder has been or will be duly taken, that the Transactions documentation will constitute a valid and legally binding obligation of the Group, that the Group has sufficient financial resources to honour all of its financial obligations in respect of the Transactions without any breach of covenants or other negative financial impact, and that the execution, delivery and performance by the Group of the Transactions will not violate or be prohibited by either its internal constitution or by any provision of any existing law applicable to it or any agreement or instrument binding on it or any of its assets or constitute a default or termination event (however described) under any such agreement or instrument;

4. In addition, we have not been requested to make (and therefore have not made) an independent evaluation or appraisal of the assets and liabilities of the Group (contingent or otherwise), nor of the assets and liabilities of any company being acquired or said by the Group as part of the Transactions. Our Opinions are necessarily based upon information available to us up to the Latest Practicable Date, and the financial, economic, political and social market and other relevant conditions to the Opinions as they exist and can be evaluated, as at the Latest Practicable Date;

5. We do not express an opinion herein as to the prices at which the shares of CPL may trade or the future value, financial performance or condition of CPL and/or the Group, upon or after completion of the Transactions. Neither AIM, Challenge Capital nor ING has conducted due diligence with respect to CPL other than its review of certain publicly available information related to CPL. Accordingly, for the purposes of the Acquisition Opinion, AIM and Challenge Capital have assumed that there is no non-public information with respect to CPL and/or the Group made available to AIM and Challenge Capital that would, or would reasonably be likely to, have an adverse impact on the price of the CPL Shares. Likewise, for the purposes of the Disposal Opinion, ING has assumed that there is no non-public information with respect to CPL and/or the Group made available to ING that would, or would reasonably be likely to, have an adverse impact on the price of the CPL Shares.

6. We have assumed that the Group is complying in all material respects with all relevant applicable laws and regulations and promptly disclose to the extent required under applicable laws and regulations any price sensitive information to the public;

7. We have assumed that all consents and approvals of regulatory bodies, shareholders, exchanges, creditors and others which are required under any applicable law, regulation, agreement or instrument to consummate the Transactions will be obtained with no detriment in any aspect which may be material for our analysis. Subsequent developments may affect the Opinions and the assumptions made in their preparation; and

8. We have assumed that the Transactions will not constitute an event of default or a potential event of default under any of the debt obligations of the Group (or that relevant waivers will be granted) and that, following completion of the Transactions, the Group will continue to be able to meet all of its debts and other obligations as they fall due.

We have been engaged by CPL to act as the Joint IFAs for the purpose of producing the Opinions and recommendations and we will receive fees from CPL for our services. The fees are not contingent on the consummation of the Transactions.

Save for its role as the independent financial adviser to the then independent board committee and the independent shareholders of the Company in the transaction involving the continuing connected transactions as detailed in the circular of the Company dated 9 November 2015, AIM has not acted, within the last two years, as an independent financial adviser or as a financial adviser to any other transactions of the Company. Under the past engagement, AIM received normal professional fees from the Company. Notwithstanding the past engagements, as at the Latest Practicable Date, there are no relationships or interests contracted between AIM, and the parties to the CSCL and China Shipping and/or any of their respective associates (the "**Contracting Parties**"). Both AIM and Challenge Capital are independent from, and not connected with, the Group, the Contracting Parties or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules in our appointment as the Joint IFAs to the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

In the ordinary course of business, ING Bank N.V. (of which the Corporate Finance Division of ING Bank N.V., Hong Kong Branch forms part) and its affiliates may actively trade the debt and equity securities of the Company for its own account and for the accounts of clients and accordingly, may at any time hold a long or short position in such securities.

The Opinions and recommendations are supplied to the Independent Board Committee and Independent Shareholders, on the understanding that they have been produced solely for the benefit of the Company as part of the information the Company requires in its contemplation of the Transactions. Save as to matters specifically mentioned in the Opinions, we do not otherwise express any views on the Transactions, or its effect on CPL's business or any part of it.

The Opinions and recommendations exclusively focus on the fairness and reasonableness and do not address any other issues such as the underlying business decision to recommend the Transactions or its commercial merits, which are matters solely for the management. Subsequent developments in the aforementioned conditions may affect the Opinions and recommendations and the assumptions made in preparing the Opinions.

The Opinions are confidential and may not be quoted or referred to, in whole or in part, in any registration statement, prospectus or proxy statement, or in any other document used in connection with the Transactions or Engagements, nor shall the Opinions be used for any other purposes, without our prior written consent.

The Opinions are issued in the English language and reliance may only be placed on the Opinions as issued in the English language. If any translations of the Opinions are delivered they are provided only for ease of reference, have no legal effect and none of the Joint IFAs makes any representation as to (and accepts no liability in respect of) the accuracy of any such translation.

Each of the Joint IFA's responsibilities for the contents of its own Opinion and recommendations to CPL are subject to the terms of its own Engagement and the Listing Rules. In addition, each of the Joint IFA's liabilities to CPL will be limited and in particular, none of the Joint IFAs shall have any direct or indirect liability of any kind to CPL, or to any of CPL's Directors, employees or creditors, arising out of or in connection with its own Engagement, except for losses, claims, damages or liabilities incurred by CPL to the extent they are found in a final judgment by a court to have resulted from a deliberate omission or gross negligence on the part of us or our affiliates and sub-contractors.

The Opinions, the recommendations and each of the Joint IFA's contractual and non-contractual obligations to CPL hereunder shall be governed by and construed in accordance with Hong Kong law and any claims or disputes arising out of, or in connection with, this letter shall be subject to the exclusive jurisdiction of the Hong Kong courts.

THE TRANSACTIONS

I. THE ACQUISITION

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating their opinion and recommendation regarding the Acquisition, AIM and Challenge Capital have taken into account the following principal factors and reasons:

1. Overview of the Acquisition

A. Background

On 11 December 2015, the Company, CSCL and CSHK entered into the CSPD SPA, pursuant to which CSCL and CSHK have conditionally agreed to sell, and the Company has conditionally agreed to purchase, the CSPD Shares for an initial consideration of RMB7,632,455,300 (subject to certain adjustments, which are disclosed in the section headed "Principal terms of the CSPD SPA" contained in the "Letter from the Board" in the Circular). Upon completion of the Acquisition, CSPD will become a wholly-owned subsidiary of the Company. As at the Latest Practicable Date, 49% of the CSPD Shares were owned by CSCL and 51% of the CSPD Shares were owned by CSHK, an indirect wholly-owned subsidiary of China Shipping.

B. Information on the Group

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

According to the annual report of the Company for the year ended 31 December 2014 (the "**2014 Annual Report**"), as at 31 December 2014, the Company operated and managed 123 berths at 21 ports worldwide, including 17 ports in the PRC, Hong Kong and Taiwan, and four overseas. Among the 123 berths, 108 were for containers, with a combined annual handling capacity of 65.75 million TEUs. As further stated in the 2014 Annual Report, the Group's total throughput represents a global market share of approximately 9.3%.

For the container leasing, management and sale businesses, the Group's fleet size had reached 1,907,778 TEUs as of 31 December 2014, representing approximately 11.0% of the global container leasing market. The Group's containers include owned containers, sale-and-leaseback containers and managed containers.

Set out below is a summary of the consolidated financial information of the Group for the years ended 31 December 2012, 2013 and 2014, and for the nine months ended 30 September 2014 and 2015, respectively, as extracted from the relevant annual reports and quarterly results announcements of the Company:

Consolidated income statement

	For the year ended 31 December			For the nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
US$'000	*(audited)*	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	735,500	798,626	870,091	656,340	604,265
Profit before taxation	382,374	750,772	351,882	280,878	285,890
Net profit attributable to shareholders	342,194	702,676	292,759	233,729	238,902

Consolidated balance sheet

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
US$'000	*(audited)*	*(audited)*	*(audited)*	*(unaudited)*
Cash and cash equivalents	848,423	1,237,403	1,116,307	975,611
Total assets	7,363,858	7,551,304	7,616,710	7,483,680
Total liabilities	3,146,465	2,707,810	2,558,048	2,436,600
Net assets	4,217,393	4,843,494	5,058,662	5,047,080

For the year ended 31 December 2014

Total revenue of the Group increased from approximately US$798.6 million for the year ended 31 December 2013 to approximately US$870.1 million for the year ended 31 December 2014, representing an increase of approximately 8.9%. The Group's revenue was primarily derived from the terminals business which amounted to approximately US$517.0 million, representing an increase of approximately 13.6% as compared to the year ended 31 December 2013, while the revenue contributed by the container leasing, management and sale businesses was approximately US$357.1 million, representing an increase of approximately 2.7% as compared to the year ended 31 December 2013.

Profit attributable to the Shareholders decreased from approximately US$702.7 million for the year ended 31 December 2013 to approximately US$292.8 million for the year ended 31 December 2014, representing a decrease of approximately 58.3%. Such decrease was mainly attributable to the profit recorded from the discontinued container manufacturing business for the year ended 31 December 2013, which included a net gain of approximately US$393.4 million on the disposal of the Group's equity interest in China International Marine Containers (Group) Co., Ltd. (the "**CIMC**") and the share of profit of CIMC of approximately US$23.1 million during the year of 2013. Such profit from discontinued operations did not recur in 2014. Excluding the profit from the discontinued container manufacturing business, profit attributable to the Shareholders increased by approximately 2.3% for the year ended 31 December 2014.

The Group's cash and cash equivalents decreased from approximately US$1,237.4 million as at 31 December 2013 to approximately US$1,116.3 million as at 31 December 2014, representing a decrease of approximately 9.8%. As at 31 December 2014, the Group's total assets and total liabilities were approximately US$7,616.7 million and US$2,558.0 million, respectively, representing an increase of approximately 0.9% and a decrease of approximately 5.5%, respectively, as compared to that of 31 December 2013. The Group's net assets increased from approximately US$4,843.5 million as at 31 December 2013 to approximately US$5,058.7 million as at 31 December 2014, representing an increase of approximately 4.4%.

For the nine months ended 30 September 2015

Impacted by slower global economic growth and negative growth in China's exports and imports, the Group's container throughput for the nine months ended 30 September 2015 was weaker than expected, and the growth in profits for the Group's terminals business slowed in view of the slower container throughput growth. Despite a satisfactory overall utilisation rate for the Group's container leasing, sale and management businesses, with weak demand for container leasing and fierce market competition, the leasing rates and resale prices remained at low level for the nine months ended 30 September 2015.

Total revenue of the Group decreased from approximately US$656.3 million for the nine months ended 30 September 2014 to approximately US$604.3 million for the corresponding period in 2015, representing a decrease of approximately 7.9%.

Profit attributable to the Shareholders increased from approximately US$233.7 million for the nine months ended 30 September 2014 to approximately US$238.9 million for the corresponding period in 2015, representing an increase of approximately 2.2%.

The Group's cash and cash equivalents decreased from approximately US$1,116.3 million as at 31 December 2014 to approximately US$975.6 million as at 30 September 2015, representing a decrease of approximately 12.6%. As at 30 September 2015, the Group's total assets and total liabilities were approximately US$7,483.7 million and US$2,436.6 million, respectively, representing a decrease of approximately 1.7% and 4.7%, respectively, as compared to that of 31 December 2014. The Group's net assets decreased from approximately US$5,058.7 million as at 31 December 2014 to approximately US$5,047.1 million as at 30 September 2015, representing a decrease of approximately 0.2%.

C. Information on CSCL and CSHK

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

CSHK is principally engaged in international shipping businesses. It is an indirect wholly-owned subsidiary of China Shipping.

D. Information on 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. Please refer to the paragraph headed "1. Information on CSPD" contained in the "Letter from the Board" in the Circular for details of the interests in the container terminals held by CSPD.

As disclosed in CSCL's circular dated 27 November 2013 and CSCL's announcement dated 20 June 2014, on 20 June 2014, CSCL disposed of its 100% equity interest in CSTD to CSPD (formerly known as "China Shipping Terminal Development (H.K.) Co., Ltd.") for a consideration of RMB3,423,060,400, which was satisfied by way of issue of new shares in CSPD to CSCL (the "**CSTD Disposal**"). In connection with the CSTD Disposal, CSHK injected new capital in the amount of RMB4,100,352,855 into CSPD in consideration for new shares of CSPD issued to it. Upon completion of the CSTD Disposal and the said capital injection, CSTD became a wholly-owned subsidiary of CSPD which in turn was held as to 49% by CSCL and 51% by CSHK.

Set out below is a summary of the consolidated financial information of CSPD for the years ended 31 December 2012, 2013 and 2014, and for the nine months ended 30 September 2014 and 2015, respectively, as extracted from the accountants' report on CSPD contained in Appendix II to the Circular:

Consolidated income statement

	For the year ended 31 December			For the nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
HK$'000	*(audited)*	*(audited)*	*(audited)*	*(unaudited)*	*(audited)*
Revenue	717,825	689,055	473,008	352,764	366,900
Profit before taxation	220,044	411,539	204,665	102,985	372,097
Net profit attributable to shareholders	114,802	292,614	152,559	70,618	316,044

Consolidated balance sheet

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
HK$'000	*(audited)*	*(audited)*	*(audited)*	*(audited)*
Cash and cash equivalents	160,476	748,312	286,460	123,175
Total assets	8,177,879	6,462,304	9,841,600	9,307,166
Total liabilities	3,579,847	2,108,970	1,468,505	888,113
Net assets	4,598,032	4,353,334	8,373,095	8,419,053

For the year ended 31 December 2014

Total revenue of the CSPD Group decreased from approximately HK$689.1 million for the year ended 31 December 2013 to approximately HK$473.0 million for the year ended 31 December 2014, representing a decrease of approximately 31.4%. Such decrease was primarily due to the disposal of Lianyungang New Orient Container Terminal Co., Ltd (the "**Lianyungang Terminal**") which led to a decrease in sales volume.

Profit attributable to equity holders of CSPD decreased from approximately HK$292.6 million for the year ended 31 December 2013 to approximately HK$152.6 million for the year ended 31 December 2014, representing a decrease of approximately 47.9%. Such decrease was mainly attributable to the gain on disposal of a subsidiary, being Lianyungang Terminal, of approximately HK$314.9 million recorded in the year of 2013 but not in the year of 2014.

As at 31 December 2014, CSPD had net debt (being its debts less cash and cash equivalents) of approximately HK$103.0 million (2013: net cash of approximately HK$262.0 million) and a net debt-to-equity ratio of 1% (2013: not applicable). The change from a net cash position as at 31 December 2013 to a net debt position as at 31 December 2014 was primarily due to the decrease in cash and cash equivalents of approximately HK$461.9 million. As at 31 December 2014, the CSPD Group's total assets and total liabilities were approximately HK$9,841.6 million and HK$1,468.5 million, respectively, representing an increase of approximately 52.3% and a decrease of approximately 30.4%, respectively, as compared to that of 31 December 2013. The increase in total assets of the CSPD Group principally reflected the increase in investments in associates as a result of the completion of the acquisition of CSTD in 2014. The decrease in total liabilities of the CSPD Group was largely attributable to the repayment of loans that was funded by the issue of new shares and cash generated from operating activities. Accordingly, the CSPD Group's net assets 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%.

For the nine months ended 30 September 2015

Total revenue of the CSPD Group increased from approximately HK$352.8 million for the nine months ended 30 September 2014 to approximately HK$366.9 million for the corresponding period in 2015, representing an increase of approximately 4.0%. The slight increase in revenue was principally due to the increase in sales volume which in turn was related mainly to the increased use of its harbour services.

Profit attributable to equity holders of CSPD increased significantly from approximately HK$70.6 million for the nine months ended 30 September 2014 to approximately HK$316.0 million for the corresponding period in 2015, representing an increase of approximately 347.5%. Such increase was mainly attributable to (i) the share of profits of CSPD's 20% interests in a newly acquired associate, being Shanghai Mingdong Container Terminals Co., Ltd; and (ii) the realised gain on the disposal of available-for-sale investment in Xiamen Port.

As at 30 September 2015, CSPD had net debt of approximately HK$288.0 million and a net debt-to-equity ratio of 3%. The increase in net debt-to-equity ratio from 1% as at 31 December 2014 to 3% as at 30 September 2015 was primarily due to the decrease in cash and cash equivalents of approximately HK$163.3 million. As at 30 September 2015, the CSPD Group's total assets and total liabilities were approximately HK$9,307.2 million and HK$888.1 million, respectively, representing a decrease of approximately 5.4% and 39.5%, respectively, as compared to that of 31 December 2014. The decrease in total assets and total liabilities of the CSPD Group was mainly attributable to the repayment of loans that was funded by the issue of new shares and cash generated from operating activities. Accordingly, the CSPD Group's net assets increased from approximately HK$8,373.1 million as at 31 December 2014 to approximately HK$8,419.1 million as at 30 September 2015, representing an increase of approximately 0.5%.

2. Reasons for and benefits of the Acquisition

A. In line with the long-term development strategy of the Group to focus on and to strengthen its leading position in the terminal industry

The Group has been expanding the scale of its terminal business over the past years. According to the information from the management of the Company, the Group's terminal business ranked fourth in the world in terms of both annual handling capacity and container throughput, and ranked sixth in the world in terms of equity-based throughput in 2014.

According to the "Letter from the Board" contained in the Circular, on a hypothetical basis with the assumption that the Acquisition has been completed on 31 December 2013, as a result of the Acquisition, (i) the pro-forma annual designed handling capacity of the Group would increase by approximately 33.2% to approximately 103.8 million TEUs, making the Group the world's largest terminal operator with a combined global market share of approximately 10.3% in terms of annual designed handling capacity in 2014; (ii) the pro-forma total throughput of the Group would increase by approximately 16.8% to approximately 78.7 million TEUs, making the Group the world's second largest terminal operator with a combined global market share of approximately 11.6% in terms of total throughput in 2014; and (iii) the pro-forma equity throughput of the Group would increase by approximately 27.8% to approximately 24.3 million TEUs, making the Group the world's sixth largest terminal operator with a combined global market share of approximately 3.6% in terms of equity throughput in 2014.

As stated in the 2014 Annual Report and the "Letter from the Board" contained in the Circular, it is the Group's main strategy to focus on developing its terminal business. As shown in the table below, terminal business has been the largest revenue and profit contributor of the Group with a growing trend and accounted for approximately 59.4% and 75.5% of the Group's revenue and net profit, respectively, in 2014.

Revenue and profit contributions of the Group's terminal business

	For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December			For the six months ended 30 June
	2012	2013	2014	2015	2012	2013	2014	2015
	(US\$'M)	*(US\$'M)*	*(US\$'M)*	*(US\$'M)*	*(% of total)*	*(% of total)*	*(% of total)*	*(% of total)*
Revenue								
Terminals and related businesses	402.2	455.1	517.0	245.0	54.7%	57.0%	59.4%	60.9%
Container leasing, management, sale and related businesses	336.2	347.7	357.1	159.7	45.7%	43.5%	41.0%	39.7%
Elimination of inter-segment	(2.9)	(4.2)	(4.0)	(2.3)	–0.4%	–0.5%	–0.4%	–0.6%
Total	**735.5**	**798.6**	**870.1**	**402.4**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Profit/(loss) attributable to equity holders of the Company								
Terminals and related businesses	189.0	186.8	221.0	121.2	55.2%	26.6%	75.5%	73.7%
Container leasing, management, sale and related businesses	139.5	125.2	95.8	49.7	40.8%	17.8%	32.7%	30.2%
Others	13.7	390.7	(24.0)	(6.5)	4.0%	55.6%	–8.2%	–3.9%
Total	**342.2**	**702.7**	**292.8**	**164.4**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Annual and interim reports of the Company

Based on the above, AIM and Challenge Capital are of the view that the Acquisition will enable the Group to further strengthen its market share and market position in the terminal business and is in line with the Group's long-term development strategy of becoming a leading terminal operator in the world.

B. Expand geographical coverage towards a more extensive and comprehensive terminal network

As noted from the 2014 Annual Report and the "Letter from the Board" contained in the Circular, Greater China (which includes the PRC and Hong Kong) has been and is expected to remain the key market and focus of the Group. It is further noted that the Group's terminal portfolio covered four out of the five largest port regions in Greater China, namely the Bohai Rim, Yangtze River Delta, Southeast Coast, and the Pearl River Delta as at 31 December 2014. The Acquisition will further strengthen and complement the Group's position in, particularly, the Bohai Rim, Yangtze River Delta and Pearl River Delta regions and will expand its presence into the Southwest Coast region. The Acquisition will therefore provide an opportunity for the Group in achieving a more extensive and comprehensive national terminal network covering all the largest port regions in Greater China. According to the "Letter from the Board" contained in the Circular, on a hypothetical basis with the assumption that the Acquisition has been completed on 31 December 2013, as result of the Acquisition, the Group's pro-forma total throughput in Greater China would increase by approximately 19.1% to approximately 67.4 million TEUs, resulting in an increase in the Group's market share from approximately 27.0% to approximately 32.2% in terms of total throughput in Greater China in 2014. It is expected that potential benefits can be derived from consolidation of interests in certain terminals, strategic collaboration of its expanded terminal network, increase in competitive position and achievement of economies of scale and operational efficiency.

As further stated in the "Letter from the Board" contained in the Circular, with the enlarged terminal portfolio upon completion of the Acquisition, the Group will be well-positioned to expand and optimize its terminal network through "going global" and to make new investments in the future with a view to further strengthening its global competitiveness, and hence, advancing its leading position in the global container terminal industry.

Based on the above, AIM and Challenge Capital are of the view that the Acquisition will allow the Group to expand and enhance its geographical coverage in forming a more extensive and comprehensive terminal network.

C. Benefit from the expanded shipping businesses of China COSCO Group

As stated in the "Letter from the Board" contained in the Circular, the Acquisition and the Disposal form parts of the Reorganization, which itself is a reform of the 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 the SOEs in different positions along the same value chain. Under the Reorganization, businesses of the COSCO Group and the China Shipping Group will be reorganized such that container shipping, terminal operation and financial services will become the respective core businesses of the China COSCO Group, the Group and the China Shipping Group, respectively. It is expected that the Group will benefit from its parent company having the world's fourth largest container shipping fleet with a total fleet capacity of 1.583 million TEUs, representing a global market share of approximately 8.0% in 2014, as a result of the Reorganization.

D. Other factors considered

In addition to the reasons for and benefits of the Acquisition as described above, AIM and Challenge Capital have also considered, among other things, the following factors:

It is noted that a majority of CSPD's interests in the terminal companies represents either interests in associates or joint ventures with only two terminal companies being accounted for as subsidiaries of CSPD. In this respect, AIM and Challenge Capital have discussed with the management of the Company and were given to understand that it is not uncommon for large-scale terminal operators to hold and/or invest in a portfolio of terminal companies with non-controlling interests having considered the strategic values and potential synergies that such investments may bring. Indeed, of the Group's interests in its 29 terminal companies in operation as at 31 December 2014, only 7 terminal companies were accounted for as subsidiaries of the Company, with the remaining being either the Group's interests in associates or joint ventures. It is also noted that such interests in associates and joint ventures have contributed stable and considerable income to the Group over the past few years.

It is also noted that some of the terminal companies are relatively new and/or smaller in scale while others are more mature operating terminal companies and are significant income contributors to CSPD, such as Shanghai Mingdong Container Terminals Co., Ltd. AIM and Challenge Capital have reviewed the financial information of the CSPD Group set out in the "Management discussion and analysis of CSPD" section and the accountants' report on CSPD contained in Appendix IV and Appendix II to the Circular, and noted that the CSPD Group derived most of its income from its two terminal subsidiaries and a number of associates and/or joint ventures. In this regard, AIM and Challenge Capital have discussed with the management of the Company and were given to understand that, in assessing a potential investment opportunity in a terminal company or a portfolio of terminal companies, the Company will, in addition to evaluating its historical financial performances, consider a number of other factors including, but not limited to, the handling capacity, geographical location and coverage, as well as the potential synergies with the Group's existing portfolio that such investment opportunity may bring. Having considered the above, AIM and Challenge Capital concur with the view of the management of the Company that a varied portfolio with extensive geographical network is beneficial to the Group in increasing its market competitiveness among industry rivals and enhancing the collaborative relationship within the Group.

The terminal industry has remained challenging over the last few years. It is a general market sentiment that the terminal industry will take some time before showing sign of a solid recovery. Under such unfavorable market environment, AIM and Challenge Capital are of the view that the proposed Restructuring, as a strategic move for the Group to reposition itself, to consolidate its market share and to enhance its at-scale advantage within its core business segment, will allow the Group to put itself in a more competitive position to benefit from the future market upturn and in the long run. Although the portfolio of terminal companies underlying the Acquisition may not necessarily include, at present, all prime and/or mature assets, the Acquisition presents a rare opportunity for the Group to amalgamate its existing terminal portfolio with that of CSPD in a single transaction which, as advised by the management of the Company, is not always readily available in the market. AIM and Challenge Capital have reviewed information available in the public domain regarding acquisitions involving terminal businesses and/or assets consummated since 2008 and noted that such acquisitions related mostly to acquisitions of single port/terminal business and/or asset. AIM and Challenge Capital consider that there are strategic benefits accruing from the Acquisition on a longer term basis although there is limited or no immediate way to quantify the underlying value or full benefit that could be derived from it. Having considered the above, AIM and Challenge Capital concur with the view of the management of the Company that the Acquisition provides an unique opportunity of its kind for the Group to realign its focus in the terminal business in line with its long term strategy and to further enhance its market position amid the challenging operating environment currently facing the terminal industry.

Having taken into account the foregoing, in particular, that (i) the Acquisition will allow the Group to further strengthen its market position in the terminal industry; and (ii) the Acquisition will enable the Group to extend its geographical presence and coverage in an efficient manner via acquisition of CSPD's terminal network; and (iii) the benefits from the potential synergies between the Group's and CSPD's portfolio of terminal companies as well as the expanded shipping businesses of the China COSCO Group, AIM and Challenge Capital concur with the view of the Directors that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole.

3. Principal terms of the CSPD SPA

Date: 11 December 2015

Parties: (a) the Company as the purchaser

(b) CSCL and CSHK as the sellers

A. Assets to be acquired

CSCL and CSHK 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.

B. Consideration

The initial consideration for the CSPD Shares is RMB7,632,455,300 (the "**Initial Price**").

The Initial Price will be subject to certain adjustments. The price payable by the Company for the CSPD Shares at completion of the 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 completion of the 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 has not completed on or prior to completion of the Acquisition, *minus* an amount equal to RMB216,989,700.

The final consideration will be determined after completion of the 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 Acquisition will be financed by internal resources and bank borrowings.

The consideration for the Acquisition was determined based on normal commercial terms after arm's length negotiations between the parties to the CSPD SPA, taking into account the valuation of CSPD by China Tong Cheng.

If, after the filing with competent authorities of the valuation report by China Tong Cheng 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.

C. Conditions precedent under the CSPD SPA

Details of the conditions precedent under the CSPD SPA are set out in the "Letter from the Board" in the Circular.

D. Non-compete

CSCL and CSHK 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 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 also 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.

E. Completion

Under the CSPD SPA, completion of the 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 31 December 2016 (or such later date as the parties to the CSPD SPA may agree), the CSPD SPA shall automatically terminate (other than in respect of certain surviving provisions therein). Upon completion of the Acquisition, the Company will hold 100% of the issued shares in CSPD.

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

Please refer to the paragraph headed "Principal terms of the CSPD SPA" contained in the "Letter from the Board" in the Circular for details of the principal terms of the CSPD SPA.

4. Declaration of Conditional Special Cash Dividend

As disclosed in the announcement of the Company dated 23 December 2015, the Board had declared the Conditional Special Cash Dividend of HK80 cents per Share. It was stated in the same announcement that the Group has sufficient current cash reserves and a low gearing level. Payment of the Conditional Special Cash Dividend is conditional upon (i) the Independent Shareholders passing the resolution approving the Transactions at the SGM; and (ii) the completion of the Transactions 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 whose name on the register of members of the Company on a record date that will be determined by the Board and announced after the SGM and before the completion of the Transactions. The Company will issue an announcement after the Board has determined the record date.

5. Analysis on the fairness and reasonableness of the consideration for the Acquisition

As stated in the "Letter from the Board" in the Circular, the consideration for the Acquisition was determined based on normal commercial terms after arm's length negotiations between the parties to the CSPD SPA, taking into account the valuation of CSPD by China Tong Cheng, an independent valuer and appraiser.

A. PRC Valuation

A summary of the valuation report (the "**Acquisition Valuation Report**") issued by China Tong Cheng containing the Acquisition Valuation (as defined below) is set out in Appendix V to the Circular. As stated in the Acquisition Valuation Report, the appraised value of 100% equity interest in CSPD as at 30 September 2015 was RMB7,632,455,300 (the "**Acquisition Valuation**"), which is equal to the initial consideration for the Acquisition.

AIM and Challenge Capital have performed work as required under note (1)(d) to Rule 13.80 of the Listing Rules including, but not limited to, interviewing China Tong Cheng, reviewing its terms of engagement and examining its previous relevant experience.

AIM and Challenge Capital have reviewed the Acquisition Valuation Report and discussed with China Tong Cheng the methodologies, principal bases and assumptions adopted in arriving at the Acquisition Valuation. As stated in the Acquisition Valuation Report, China Tong Cheng adopted the asset-based approach which assumes all assets to be appraised are already in the transaction process on a willing buyer/willing seller basis in the open market. China Tong Cheng adopts the asset-based approach as the appraisal method for the Acquisition as the structure of the assets and liabilities of CSPD is clear and the value of the individual items of those assets and liabilities can be assessed and ascertained on a standalone basis. AIM and Challenge Capital understand from China Tong Cheng that the asset-based approach is in line with the market practice of valuing companies of similar nature. During the course of their discussions with China Tong Cheng, AIM and Challenge Capital have not identified any major factors which would lead them to cast doubt on the fairness and reasonableness of the methodologies, principal bases and assumptions adopted in arriving at the Acquisition Valuation.

B. Comparable companies analysis

To assess the fairness and reasonableness of the consideration for the Acquisition, AIM and Challenge Capital have considered the following valuation multiples which are multiples commonly used by the market to value companies in the container terminal sector:

- Price-to-book ratio ("**P/B**");
- Price-to-earnings ratio ("**P/E**"); and
- Enterprise value to earnings before interest, taxes, depreciation and amortisation ratio ("**EV/EBITDA**")

To assess the fairness and reasonableness of the consideration for the Acquisition, AIM and Challenge Capital have compared the P/E and P/B multiples of the Acquisition to that of the comparable companies of CSPD (the "**CSPD's Comparable Companies**"). AIM and Challenge Capital have not applied EV/EBITDA multiple in their analysis as it does not reflect the contribution of a company's non-controlling interests in joint ventures and associates, which together accounted for a significant portion of both the earnings and book value of CSPD.

In identifying the CSPD's Comparable Companies, AIM and Challenge Capital have considered companies which (i) are listed on the Stock Exchange; (ii) operate and/or invest in container terminals in the PRC; and (iii) had revenue generated from terminal-related businesses contributing not less than 50% of their respective total revenues for the latest financial year. AIM and Challenge Capital have identified three companies based on the aforementioned selection criteria, namely, Dalian Port PDA Company Limited, Qinhuangdao Port Company Limited and Qingdao Port International Company Limited. With a view to allowing a sufficient number of comparable companies to aid their analysis, AIM and Challenge Capital have expanded their scope to include companies with revenue generated from terminal-related businesses contributing not less than one-third of their respective total revenues for the latest financial year, and have identified two more companies based on the expanded scope, namely, China Merchants Holdings International Company Limited and Xiamen International Port Company Limited. Since the five CSPD's Comparable Companies selected represent an exhaustive list of comparable companies based on the selection criteria as described above, AIM and Challenge Capital are of the view that the five CSPD's Comparable Companies are fair and representative for the purpose of their analysis.

Independent Shareholders should note that the business, operation, and prospect of the CSPD's Comparable Companies are not exactly the same as that of CSPD, and thus the P/B and P/E multiples of the CSPD's Comparable Companies are used only to provide a general reference for the recent valuation multiples of Hong Kong-listed companies operating in the container terminal sector. AIM and Challenge Capital have not conducted any in-depth investigation into the business and operations of the CSPD's Comparable Companies save for the aforesaid selection criteria. The list of the CSPD's Comparable Companies and their respective P/B and P/E multiples are set out in the table below:

Stock code	Company	Market capitalization *(Note 1)* *(HK$million)*	Closing share price *(Note 1)* *(HK$)*	Historical P/E *(Note 2)* *(times)*	LTM P/E *(Note 3)* *(times)*	P/B *(Note 4)* *(times)*
144 HK	China Merchants Holdings International Co., Ltd.	64,185	24.70	15.49	14.79	0.89
2880 HK	Dalian Port PDA Co., Ltd.	28,351	3.84	26.98	28.85	1.01
3369 HK	Qinhuangdao Port Co., Ltd.	18,056	3.59	7.54	7.61	1.31
6198 HK	Qingdao Port International Co., Ltd.	16,294	3.41	7.89	7.42	1.15
3378 HK	Xiamen International Port Co., Ltd.	5,016	1.84	9.64	12.05 *(Note 5)*	0.87
			Average	**13.51**	**14.14**	**1.05**
			Median	**9.64**	**12.05**	**1.01**
			Maximum	**26.98**	**28.85**	**1.31**
			Minimum	**7.54**	**7.42**	**0.87**
	The Acquisition			**60.54** *(Note 6)*	**23.21** *(Note 7)*	**1.17** *(Note 8)*

Source: Bloomberg, the latest annual and interim reports, and the latest quarterly results of the CSPD's Comparable Companies

Notes:

1. Based on the respective closing share prices of the CSPD's Comparable Companies as at the Latest Practicable Date.

2. Calculated based on the respective closing share prices of the CSPD's Comparable Companies as at the Latest Practicable Date divided by their respective consolidated net profit attributable to shareholders per share for the latest completed financial year (the "**Historical P/E**").

3. Calculated based on the respective closing share prices of the CSPD's Comparable Companies as at the Latest Practicable Date divided by their respective earnings per share for the latest twelve-month period as extracted from Bloomberg (the "**LTM P/E**").

4. Calculated based on the respective closing share prices of the CSPD's 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.

5. 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.

6. Calculated based on the consideration for the Acquisition divided by the audited consolidated net profit attributable to shareholders of CSPD for the year ended 31 December 2014 as extracted from the accountants' report on CSPD contained in Appendix II to the Circular.

7. Calculated based on the consideration for the Acquisition divided by the consolidated net profit attributable to shareholders of CSPD for the latest twelve-month period based on the accountants' report on CSPD contained in Appendix II to the Circular.

8. Calculated based on the consideration for the Acquisition divided by the audited consolidated net assets attributable to shareholders of CSPD as at 30 September 2015 as extracted from the accountants' report on CSPD contained in Appendix II to the Circular.

9. Calculated based on the following exchange rates: RMB/HK$=1.21, US$/HK$=7.75.

The consideration for the Acquisition is (i) approximately 60.54 times of the consolidated net profit attributable to equity holders of CSPD for the year ended 31 December 2014 (the "**Acquisition Implied Historical P/E**"); (ii) approximately 23.21 times of the consolidated net profit attributable to shareholders of CSPD for the latest twelve-month period based on the accountants' report on CSPD contained in Appendix II to the Circular (the "**Acquisition Implied LTM P/E**"); and (iii) approximately 1.17 times of the consolidated net assets attributable to the equity holders of CSPD as at 30 September 2015 (the "**Acquisition Implied P/B**").

It should be noted that the LTM P/E multiple is calculated based on earnings per share for the latest twelve-month period and may not reflect the valuation of a company that would otherwise be suggested based on its earnings per share for an actual financial year. Notwithstanding the foregoing, given (i) the Acquisition Implied LTM P/E multiple is calculated based on the actual historical financial figures of CSPD most recently reported; and (ii) the financial figures of CSPD for the year ended 31 December 2014 may not accurately reflect the current financial conditions of CSPD taking into account the significant improvement in results of CSPD for the nine months ended 30 September 2015 as compared to the same period last year, AIM and Challenge Capital are of the view that it is meaningful to consider and apply the LTM P/E multiples as part of our analyses to assess the fairness and reasonableness of the consideration for the Acquisition.

The Historical P/E multiples of the CSPD's Comparable Companies range between approximately 7.54 times and approximately 26.98 times with average and median being approximately 13.51 times and approximately 9.64 times, respectively. The LTM P/E multiples of the CSPD's Comparable Companies range between approximately 7.42 times and approximately 28.85 times with average and median being approximately 14.14 times and approximately 12.05 times, respectively. As such, while the Acquisition Implied Historical P/E multiple is significantly higher than the average, median and range of the Historical P/E multiples of the CSPD's Comparable Companies, the Acquisition Implied LTM P/E multiple is higher than the average and median but lies within the range of the LTM P/E multiples of the CSPD's Comparable Companies.

The P/B multiples of the CSPD's Comparable Companies range between approximately 0.87 times and approximately 1.31 times with average and median being approximately 1.05 times and approximately 1.01 times, respectively. As such, the Acquisition Implied P/B multiple is higher than the average and median but lies within the range of the P/B multiples of the CSPD's Comparable Companies.

In view of the limited samples of comparable companies identified based on our selection criteria as described above, and having taken into account that the Transactions would result in the Group becoming one of the top industry players in the world focusing primarily on terminal business, AIM and Challenge Capital consider it meaningful to extend their analysis to cover also terminal companies listed overseas.

For illustrative purpose, included below are valuation multiples of overseas-listed terminal companies which information is more readily available in public domain and which are more commonly adopted in market analyses as comparable companies of major terminal operators listed in Hong Kong:

Overseas-listed terminal companies

Stock code (Exchange)	Company	Market capitalization *(Note 1)* *(US$million)*	Historical P/E *(Note 2)* *(times)*	LTM P/E *(Note 3)* *(times)*	P/B *(Note 4)* *(times)*
DPW DU (NASDAQ Dubai)	DP World Ltd.	16,600	23.69	22.99	1.95
ADSEZ IN (National India)	Adani Ports & Special Economic Zone Ltd.	8,073	23.09	21.56	4.47
AIO AU (ASE)	Asciano Ltd.	6,177	23.70	23.62	2.16
HPHT SP (Singapore)	Hutchison Port Holdings Trust	4,617	N/M	N/M	0.85
WPRTS MK (Bursa Malays)	Westports Holdings Bhd.	3,196	26.83	26.87	7.79
ICT PM (Philippines)	International Container Terminal Services Inc.	3,011	16.55	21.14	1.70
POT NZ (NZX)	Port of Tauranga Ltd.	1,754	32.55	32.66	2.90
HHFA GR (Xetra)	Hamburger Hafen und Logistik AG	1,156	17.87	15.55	1.97
GLPR LI (London International)	Global Ports Investments PLC	688	N/M	N/M	1.69
ESRS IN (National India)	Essar Ports Ltd.	845	14.30	13.77	1.54
BPH MK (Bursa Malays)	Bintulu Port Holdings Bhd.	770	23.11	26.67	3.00
STBP11 BZ (BM&F BOVESPA)	Santos Brasil Participacoes SA	426	18.14	59.95	1.17
NCB MK (Bursa Malays)	NCB Holdings Bhd.	480	73.99	54.88	1.46
NYT TB (Bangkok)	Namyong Terminal PCL	267	23.78	22.14	2.72
		Average	**26.47**	**28.48**	**2.53**
		Median	**23.40**	**23.31**	**1.96**
		Max	**73.99**	**59.95**	**7.79**
		Min	**14.30**	**13.77**	**0.85**
	The Acquisition		**60.54** *(Note 5)*	**23.21** *(Note 6)*	**1.17** *(Note 7)*

Source: Bloomberg, the latest annual and interim reports, and the latest quarterly results of the overseas-listed terminal companies

Notes:

1. Based on the respective closing share prices of the overseas-listed terminal companies as at the Latest Practicable Date.

2. Calculated based on the respective closing share prices of the overseas-listed terminal companies as at the Latest Practicable Date divided by their respective consolidated net profit attributable to shareholders per share for the latest completed financial year.

3. Calculated based on the respective closing share prices of the overseas-listed terminal companies as at the Latest Practicable Date divided by their respective earnings per share for the latest twelve-month period as extracted from Bloomberg.

4. Calculated based on the respective closing share prices of the overseas-listed terminal 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.

5. Calculated based on the consideration for the Acquisition divided by the audited consolidated net profit attributable to shareholders of CSPD for the year ended 31 December 2014 as extracted from the accountants' report on CSPD contained in Appendix II to the Circular.

6. Calculated based on the consideration for the Acquisition divided by the consolidated net profit attributable to shareholders of CSPD for the latest twelve-month period based on the accountants' report on CSPD contained in Appendix II to the Circular.

7. Calculated based on the consideration for the Acquisition divided by the audited consolidated net assets attributable to shareholders of CSPD as at 30 September 2015 as extracted from the accountants' report on CSPD contained in Appendix II to the Circular.

8. Calculated based on the following exchange rates:

   US$/HK$ = 7.75
   US$/INR = 66.21
   US$/AUD = 1.38
   US$/MYR = 4.30
   US$/PHP = 47.14
   US$/NZD = 1.47
   US$/BRL = 3.94
   US$/THB = 36.06
   US$/EUR = 0.91

It should be noted that valuation of companies listed in other countries or exchanges are subject to different market fundamental, technical, capitalization and/or sentimental factors. It should also be noted that the analysis on overseas-listed terminal companies does not take into account differences in accounting policies and standards as well as tax treatments among different countries, and that such analysis should only be viewed as an additional reference or secondary check to supplement the analysis based on the CSPD's Comparable Companies above.

The Historical P/E multiples of the overseas-listed terminal companies range between approximately 14.30 times and approximately 73.99 times with average and median being approximately 26.47 times and approximately 23.40 times, respectively. The LTM P/E multiples of the overseas-listed terminal companies range between approximately 13.77 times and approximately 59.95 times with average and median being approximately 28.48 times and approximately 23.31 times, respectively. As such, while the Acquisition Implied Historical P/E multiple is higher than the average and median but lies within the range of the Historical P/E multiples of the overseas-listed terminal companies, the Acquisition Implied LTM P/E multiple is lower than the average and comparable to the median of the LTM P/E multiples of the overseas-listed terminal companies.

The P/B multiples of the overseas-listed terminal companies range between approximately 0.85 times and approximately 7.79 times with average and median being approximately 2.53 times and approximately 1.96 times, respectively. As such, the Acquisition Implied P/B multiple is lower than the average and median of the P/B multiples of the overseas-listed terminal companies.

For additional references, AIM and Challenge Capital have also included below valuation multiples of terminal companies listed in the PRC which information is more readily available in public domain and which are more commonly adopted in market analyses as comparable companies of major terminal operators listed in Hong Kong:

PRC-listed terminal companies

Stock code	Company	Market capitalization *(Note 1)* *(RMB million)*	Historical P/E *(Note 2)* *(times)*	LTM P/E *(Note 3)* *(times)*	P/B *(Note 4)* *(times)*
600018 CH	Shanghai International Port Group Co., Ltd.	154,568	22.43	23.00	2.66
601018 CH	Ningbo Port Co., Ltd.	104,448	37.06	40.80	3.29
600017 CH	Rizhao Port Co., Ltd.	20,576	35.94	55.75	2.03
000088 CH	Shenzhen Yan Tian Port Holding Co., Ltd.	16,470	37.43	35.33	3.05
000022 CH	Shenzhen Chiwan Wharf Holdings Ltd.	11,775	30.88	27.40	2.98
		Average	**32.75**	**36.46**	**2.80**
		Median	**35.94**	**35.33**	**2.98**
		Max	**37.43**	**55.75**	**3.29**
		Min	**22.43**	**23.00**	**2.03**
	The Acquisition		**60.54** *(Note 5)*	**23.21** *(Note 6)*	**1.17** *(Note 7)*

Source: Bloomberg, the latest annual reports and quarterly results of the PRC-listed terminal companies

Notes:

1. Based on their respective closing share prices of the PRC-listed terminal companies as at the Latest Practicable Date.

2. Calculated based on the respective closing share prices of the PRC-listed terminal companies as at the Latest Practicable Date divided by their respective consolidated net profit attributable to shareholders per share for the latest completed financial year.

3. Calculated based on the respective closing share prices of the PRC-listed terminal companies as at the Latest Practicable Date divided by their respective earnings per share for the latest twelve-month period as extracted from Bloomberg.

4. Calculated based on the respective closing share prices of the PRC-listed terminal 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.

5. Calculated based on the consideration for the Acquisition divided by the audited consolidated net profit attributable to shareholders of CSPD for the year ended 31 December 2014 as extracted from the accountants' report on CSPD contained in Appendix II to the Circular.

6. Calculated based on the consideration for the Acquisition divided by the consolidated net profit attributable to shareholders of CSPD for the latest twelve-month period based on the accountants' report on CSPD contained in Appendix II to the Circular.

7. Calculated based on the consideration for the Acquisition divided by the audited consolidated net assets attributable to shareholders of CSPD as at 30 September 2015 as extracted from the accountants' report on CSPD contained in Appendix II to the Circular.

The Historical P/E multiples of the PRC-listed terminal companies range between approximately 22.43 times and approximately 37.43 times with average and median being approximately 32.75 times and approximately 35.94 times, respectively. The LTM P/E multiples of the PRC-listed terminal companies range between approximately 23.00 times and approximately 55.75 times with average and median being approximately 36.46 times and approximately 35.33 times, respectively. As such, while the Acquisition Implied Historical P/E multiple is higher than the average, median and range of the Historical P/E multiples of the PRC-listed terminal companies, the Acquisition Implied LTM P/E multiple is lower than the average and median of the LTM P/E multiples of the PRC-listed terminal companies.

The P/B multiples of the PRC-listed terminal companies range between approximately 2.03 times and approximately 3.29 times with average and median being approximately 2.80 times and approximately 2.98 times, respectively. As such, the Acquisition Implied P/B multiple is lower than the average and median of the P/B multiples of the PRC-listed terminal companies.

C. Market transaction comparables analysis

As compared to the comparable companies approach, the market transaction comparables approach reflects the valuations at which an actual transaction was consummated between a willing buyer and a willing seller rather than traded multiples that are subject to market supply and demand dynamics which may not be relevant to how an actual transaction is being valued and transacted. Also, the comparable companies approach fails to take into account any control premium, that is, the value accrued by the ability to obtain control of a company, which is not the case for the Acquisition.

In addition, AIM and Challenge Capital understand from the management of the Company that terminals occupying accessible locations are scarce resources that are hard to be effectively substituted given the restricted quay length along the coastal line of China, and the Acquisition presents an opportunity for the Company to take over the entire portfolio of terminal assets of CSPD in a single transaction which is not commonly and readily available in the market.

Having taken into account the above, AIM and Challenge Capital consider that the market transaction comparables approach is a more relevant approach as compared to the comparable companies approach for the purpose of their analysis.

For the purpose of this analysis, AIM and Challenge Capital have gathered on a best effort basis a list of past acquisition transactions that were (i) announced and completed from 2008 to 31 October 2015; (ii) related to port and/or terminal assets; and (iii) entered into by the Company, CSCL or the CSPD's Comparable Companies (including their respective group companies) as one of the parties to the transactions (the "**CSPD's Comparable Transactions**") based on best public information.

The list of the CSPD's Comparable Transactions and their respective P/B and P/E multiples are set out in the table below:

Announcement Date	Acquirer	Target	Target Nationality	Implied Equity Value *(Note 1)* *(RMB million)*	P/E *(Note 2)* *(times)*	P/B *(Note 3)* *(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 Terminal Holdings	Hong Kong	3,237	34.45	N/A *(Note 4)*
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 Co., Ltd.	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**
		The Acquisition			**23.21** *(Note 5)*	**1.17** *(Note 6)*

Source: companies' announcements and circulars

Notes:

1. Calculated based on the respective considerations for the CSPD's Comparable Transactions divided by the respective percentage of interest in the target being transacted.

2. Calculated based on the respective implied equity value of the CSPD's 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.

3. Calculated based on the respective implied equity value of the CSPD's Comparable Transactions 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.

4. Information not available in public domain.

5. Calculated based on the consideration for the Acquisition divided by the consolidated net profit attributable to shareholders of CSPD for the latest twelve-month period based on the accountants' report on CSPD contained in Appendix II to the Circular.

6. Calculated based on the consideration for the Acquisition divided by the audited consolidated net assets attributable to shareholders of CSPD as at 30 September 2015 as extracted from the accountants' report on CSPD contained in Appendix II to the Circular.

7. Calculated based on the following exchange rates:

   RMB/HK$ = 1.21
   US$/RMB = 6.48
   EUR/RMB = 7.09

The implied P/E multiples of the CSPD's Comparable Transactions range between approximately 11.32 times and approximately 198.87 times with average and median being approximately 47.00 times and approximately 29.45 times, respectively. As such, the Acquisition Implied LTM 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 approximately 0.88 times and approximately 8.31 times with average and median being approximately 2.67 times and approximately 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.

Included in the above list of CSPD's Comparable Transactions is the CSTD Disposal (please refer to the paragraph headed "D. Information on CSPD" in this letter for further details). As illustrated in the table above, the implied P/E and P/B multiples of the CSTD Disposal are approximately 24.45 times and approximately 1.35 times, respectively. As such, the Acquisition Implied LTM P/E multiple and the Acquisition Implied P/B multiple are both lower than the implied P/E and P/B multiples of the CSTD Disposal, respectively.

AIM and Challenge Capital consider that it is meaningful to compare the market transaction valuation multiplies of the CSTD Disposal with that of the Acquisition as part of their analysis on the basis that (i) the CSTD Disposal was only completed recently on 20 June 2014; and (ii) a majority of CSPD's interests in the terminal companies (including the two terminal subsidiaries, namely, Jinzhou New Age Container Terminal Co., Ltd. and Lianyungang New Oriental International Terminal Co., Ltd.) are held through its 100% equity interest in CSTD.

Having taken into account the above, in particular, that (i) no major factors have been identified by AIM and Challenge Capital that would lead them to cast doubt on the fairness and reasonableness of the methodologies, principal bases and assumptions adopted in arriving at the Acquisition Valuation; (ii) both the Acquisition Implied LTM P/E multiple and the Acquisition Implied P/B multiple are lower than the average and median of that of the CSPD's Comparable Transactions; and (iii) that the market transaction comparables analysis is a more relevant approach than the comparable companies analysis as described above, AIM and Challenge Capital consider that the consideration for the Acquisition is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Having taken into account the above, in particular, (i) the reasons for and benefits of the Acquisition, (ii) the principal terms of the CSPD SPA; (iii) the declaration of the Conditional Special Cash Dividend; and (iv) the analysis on the fairness and reasonableness of the consideration for the Acquisition, AIM and Challenge Capital are of the view that although the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the Acquisition are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

II. THE DISPOSAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating its opinion and recommendation regarding the Disposal, ING has taken into account the following principal factors and reasons:

1. Overview of the Disposal

A. Background

According to the announcement of the Company dated 11 December 2015 in relation to the Transactions ("**Announcement**"), on 11 December 2015, CPL and CSCLHK entered into the FCHL SPA pursuant to which the Company conditionally agreed to sell and CSCLHK conditionally agreed to acquire the FCHL Shares for an initial consideration of RMB7,784,483,300 (equivalent to approximately US$1,202[1] million), less any pre-closing dividend ("**Initial Consideration**"). The final consideration for the FCHL Shares will be determined after completion of the 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 last day of the previous month where the date of completion of the Disposal fall on or before the 15th day of a month or, as the case may be, the last day of the month where the date of the completion falls after the 15th day of a month.

If, after the filing with competent authorities of the valuation report by China Tong Cheng 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.

The Company has also conditionally agreed to assign the FCHL Shareholder's Loans and CSCLHK has conditionally agreed to take the assignment of the FCHL Shareholder's Loans for a consideration of US$285,000,000.

B. Information on FCHL

FCHL is an investment holding company incorporated in the British Virgin Islands.

The Group's container leasing, management and sale and related businesses are conducted through FCHL and its subsidiaries ("**Florens**" or the "**Target Group**"). Florens utilises its diversified product mix to provide tailor-made container leasing services to customers. As stated in the annual report of the Company for the year ended 31 December 2014, the Group was one of the world's five largest container leasing company with a market share of approximately 11.0% in 2014.

[1] Foreign exchange assumption: as at the Latest Practicable Date US$/RMB: 6.48 as published on Bloomberg

The Group has a worldwide container depot network covering Asia Pacific, Europe and Mediterranean, Americas and South Africa.

Florens offers customers both operational leases and direct finance leases. While focusing on long-term and master leases, it also provides short-term leases to satisfy customers' peak or seasonal requirements. The assets that it leases include dry and refrigerated containers and generator sets. The Group's container management business includes container handling, transportation, storage, repairs and maintenance. Florens also offers a full array of used containers for sale in the second hand market.

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, revenue generated from the Group's container leasing, management and sale businesses was approximately US$336.2 million, US$347.7 million, US$357.1 million and US$159.7 million, respectively, and profit attributable to equity holder from the Group's container leasing, management and sale businesses was approximately US$139.5 million, US$125.3 million, US$95.8 million and US$49.7 million respectively. As stated in the interim report of the Company for the six months ended 30 June 2015, lease rates and rental yield remained at historically low levels and the resale price of disposed returned containers were still being pressurized.

The following table sets forth the breakdown of revenue from container leasing, management and sale businesses for the period indicated.

	For the year ended 31 December 2014 *(US$ million)*	**Year-on-year increase (decrease)** *(%)*	**For the six months ended 30 June 2015** *(US$ million)*	**Period-on-period increase (decrease)** *(%)*
Container leasing	295.8	1.7	144.6	(2.1)
Disposal of returned containers	47.8	11.2	8.6	(71.5)
Container management	6.4	(13.8)	2.6	(10.5)
Others	7.1	10.0	3.9	10.7
Total segment revenue	357.1	2.7	159.7	(13.3)

The Group has been increasing its container fleet size in recent years. As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group's container fleet capacity was 1,853,597 TEUs, 1,888,200 TEUs, 1,907,778 TEUs, and 1,969,196 TEUs, respectively. For the years end 31 December 2012, 2013 and 2014 and the six months end 30 June 2015, the overall average utilization rate of the Group's containers remained at a relatively high level, which was 95.3%, 94.5%, 95.3%

and 95.5%, respectively, slightly higher than the global industry average of approximately 94.8%, 93.9%, 94.0% and 94.8% for the same period as estimated by the management of Florens. As at 30 September 2015, the Group's container fleet size was 1,964,954 TEU and the utilization rate for the nine months ended 30 September 2015 was 95.3%.

The Group has balanced container mix in the container leasing, management and sale businesses to lower investment risk. The table below set forth the breakdown of the Group's owned, managed and sale-and-leaseback containers by customers as at the dates specified.

	Leasing Customers	As at 30 June 2015 (TEUs)	2014 (TEUs)	Increase (Decrease) (%)	As at 30 June 2015 % of total	2014 % of total
Owned containers	COSCON	592,260	546,921	8.3	30.1	28.3
Owned containers	International customers	586,973	621,344	(5.5)	29.8	32.1
Sale-and-leaseback containers	COSCON	286,568	250,290	14.5	14.5	12.9
Managed containers	International customers	503,395	517,708	(2.8)	25.6	26.7
Total		1,969,196	1,936,263	1.7	100.0	100.0

As at 30 September 2015, owned container (COSCON), owned container (international customers), sale-and-leaseback containers and managed containers accounted for 30.0%, 30.9%, 14.6% and 24.5%, respectively, of the Group's fleet size.

Most lease contracts of the Group are long-term. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, revenue from long-term leases accounted for 94.3%, 95.5%, 96.2% and 96.6%, respectively of the Group's total container leasing revenue. Revenue from master leases accounted for 5.7%, 4.5%, 3.8%, 3.4% for the years ended 31 December 2012, 2013 and 2014 and for six months ended 30 June 2015, respectively. Long-term leases are typically for a term of five to ten years, during which an agreed leasing rate is payable. If both parties agree, they may enter into a new contract upon the expiry of the initial contract. Master leases set out the legal and initial commercial terms on which Florens leases containers to a particular customer on an ongoing basis, with the commercial terms being renegotiated and renewed on an annual basis. The master lease will continue in effect for so long as any container leased under the master lease remains on-hire and until all leasing and other fees have been paid. Long-term leases generally generate more stable revenues than master leases and, particularly during volatile markets, can offer better overall returns; on the other hand, master leases typically have higher leasing rates and, particularly in stable and robust market conditions, can offer better returns than long-term leases. However, compared with long-term leases, master leases have a relatively higher business risk because there is no guarantee that the leasing of containers under the master lease will be renewed from year to year.

The Group has a strong risk management system to evaluate the credit risk of customers. The Group's key customers include the world's top ten shipping lines, with revenue from these lines accounting for 79.5% of the Group's total container leasing revenue in the year ended 31 December 2014, COSCON is one of the largest customers of the container leasing business of the Group.

2. Reasons for and benefits of the Disposal

Reasons for and benefits of the Disposal to the Company are set out in the "Letter from the Board" in the Circular. As stated in "Letter from the Board", the Board considers that the Disposal will allow the Group to focus on the operation and development of its terminal business and transform the Group into a pure terminals operator.

For the period from 2004 to 2014, terminals revenue grew by a compounded annual growth rate of 39.7% whereas container, leasing, management, sale and related businesses revenue grew by a compound growth rate of 2.4%. Terminals overtook container leasing, management, sale and related businesses as the largest revenue contributor in 2011. In terms of net profit, the Group's terminal business has grown with a 10-year compound annual growth rate of 8.5% for the period from 2004 to 2014. In 2014, the net profit of the Group's terminal business amounted to US$221 million, representing 69.8% of the Group's core profit.

ING notes that in the past the Group disposed of non-core assets to focus on its core businesses, including 20% in Chong Hing Bank Limited (which was engaged in retail and commercial banking and financial services) in 2007, 49% in COSCO Logistics Co., Ltd. (which was engaged in cargo terminal services) in 2010 and 21.8% in China International Marine Containers (Group) Co., Ltd. (which is primarily engaged in container manufacturing business) in 2013. As stated in the Company's annual report for the year ended 31 December 2014, the Company has set its strategies to focus on developing its terminals businesses. The container leasing, management, sale and related businesses have provided a stable cash flow to the Group but have limited synergies with its terminals businesses. ING therefore is of the view that the Disposals is in line with the Company's strategy.

3. Consideration

The Initial Consideration is RMB7,784,483,300, which shall be payable by CSCLHK upon completion of the Disposal.

As stated in the "Letter from the Board", the consideration for the Disposal was determined based on normal commercial terms after arm's length negotiations between the parties to the FCHL SPA, taking into account the valuation of FCHL by China Tong Cheng Assets Appraisal Co., Ltd. (the "**Valuer**"). A summary of the valuation report in relation to FCHL (the "**Disposal Valuation Report**") is set out in Appendix V.

ING notes that the fair value of 100% equity interest of for the entire share capital of the Target Group, as at 30 September 2015 (the "**Valuation Date**"), is RMB7,784,483,300 (the "**Disposal Valuation**"). The Initial Consideration is at par to the Disposal Valuation.

ING has reviewed and discussed with the Valuer the methodology of, and basis and assumptions adopted for, the valuation of the Target Group as contained in the Disposal Valuation Report. Based on its discussion with the Valuer, ING has not identified any major factors which cause us to doubt the fairness, reasonableness and completeness of the assumptions used in arriving at their valuation. ING has also performed work as required under note (1)(d) to the Listing Rule 13.80 in relation to the Valuer including interviewing the Valuer and examining the Valuer's previous relevant experience.

As stated in the Disposal Valuation Report, the Valuer adopted the market comparison approach to derive the final value conclusion for 100% equity interests in Florens. Under the market comparison approach, the Valuer has used comparable companies, using listed companies engaged in container leasing as comparison. We understand that the Valuation Report adopts this method as Florens and the selected comparable companies are in the same sector, have similar business type and similar asset operation method. The Valuer also considers that the market comparison approach is more appropriate to ascertain the value of Florens as at the Valuation Date.

4. Comparable companies

In its assessment of the valuation of the Disposal, ING has considered the following commonly used valuation multiples:

- Price-to-book ratio ("**P/B**"); and
- Price-to-earnings ratio ("**P/E**")

ING has considered P/B multiple which provides guidance on the relative premium of the companies' market capitalisation versus net asset value as the valuation ratios and P/E multiple which provides guidance on the relative earnings potential of the companies. ING notes that the ability to obtain competitive financing is an important aspect of the container leasing business. Therefore, earnings relative to equity such as P/E are more important valuation metrics for container leasing business. ING further notes that brokers often use P/E multiple to value container leasing business.

ING has selected a list of comparable companies (the "**Comparable Companies**") of Florens for our comparison analysis based on the selection criteria that these companies are primarily engaged in container leasing with a market capitalization not less than US$150 million.

While comparable companies analysis reflect current market sentiments towards the sector and provide guidance on valuation, the analysis does not take into account differences in accounting policies and standards, different interim financial reporting periods as well as differences in business models and/or tax treatments, nor does it take into account any possible unique characteristic(s) of different companies and no adjustments have been made to account for such differences. ING notes the financial information of all the Comparable Companies, which are listed on New York Stock Exchange and NASDAQ National Market, is prepared on the basis of U.S. GAAP ("**GAAP**") in all material respects.

ING has conducted its analysis and identified three companies based on the abovementioned selection criteria which it considers to be the closest comparables (after taking into consideration the factors as set out in its selection criteria) to the Florens' business. The table below sets out these Comparable Companies. The valuation multiples of the Comparable Companies are based on their respective share prices as at 24 December 2015, being the last practicable day for the purpose of analysis in this letter (the "**Latest Practicable Date"),** their respective financial positions of balance sheet items as at 30 June 2015, unless otherwise noted, and the financial information for the 12-month period ended 31 December 2013 and 2014 for all Comparable Companies, unless otherwise noted.

	Market capitalisation (US$ million)(1)	2013 P/E(2)	2014 P/E(3)	P/B(4)
TAL International Group Inc	559	3.9x	4.5x	0.8x
Textainer Group Holdings Ltd	884	4.8x	4.7x	0.7x(5)
CAI International Inc	199	3.1x	3.3x	0.4x
Average		**3.9x**	**4.2x**	**0.7x**
Median		**3.9x**	**4.5x**	**0.7x**
The Target Group		9.6x	12.6x	1.0x

Sources: Bloomberg, Company filings

Notes:

(1) Market capitalisation of the Comparable Companies are based on the closing share prices on the Latest Practicable Date

(2) P/E multiples are calculated based on the market capitalisation (using the respective share prices as at the Latest Practicable Date in the case of the Comparable Companies), divided by the respective consolidated profit attributable to shareholders for the 12-month period ended 31 December 2013

(3) P/E multiples are calculated based on the market capitalisation (using the respective share prices as at the Latest Practicable Date in the case of the Comparable Companies), divided by the respective consolidated profit attributable to shareholders for the 12-month period ended 31 December 2014

(4) P/B multiples are calculated based on market capitalisation (using the respective share prices as at the Latest Practicable Date in the case of the Comparable Companies), divided by the respective shareholders' equity as at 30 June 2015 unless noted otherwise

(5) P/B multiples are calculated based on market capitalisation (using the share price as at the Latest Practicable Date), divided by the equity of the company as at 31 December 2014

1) P/E Approach

The Initial Consideration is approximately 9.6 times the net profit after taxation for the year ended 31 December 2013 attributable to the equity holders of the Target Group, which was approximately US$125.3 million, and 12.6 times the net profit after taxation for the year ended 31 December 2014 attributable to the equity holders of the Target Group, which was approximately US$95.8 million.

The average and median P/E multiples of the Comparable Companies are 3.9 times and 3.9 times for the year ended 31 December 2013. The P/E multiple of the Target Group implied by the Initial Consideration is higher than both the average and median P/E multiples of the Comparable Companies.

The average and median P/E multiples of the Comparable Companies are 4.2 times and 4.5 times, for the year ended 31 December 2014. The P/E multiple of the Target Group implied by the Initial Consideration is higher than both the average and median P/E multiples of the Comparable Companies.

2) P/B Approach

The Initial Consideration is approximately 1.0 times the equity value of the Target Group attributable to equity holders as at 30 September 2015, which was approximately US$1,171.1 million.

The latest average and median P/B multiples of the Comparable Companies are 0.7 times and 0.7 times respectively. The P/B multiple of the Target Group implied by the Initial Consideration is higher than both the average and median P/B multiples of the Comparable Companies.

5. Comparable Transactions

Regarding the comparable transactions, ING has considered the following commonly used valuation multiples in our assessment of the valuation of the Transactions:

- P/E; and
- P/B.

ING has selected a list of comparable transactions (the "**Comparable Transactions**") of the Transactions between 2007 and 2015 for its comparison analysis based on the selection criteria that these transaction targets: (a) were primarily engaged in the leasing of containers; (b) at least 50% stake acquisition; and (c) deal value of at least US$100 million. ING considers this as a sensible benchmark as container leasing depends on economic situation and the Disposal involves substantial stake transfer. Including Comparable Transactions as far back as in 2007 allows us to cover transactions under different economic situation. The benchmark gives reasonably sufficient samples for comparison purpose.

Whilst comparable transactions analysis can reflect historical market sentiment towards the sector and provide guidance on valuation, we note that the analysis does not take into account differences in accounting policies and standards, different interim financial reporting periods as well as differences in business models and/or tax treatments, nor does it take into account any possible unique characteristic(s) of different companies and no adjustments have been made to account for such differences.

ING has conducted its analysis and identified five completed transactions based on the abovementioned selection criteria that we consider to be the closest comparables (after taking into consideration the factors as set out in our selection criteria) to the Florens' business. The Comparable Transactions are for illustration of valuation multiples of transactions of companies with businesses similar to that of the Target Group. The table below sets out these Comparable Transactions and their relevant valuation multiples based on their respective transaction values.

Announcement Date	Acquirer	Target	Target Nationality	Implied Equity Value (US$ million)	P/E[(1)]	P/B[(2)]
9-Nov-15	TAL International Group	Triton Container International	United States	723	4.3x	na
30-Sep-13	Bohai Leasing Co Ltd	SeaCo SRL	Singapore	1,269	14.6x	2.0x
18-Jan-13	Ontario Teachers Pension Plan	SeaCube Container Leasing Ltd	United States	473	10.2x	1.8x
20-Apr-07	Fortress Investment Group LLC	Interpool Inc	United States	896	8.4x	1.6x
28-Feb-07	CRX Acquisition	Cronos Group	Luxembourg	134	14.5x	1.6x
Average					**10.4x**	**1.7x**
Median					**10.2x**	**1.7x**
		The Target Group			12.6x	1.0x

Sources: Dealogic, Mergermarket, Company filings

Note:

(1) P/E multiples 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, unless otherwise stated

(2) P/B multiples are calculated based on the implied market value, divided by the respective shareholders equity as at the previous period end prior to the transactions, unless otherwise stated

1) P/E Approach

The Initial Consideration is approximately 12.6 times the net profit after taxation for the year ended 31 December 2014 attributable to the equity holders of the Target Group, which was approximately US$95.8 million.

The average and median P/E multiples of the Comparable Transactions are 10.4 times and 10.2 times respectively. The P/E multiple of the Target Group implied by the Initial Consideration for the year ended 31 December 2014 is higher than both the average and median P/E multiples of the Comparable Transactions.

The recent transaction between TAL International Group and Triton Container International (the "**Recent Comparable Transaction**") was transacted at P/E multiple of 4.3x which is significantly below the P/E multiples of the earlier comparable transactions and below the P/E multiple of the Target Group implied by the Consideration for the year ended 31 December 2014.

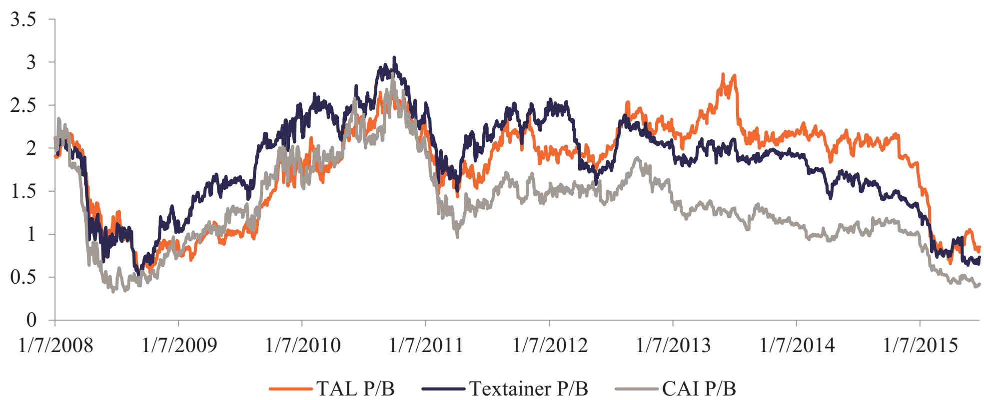
2) P/B Approach

The Initial Consideration is approximately 1.0 times the equity value of the Target Group attributable to the equity holders as at 30 September 2015, which was approximately US$1,171.1 million.

The average and median P/B multiples of the Comparable Transactions are 1.7 times and 1.7 times respectively. The P/B multiple of the Target Group implied by the Initial Consideration is lower than both the average and median P/B multiples of the Comparable Transactions.

The P/B for the Recent Comparable Transaction is not disclosed. However, as mentioned above, the P/E for the Recent Comparable Transaction was significantly below the P/E multiples of the earlier comparable transactions. Over the last few years, the long-term lease rates for newbuild containers declined significantly. We are of are of the view that the declining leasing rates in the past few years have negatively impacted the valuation multiples of container leasing companies including P/B as shown in the chart below:

Chart 1: P/B multiples of TAL, Textainer & CAI since July 2008



	As of 1 July 2008	As of 24 December 2015
TAL	1.9x	0.8x
Textainer	2.1x	0.7x
CAI	2.1x	0.4x

Source: Bloomberg

6. Assignment of FCHL Shareholders' Loans

The consideration for the FCHL Shareholders' Loans is US$285,000,000. We note that the consideration is equivalent to the book value of the FCHL Shareholders' Loans as at 30 September 2015.

FINANCIAL EFFECTS OF THE TRANSACTIONS

1. Earnings

Upon completion of the Acquisition, CSPD will become a subsidiary of the Company and the results of CSPD will be consolidated into the consolidated financial statements of the Group. FCHL will cease to be a subsidiary of the Company after completion of the Disposal. The Disposal is expected to record a gain of approximately US$62.7 million. The estimated gain on the Disposal is calculated with reference to the consideration for the Disposal and the net asset value of FCHL as at 30 September 2015. The actual gain or loss that the Company is able to realize will depend on the actual net book value of FCHL on the date of completion of the Disposal.

2. Net assets value

Based on the unaudited pro forma financial information of the Reorganized Group as set out in the Appendix III to the Circular, the Transactions (taking into account the Conditional Special Cash Dividend, as applicable) would decrease the total assets and total liabilities of the Group by an amount of approximately US$970.6 million and US$623.5 million respectively, representing a decrease of approximately 12.6% in total assets and approximately 24.5% in total liabilities from those as set out in the unaudited consolidated financial statements of the Group as at 30 June 2015 assuming the Transactions had been completed on 30 June 2015. As a result of the above, the Transactions (taking into account the Conditional Special Cash Dividend) would decrease the net assets of the Group by approximately US$347.2 million or approximately 6.7%.

3. Gearing

As at 30 June 2015, the Group had a net debt position (total debt *(Note)* minus total cash and cash equivalents) of approximately US$859.0 million and a net debt-to-equity ratio (net debt divided by total equity) of approximately 16.6%. Based on the unaudited pro forma financial information of the Reorganized Group as set out in the Appendix III to the Circular, the Transactions (taking into account the Conditional Special Cash Dividend) would decrease the net debt of the Group by approximately US$480.2 million or approximately 55.9% and the hypothetical net debt-to-equity ratio of the Reorganized Group would be lowered to approximately 7.9%. The main reason for this impact is due to the higher gearing level of FCHL which would be disposed upon completion of the Disposal.

Note: Total debt includes long term and short term borrowings, loans from non-controlling shareholders of subsidiaries, and loan from fellow subsidiaries.

CONCLUSIONS AND RECOMMENDATION

The following key factors should be read in conjunction with, and interpreted in, the full context of the Circular:

– The Company has set its strategies to focus on developing its terminal business. The completion of the Acquisition and the Disposal will re-align the Group's focus on its terminal business and to further enhance its market position in the terminal industry.

– With the perspective of realigning its business focus on the terminal business and relinquishing its holding of non-core business in FCHL, it is imminent that the Acquisition enables the Group to achieve strategic aims of growth and expansion in the long term. But as a matter of generality, acquisitions of infrastructure investments are capital intensive. This acquisition-based strategy of growth can sometimes associate with a large amount of debt and can result in heavy gearing to the acquirer. As it stands, the Acquisition and the Disposal are inter-conditional to each other. We noted that the Transactions can be completed without the need of a significant cash outlay based on the respective initial considerations for the Acquisition and the Disposal.

However, on the other hand, Independent Shareholders should note that the long term strategical advantage, or the commercial benefit, of the Restructuring as discussed in the foregoing, may be out-weighed in the short term by forsaking the current profit contribution from the container leasing business which is on a downturn. The Joint IFAs agree with the management of the Company that, without a heavy upfront cost of cash commitment, the Restructuring allows the Group to focus on its principal business activities and enhance its portfolio in ports and terminal business, whilst relinquishing its business in container leasing business where there has been a continuous downward trend.

Based on the above,

– AIM and Challenge Capital are of the view that although the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the Acquisition are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole;

– ING is of the view that although the Disposal is not in the ordinary and usual course of business of the Group, the terms of the Disposal are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole;

– we are of the view that although the Transactions are not in the ordinary and usual course of business of the Group, the terms of the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; and

– accordingly, we recommend that the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the SGM to approve the Transactions.

Yours faithfully,
For and on behalf of

Asia Investment Management Limited	**Challenge Capital Management Limited**		**ING Bank N.V., Hong Kong Branch**	
Alice Kan	**Jackson Woo**	**Wilson Fok**	**David Wu**	**Andrew Lau**
Managing Director	*Managing Director*	*Managing Director*	*Managing Director*	*Director*

Notes:

Ms. Alice Kan is a licensed person registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has over 15 years of experience in corporate finance.

Mr. Jackson Woo and Mr. Wilson Fok are licensed persons registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and have over 15 years and 10 years of experience in corporate finance, respectively.

Mr. David Wu and Mr. Andrew Lau are relevant individuals registered with the Hong Kong Monetary Authority to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and have over 17 years and 28 years of experience in corporate finance, respectively.

I. 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 on pages 117 to 194 in the Annual Report 2014 of the Company, which was published on 13 April 2015. The Annual Report 2014 is posted on the Company's website http://www.coscopac.com.hk. Please also see below a quick link to the Annual Report 2014:

http://www.coscopac.com.hk/admin/upload/ir/financial_report/EW01199-AR.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2013 (the "**2013 Financial Statements**") are set out on pages 117 to 194 in the Annual Report 2013 of the Company, which was published on 8 April 2014. The Annual Report 2013 is posted on the Company's website http://www.coscopac.com.hk. Please also see below a quick link to the Annual Report 2013:

http://www.coscopac.com.hk/admin/upload/ir/financial_report/e13ar.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2012 (the "**2012 Financial Statements**") are set out on pages 120 to 194 in the Annual Report 2012 of the Company, which was published on 16 April 2013. The Annual Report 2012 is posted on the Company's website http://www.coscopac.com.hk. Please also see below a quick link to the Annual Report 2012:

http://www.coscopac.com.hk/admin/upload/ir/financial_report/e12ar.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.

II. INDEBTEDNESS

The Group

As at the close of business on 31 October 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately US$1,977.4 million. Details of the total indebtedness are summarized below:

	US$ million
Current	
Short-term borrowings	186.9
Long-term borrowings, current portion	253.2
Amounts due to non-controlling shareholders of subsidiaries	167.7
Amount due to a joint venture	31.0
Non-current	
Long-term borrowings, net of current portion	991.3
Notes payables	297.3
Loans from non-controlling shareholders of a subsidiary	50.0
Total	1,977.4

Apart from a secured long-term bank loan of approximately US$236.6 million, all of such indebtedness was unsecured and unguaranteed.

At the close of business on 31 October 2015, the Group pledged its property, plant and equipment with a total carrying amount of approximately US$48.3 million, and the Company's investment in a subsidiary which amounted to approximately US$85.1 million was used as a security for a banking facility granted to the Group.

CSPD Group

As at the close of business on 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 CSPD Group had total borrowings of approximately US$89.8 million. Details of the total indebtedness are summarized below:

	US$ million
Current	
Long-term borrowings, current portion	30.7
Loan from a fellow subsidiary	20.2
Non-current	
Long-term borrowings, net of current portion	38.9
Total	89.8

Apart from a secured bank borrowings of approximately US$41.3 million and a guaranteed bank borrowings of approximately US$16.5 million, all such indebtedness are unsecured and unguaranteed.

At the close of business on 31 October 2015, CSPD Group pledged its property, plant and equipment with a total carrying amount of approximately US$68.8 million as securities for a banking facility granted to CSPD Group.

General

Save as disclosed above and apart from intra group liabilities, as at the close of business on 31 October 2015, the Group and CSPD Group 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.

III. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the effect of the Transactions and the financial resources and banking facilities available to the Reorganized Group, the Reorganized Group will have sufficient working capital to meet its present requirement for at least 12 months following the date of publication of this circular to shareholders and in absence of unforeseen circumstances.

IV. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The global container terminal industry is facing significant challenges with slowdown in demand growth and the deployment of ever larger container ships. According to the Drewry Report, the average global demand growth in the global container terminal industry is forecast at 4.5% per annum to 2019. However, this is still considered healthy growth, and the scale of the industry is such that in absolute terms, the volume of port traffic is increasing significantly. By 2019, an additional 168 million TEU of port traffic is forecast in the Drewry Report, bringing the global total to nearly 850 million TEU.

Greater China is one of the most important markets due to the scale of Chinese port throughput. Even though the slowing Chinese economic growth and uncertainty about its manufacturing might result in a lower demand growth, Greater China is still expecting the largest absolute growth in demand with an extra 55.5 million TEU of throughput by 2019 according to the Drewry Report. Greater China is also forecast in the Drewry Report to see marked rises in utilization with a slower increase in capacity compared to the market demand.

The Transactions will allow the Reorganized Group to focus resources on the operation and development of its terminals business, creating the world's second largest container terminal operator by pro-forma total throughput in 2014 and reinforcing its dominant position in Greater China with enhanced coverage and larger market share. The terminal business is expected to contribute steady revenue and net profit to the Reorganized Group.

The management of the Reorganized Group will closely monitor the economic trend around the world, in particular in Greater China, and will continue to adhere to the four areas of strategic focus to enhance operational efficiency and profitability and will adjust the Reorganized Group's operational strategies, expansion plans and capital structure in response to the rapidly changing climate.

V. MATERIAL ACQUISITIONS

As noted in the Company's announcement dated 17 September 2015, the Company has established a joint venture (the "**Joint Venture**") with the respective wholly-owned subsidiaries of China Merchants Holdings (International) Company Limited ("**CMHI**") and CIC Capital Corporation ("**CIC Capital**") for the acquisition of equity interest in Fina Liman Hizmetleri Lojistik Denizcilik Ticaret ve Sanayi Anonim Şirketi ("**Fina Liman**") and Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret ("**Kumport**"). Fina Liman is an investment holding company whose only asset is its investment in Kumport, which is principally engaged in the ownership and operation of Kumport Terminal, a container terminal in the Ambarli Port Complex. The Ambarli Port Complex is located on the northwest coast of the Marmara Sea on the European side of Istanbul, Turkey.

The Company, CMHI and CIC Capital, through their respective wholly-owned subsidiaries, hold 40%, 40% and 20%, respectively, of the shares in the Joint Venture.

The Company's total commitment to the Joint Venture in respect of the above acquisition was approximately US$376 million and has been satisfied by the Group's own funding and external bank loans. The acquisition has been completed on 9 December 2015.

None of our Directors' remuneration or benefits in kind was varied in consequence of the establishment of the Joint Venture or the above acquisition of the interests in Fina Liman and Kumport.

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

31 December 2015

The Boards of Directors
China COSCO Holding 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 the circular of COSCO Pacific Limited dated 31 December 2015 (together, 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

		Year ended 31 December			Nine months ended 30 September	
		2012	2013	2014	2014	2015
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
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* (unaudited)	*HK$'000*
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
		2012	2013	2014	2015
	Notes	*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 31 December			As at 30 September
		2012	2013	2014	2015
	Notes	*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 *HK$'000*	**Share premium** *HK$'000*	**Capital reserves** *HK$'000*	**Merger reserves** *HK$'000*	**Statutory surplus reserves** *HK$'000*	**Special reserves** *HK$'000*	**Available-for-sale investment revaluation reserve** *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'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 2 of Section II)	4,285,783	–	–	(4,285,783)	–	–	–	–	–	–	–	–
Issuance of New Shares (as defined in note 2 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 *HK$'000*	Share premium *HK$'000*	Capital reserves *HK$'000*	Merger reserves *HK$'000*	Statutory surplus reserves *HK$'000*	Special reserves *HK$'000*	Available-for-sale investment revaluation reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'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 2 of Section II)	4,285,783	–	–	(4,285,783)	–	–	–	–	–	–	–	–
Issuance of New Shares (as defined in note 2 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 and 2013, and 30 September 2014 and 2015, respectively, in the consolidated statement of financial position.

Consolidated statements of cash flows

		Year ended 31 December			Nine months ended 30 September	
		2012	2013	2014	2014	2015
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
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)	–	–	–
(Gain)/Loss on disposal of joint venture	5	–	593	–	–	(3,770)
Loss/(Gain) 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
(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)

		Year ended 31 December			Nine months ended 30 September	
		2012	2013	2014	2014	2015
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
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 from/(used in) operating activities		(24,127)	(107,826)	(261,308)	50,231	351,413
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$'000	2013 HK$'000	2014 HK$'000	Nine months ended 30 September 2014 HK$'000 (unaudited)	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)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(60,731)	577,463	(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	10,373	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

		As at 31 December		As at 30 September	
		2012	**2013**	**2014**	**2015**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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 2012	2013	2014	2015	Principal activities
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 Container 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

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of ownership interest attributable to the Target Group 2012	2013	2014	2015	Principal activities
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 Target Group 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	
		2012	2013	2014	2014	2015
	Notes	*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 capitalised 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)				(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 the CSTD Group for the Relevant Periods 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 HK$'000	Leasehold improvements HK$'000	Containers HK$'000	Port and depot infrastructures HK$'000	Machinery HK$'000	Furniture, fixture and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total 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
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
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

	Port line use right
	HK$'000
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

	Port line use right
	HK$'000
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 Holdings 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:

	Damietta
	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:

	Damietta
	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:

	Damietta	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:

	Damietta	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 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 *HK$'000*	**Guangzhou Nansha Port** *HK$'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 *HK$'000*	**Dalian International Container Terminal** *HK$'000*	**Guangzhou Nansha Port** *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 31 December			As at 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 31 December			As at 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 HK$'000	Exchange reserves HK$'000	Available-for-sale investment revaluation reserves HK$'000	Retained profits HK$'000	Total 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 *HK$'000*	Exchange reserves *HK$'000*	Investment revaluation reserves *HK$'000*	Retained profits *HK$'000*	Total *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
Jinzhou 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)	–	–
Jinzhou 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	–	–	–
Jinzhou 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	**Jinzhou 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:

	Jinzhou 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:

	Jinzhou New Age *HK$'000*	Lianyungang New Oriental *HK$'000*
Revenue	96,243	363,386
Total expenses	(96,117)	(313,004)
Profit for the year	125	50,382
Total comprehensive income for the year	125	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:

	Jinzhou New Age *HK$'000*	Lianyungang New Oriental *HK$'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* (unaudited)	*HK$'000*
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 joint 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* (unaudited)	*HK$'000*
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
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	74%	30%	14%	9%

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,

Ernst & Young
Certified Public Accountants
Hong Kong

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REORGANIZED GROUP

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Reorganized 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 Acquisition and the Disposal as if they had taken place on 30 June 2015 for the unaudited pro forma consolidated statement of assets and liabilities of the Reorganized 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 Reorganized Group had the Acquisition and the Disposal 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 REORGANIZED GROUP

	Unaudited 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 Reorganized Group
	Note 2	*Note 3a*	*Note 3b*	*Note 3c*	*Note 3d*	*Note 4a*	*Note 4b*	*Note 5*	*Note 6*	
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Non-current assets										
Property, plant and equipment	4,152,563	(1,832,524)	–	–	–	216,897	–	–	–	2,536,936
Investment properties	29,208	(3,681)	–	–	–	–	–	–	–	25,527
Land use rights	235,322	(104)	–	–	–	1,447	–	–	–	236,665
Intangible assets	7,006	(2,189)	–	–	–	395	–	–	–	5,212
Joint ventures and associates	1,675,377	–	–	–	–	679,514	–	57,401	–	2,412,292
Loans to joint ventures and associates	101,312	–	–	–	–	19,355	–	–	–	120,667
Available-for-sale financial assets	32,000	–	–	–	–	196,131	–	(57,199)	–	170,932
Finance lease receivables	22,830	(82,128)	59,298	–	–	–	–	–	–	–
Deferred income tax assets	2,463	–	–	–	–	–	–	–	–	2,463
Other non-current assets	76,692	(6,378)	–	–	–	–	–	–	–	70,314
	6,334,773	(1,927,004)	59,298	–	–	1,113,739	–	202	–	5,581,008
Current assets										
Inventories	18,500	(10,417)	–	–	–	1,291	–	–	–	9,374
Trade and other receivables	294,646	(137,766)	214,159	(285,000)	–	69,793	–	–	–	155,832
Restricted bank deposits	234	–	–	–	–	201	–	–	–	435
Cash and cash equivalents	1,052,852	(124,515)	–	285,000	1,223,725	15,893	(1,165,715)	–	(303,527)	983,713
	1,366,232	(272,698)	214,159	–	1,223,725	87,178	(1,165,715)	–	(303,527)	1,149,354
Total assets	7,701,005	(2,199,702)	273,457	–	1,223,725	1,200,917	(1,165,715)	202	(303,527)	6,730,362

	Unaudited 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 Reorganized Group
	Note 2	*Note 3a*	*Note 3b*	*Note 3c*	*Note 3d*	*Note 4a*	*Note 4b*	*Note 5*	*Note 6*	
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Liabilities										
Non current liabilities										
Deferred income tax liabilities	47,299	(6,293)	–	–	–	1,548	–	–	–	42,554
Long term borrowings	1,455,002	(639,903)	59,298	–	–	39,614	–	–	–	914,011
Loans from non-controlling shareholders of subsidiaries	148,142	(50,000)	–	–	–	–	–	–	–	98,142
Other long term liabilities	32,403	(2,795)	–	–	–	–	–	–	–	29,608
	1,682,846	(698,991)	59,298	–	–	41,162	–	–	–	1,084,315
Current liabilities										
Trade and other payables	455,307	(124,166)	536	–	–	22,996	34,111	–	–	388,784
Current income tax liabilities	94,682	(521)	–	–	–	504	–	–	–	94,665
Current portion of long term borrowings	264,552	(31,943)	23,623	–	–	29,811	–	–	–	286,043
Loan from fellow subsidiaries	–	(190,000)	190,000	–	–	20,121	–	–	–	20,121
Short term borrowings	44,164	–	–	–	–	–	–	–	–	44,164
	858,705	(346,630)	214,159	–	–	73,432	34,111	–	–	833,777
Total liabilities	2,541,551	(1,045,621)	273,457	–	–	114,594	34,111	–	–	1,918,092
Net assets	5,159,454	(1,154,081)	–	–	1,223,725	1,086,323	(1,199,826)	202	(303,527)	4,812,270

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REORGANIZED GROUP

(1) The Acquisition is considered as a business combination under common control as both of the respective ultimate holding companies of the Group and CSPD Group 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 Disposal

The Disposal involves the disposal of the FCHL Shares at an initial consideration of RMB7,784,483,300 (equivalent to approximately US$1,223,725,000) and the assignment of the FCHL Shareholder's Loans by the Company to CSCLHK at a consideration of US$285,000,000. Such initial consideration will be subject to certain adjustments prior to completion of the Disposal.

The pro forma adjustments represent:

(a) the exclusion of assets and liabilities of Florens Container Holdings Limited and its subsidiaries (together, the "**Disposal Group**") as at 30 June 2015. The balances are extracted from the unaudited consolidated balance sheet of the Disposal Group as at 30 June 2015.

(b) the reinstatement of the intercompany transactions between the Reorganized Group and the Disposal Group as at 30 June 2015 which should not be eliminated after the completion of the Disposal. These intercompany transactions mainly comprise (1) finance lease receivables by the Disposal Group from the Reorganized Group which amounted to US$59,298,000; (2) trade receivables and amount due from the Disposal Group which amounted to US$214,159,000; (3) finance lease payables by the Reorganized Group to the Disposal Group totalling US$82,930,000 of which the non-current portion and current portion amounted to US$59,298,000 and US$23,632,000, respectively; (4) trade payables by the Disposal Group to the Reorganized Group which amounted to US$536,000; and (5) the FCHL Shareholder's Loan which amounted to US$190,000,000.

(c) the assignment of the FCHL Shareholder's Loans by the Company to CSCLHK for a consideration of US$285,000,000. For the purpose of preparing the Unaudited Pro Forma Financial Information, the FCHL Shareholder's Loans of US$285,000,000 will be assigned to CSCLHK upon the completion of the Disposal. Such balance will be fully offset against the amount due from the Disposal Group upon the completion of the Disposal.

(d) the proceeds from the Disposal which amounted to RMB7,784,483,300 (equivalent to approximately US$1,223,725,000).

Since the FCHL Shareholder's Loans, the consideration and the carrying values of the Disposal Group at the Completion Date may be substantially different from the amounts used in the preparation of the Unaudited Pro Forma Financial Information of the Reorganized Group, the final amounts of the FCHL Shareholder's Loans, the consideration and the carrying values of the Disposal Group to be recognized in connection with the Disposal may be different from the amounts presented above.

(4) The Acquisition

The Acquisition involves the acquisition of the CSPD Shares by the Company pursuant to the terms of the CSPD SPA. The initial consideration for the CSPD Shares is RMB7,632,455,300 (equivalent to approximately US$1,199,826,000). Such initial consideration will be subject to certain adjustments prior to completion of the Acquisition, including but not limited to (1) that if the Damietta Sale has completed on or prior to the completion of the 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 RMB 216,989,700; and (2) that if the Damietta Sale has not completed on or prior to the completion of the Acquisition, the initial consideration will be reduced by RMB 216,989,700.

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 Appendix II to this circular.

(b) the consideration paid for the Acquisition which amounted to RMB 7,632,455,300 (equivalent to approximately US$1,199,826,000), with part of the consideration of approximately RMB216,989,700 (equivalent to approximately US$34,111,000) 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 Acquisition is remote based on the current status of the sale plan.

Since the consideration, intercompany balances between the Group and CSPD and the carrying values of the CSPD Group at the Completion Date may be substantially different from the amounts used in the preparation of the Unaudited Pro Forma Financial Information of the Reorganized Group, the final amounts of the consideration, elimination of intercompany balances and the carrying values of CSPD Group to be recognized in connection with the Acquisition may be different from the amounts presented above.

(5) 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 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 Acquisition, T5CT co-owned by CSPD and the Group will become an associate of the Reorganized Group and will be accounted for using the equity method of accounting upon completion of the Acquisition.

(6) The adjustment represents the payment of the conditional special cash dividend of HK$2,352,350,000 (equivalent to approximately US$303,527,000). The calculation of the conditional special cash dividend is arrived at by multiplying HK80 cents per Share and the number of Shares is 2,940,437,862 Shares as of 30 June 2015, assuming that the Transactions had been completed on 30 June 2015. The calculation takes no account of any Shares which are issued pursuant to (i) the scrip dividend scheme 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 Shares which may be issued upon the exercise of the options granted under the share option scheme approved by the Shareholders on 23 May 2003 (the "2003 Share Option Scheme"). The payment of the conditional special cash dividend is conditional on (a) the Independent Shareholders passing the resolution approving the Transactions at the SGM and (b) the completion of the Transactions in accordance with the provisions of the CSPD SPA and the FCHL SPA.

Since the amount of the conditional special cash dividend at the Completion Date may be substantially different from the amount used in the preparation of the Unaudited Pro Forma Financial Information of the Reorganized Group, the final amount of the conditional special cash dividend to be recognized in connection with the Transactions may be different from the amount presented above.

(7) For the purpose of preparing the unaudited Pro Forma Financial Information, the translation of HK$ and RMB into US$ were made at the exchange rates of US$1.00 to HK$7.75005 and US$1.00 to RMB 6.3613, respectively.

(8) Apart from the Disposal and the Acquisition, 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 and CSPD Group subsequent to 30 June 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 the Company dated 17 September 2015 and (b) the proposed payment of an interim dividend of HK17.3 cents (equivalent to US2.236 cents) per Share for the six months ended 30 June 2015 by the Company on 25 August 2015, with an option to receive the newly fully paid Shares in lieu of cash.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REORGANIZED 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 COSCO Pacific Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of COSCO Pacific Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), and China Shipping Ports Development Company Limited and its subsidiaries (the "**CSPD Group**") (collectively the "**Reorganized 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 177 to 183 of the circular of the Company dated 31 December 2015 (the "**Circular**"), in connection with (1) the proposed acquisition of the CSPD Group and (2) the proposed disposal of Florens Container Holdings Limited and its 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 177 to 183. 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F +852 2810 9888, www.pwchk.com

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**").

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

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 accountant's report set out in Appendix II to this circular.

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 in Appendix II.

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 CSHK 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 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 CSHK 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. CSHK 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 CSHK. The transaction was completed on 20 June 2014. Upon completion of the transaction, CSHK 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 Jingsu 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 RMB 160,000,000 by CSPD.

(3) In March 2014, CSPD (previously named as CSTD HK) 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 (previously named as CSTD HK), 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 USD 45,000,000 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 and a payment of RMB 9,820,000 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 RMB 756,250,000.

(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 Acquisition and the Disposal" in the Letter from the Board for future plans.

The following is a summary of the valuation reports received from China Tong Cheng in relation to the valuation of CSPD and FCHL.

SUMMARY

I. Underlying transaction of the valuation

China Shipping (H.K.) Holdings Co., Ltd. (CSHK) and China Shipping Container Lines Co. Ltd. (CSCL) intend to transfer all of their equity interests in China Shipping Ports Development Co., Ltd. (CSPD), respectively, which requires a valuation to be conducted on all of the issued shares in CSPD.

II. Purpose of the valuation

Since CSHK and CSCL intend to transfer all of their equity interest 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 (special general partnership). 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

September 30, 2015.

VI. Valuation approach

The assets and liabilities structure of CSPD is clear, and the value of the individual items of those assets and liabilities can be assessed and ascertained on a standalone basis. As such, the asset-based approach can be adopted as the valuation approach for this valuation. The asset-based approach has been adopted for the valuation.

VII. Valuation assumptions

(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 the appraisal based on, amongst others, the transaction conditions of the assets to be appraised in a simulated market.

2. Open market assumption. Under the open market assumption, it is assumed that the assets to be appraised are being transacted in the open market so as to realize its market value. The market value of assets is subject to the market mechanism and is determined based on the market conditions rather than an individual transaction. Open market represents a competitive market among willing buyers and willing sellers with adequately developed and well-established market conditions. Under such market, the buyer and seller are of equal status, and both of them 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 the buyer or seller.

VIII. Conclusion and validity period

As at the Base Date (September 30, 2015), the appraised value of all equity interest 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 September 30, 2015 to September 29, 2016.

IX. Special matters affecting the conclusion

(1) 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.

(2) 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 adopted for the subsidiaries being not consolidated was unaudited in the valuation, 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.

(3) As at the Base Date, the book value of CSPD's total prepayments was RMB34,528,927.26 (equivalent to HK$42,066,894) 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 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.

(4) 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 amounting to 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.

(5) 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.

(6) 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 *RMB*	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.329012009 00049098-1	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 August 19, 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 August 4, 2015 to August 3, 2016.

2. On July 14, 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 June 1, 2011 to July 13, 2016.

(7) 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 book 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
							RMB	*RMB*
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	AUDIFV7281BDCWG	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
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 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., such receivables were fully recognised for risk assessment loss in the valuation. 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., with area of 257,238.80 square meters 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.

No.	Item	Berth	Quantity	Original book value *RMB*
1	Fixed assets	Berths 2-3 of F Terminal	3,000 tons	5,270,392.21
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

(8) 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. In the evaluation, their gross floor areas had been determined according to project construction plans and survey reports provided. 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 China United International Rail Containers (Dalian) Co., Ltd. (大連中鐵聯合國際集裝箱有限公司) 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 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 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.

(9) 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 square meters, a total original book 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 and survey reports 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 4,914.00 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 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 *RMB*	Net Book value *RMB*
	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 *RMB*	Net value *RMB*
1	Yue ACS731	Isuzu TFR55HDLJX	Unit	1	2005.8	147,947.53	7,397.38

(10) 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 book 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 and survey reports provided and the impact of 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) included 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 *RMB*	Net value *RMB*
1	Gui N33260	Jinlong XN014JL9B050205	Unit	1	2010.1	84,666.00	27,692.20

(11) 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. In the evaluation, their gross floor areas had been determined according to project construction plans and survey reports provided. 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 September 19, 2058. Construction of the structures on the water 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. 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 June 27, 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 June 27, 2013 to June 27, 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 *RMB*	Collateral	Mortgage term
The Industrial and Commercial Bank of China Co., Ltd., Shanghai Bund Branch	267,000,000	Land, part of the machinery, equipment and structures	From June 27, 2013 to June 27, 2025

List of collaterals (1)

No.	name	Unit of measurement	Quantity	Date of commencement	Original book value *RMB*	Net book value *RMB*	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	Depot of phase 2	m^2	176,200.00	2006.03	115,519,760.86	88,370,295.16	mortgage
4	Depot 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

No.	name	Unit of measurement	Quantity	Date of commencement	Original book value *RMB*	Net book value *RMB*	Note
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 RMB	Book value RMB	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

(12) 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. In the evaluation, their gross floor areas had been determined according to project construction plans and survey reports provided. 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.

(13) 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.

(14) The valuation was determined based on the asset-based approach, without taking into account the impacts of liquidity and control.

The above is a summary of the valuation report. Please read the text of the valuation report for details of this valuation project to have a reasonable understanding of the valuation conclusion.

For the purpose of this summary, figures with a hash (#) are rounded to the nearest hundred.

SUMMARY

I. Underlying transaction of the valuation

COSCO Pacific Limited intends to transfer its 100% equity interest in Florens Container Holdings Limited to China Shipping Container Lines (Hong Kong) Co., Limited.

II. Purpose of the valuation

The purpose of the valuation is to provide the basis for determining the value of the underlying transaction that COSCO Pacific Limited intends to transfer its 100% equity interest in Florens Container Holdings Limited to China Shipping Container Lines (Hong Kong) Co., Limited.

III. Subject and Scope of the valuation

(i) Subject of the valuation

The subject of the valuation is the 100% equity interest in Florens Container Holdings Limited held by COSCO Pacific Limited.

(ii) Scope of the valuation

The scope of the valuation covers all assets and liabilities reported by Florens Container Holdings Limited at the Base Date.

IV. Type of value to be ascertained

The market value was used as the type of value to be ascertained.

V. Base Date

The Base Date for the evaluation was September 30, 2015.

VI. Valuation approaches

The income approach and the market approach have been adopted for the valuation, and the final valuation conclusion has been achieved through the market approach.

VII. Conclusion and its validity period

As at the Base Date (September,30 2015), the value of all equity interest in Florens Container Holdings Limited valued under the market approach was US$1,223,725,200# (equivalent to approximately RMB7,784,483,300#), representing a premium of RMB 6,640,952,000# or 580.74% over the book value of all shareholders' equity on an 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 conclusion of the valuation report is valid for use for one year from the Base Date on September 30, 2015 to September 29, 2016.

VIII. Special matters affecting the conclusion

(1) As at the 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 valuation, 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.

(2) As at the 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.

(3) In this valuation, 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 valued and our experiences.

(4) As at the date of the valuation report, details of the litigation and arbitration events of the enterprises within the scope of consolidation of Florens Container Holdings Limited are as follows:

Plaintiff (Applicant)	Defendant (Respondent)	Persons assuming joint and several liabilities	Type of litigations (arbitrations)	Summary of litigations (arbitrations)	Amount of claim Florens only	Amount of claim Including investors	Progress of Litigations (arbitrations)	Outcome and impact of litigations (arbitrations)
					RMB ten thousand#			
Florens Management Services (Macau Commercial Offshore) Limited	Hainan Pan Ocean Shipping Co., Ltd. (HNP)	None	Bankruptcy liquidation	On October 31, 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 February 20, 2014 and attended the meeting of creditors convened by the Court on March 4, 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 customer 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 in February 2015.	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 Florens only	Including investors	Progress of Litigations (arbitrations)	Outcome and impact of litigations (arbitrations)
					RMB ten thousand#			
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 Shipping 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

Plaintiff (Applicant)	Defendant (Respondent)	Persons assuming joint and several liabilities	Type of litigations (arbitrations)	Summary of litigations (arbitrations)	Amount of claim Florens only	Including investors	Progress of Litigations (arbitrations)	Outcome and impact of litigations (arbitrations)
					RMB ten thousand#			
Florens Management Services (Macau Commercial Offshore) Limited	Winland Shipping Co., Ltd. (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 January 22, 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 legal assets to avoid 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 valuation of Florens did not take into account the possible impact of above matters in the valuation conclusion.

Users of the valuation report should pay attention to the possible impact of above matters on the valuation conclusion.

The above is a summary of the valuation report. Please read the text of the valuation report for details of this valuation project to have a reasonable understanding of the valuation conclusion.

For the purpose of this summary, figures with a hash (#) are rounded to the nearest hundred.

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.

MATERIAL ADVERSE CHANGE

The Directors confirm that, 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 accounts of the Company were made up.

DISCLOSURE OF INTERESTS OF DIRECTORS

(a) As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules were as follows:

(i) Long position in the shares of the Company

Name of Director	Capacity	Nature of interests	Number of Shares held as at the Latest Practicable Date	Percentage of total number of issued shares as at the Latest Practicable Date
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	564,062	0.019%

(ii) Long positions in underlying shares of equity derivatives of the Company

Options granted under the share option scheme approved by the Shareholders on 23 May 2003 (the "**2003 Share Option Scheme**"):

Name of Director	Exercise price *(HK$)*	Number of share options outstanding as at the Latest Practicable Date	Percentage of total number of issued shares as at the Latest Practicable Date	Exercisable period	*Notes*
Dr. WONG Tin Yau, Kelvin	19.30	500,000	0.017%	18.4.2007 – 17.4.2017	*(1), (2)*

Notes:

(1) The share options were granted during the period from 18 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30 per Share. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "**Commencement Date**"). The Commencement Date of these share options was 18 April 2007.

(2) These share options represent personal interest held by the relevant Director as beneficial owner.

(iii) Long positions in the shares of associated corporations

Name of associated corporation	Name of Director	Capacity	Nature of interest	Number of H shares held as at the Latest Practicable Date	Percentage of total number of issued H shares of the associated corporation as at the Latest Practicable Date
China COSCO	Mr. WAN Min	Beneficial Owner	Personal	2,500	0.0001%
	Dr. FAN HSU Lai Tai, Rita	Beneficial Owner	Personal	10,000	0.0004%

Name of associated corporation	Name of Director	Capacity	Nature of interest	Number of A shares held as at the Latest Practicable Date	Percentage of total number of issued A shares of the associated corporation as at the Latest Practicable Date
China COSCO	Mr. WAN Min	Beneficial Owner	Personal	35,000	0.00046%
			Family	12,000	0.00016%
	Mr. QIU Jinguang	Beneficial Owner	Personal	6,400	0.00008%

(iv) Long positions in underlying shares of equity derivatives of associated corporations

Name of associated corporation	Name of Director	Capacity	Nature of interest	Exercise Price *(HK$)*	Number of units of share appreciation rights outstanding as at the Latest Practicable Date	Percentage of total number of issued H shares of the associated corporation as at the Latest Practicable Date	*Notes*
China COSCO	Mr. WAN Min	Beneficial Owner	Personal	3.588	280,000	0.011%	*(1)*
				9.540	260,000	0.010%	*(2)*
	Mr. DENG Huangjun	Beneficial Owner	Personal	3.588	280,000	0.011%	*(1)*
				9.540	260,000	0.010%	*(2)*
	Mr. TANG Runjiang	Beneficial Owner	Personal	3.588	65,000	0.003%	*(1)*
	Mr. FENG Bo	Beneficial Owner	Personal	3.588	90,000	0.003%	*(1)*
				9.540	85,000	0.003%	*(2)*
	Mr. WANG Wei	Beneficial Owner	Personal	3.588	65,000	0.003%	*(1)*
				9.540	60,000	0.002%	*(2)*
	Mr. WANG Haimin	Beneficial Owner	Personal	3.588	90,000	0.003%	*(1)*
				9.540	75,000	0.003%	*(2)*
	Mr. ZHANG Wei	Beneficial Owner	Personal	3.588	90,000	0.003%	*(1)*
				9.540	75,000	0.003%	*(2)*

Notes:

(1) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 5 October 2006 pursuant to the share appreciation rights plan adopted by China COSCO on 16 December 2005 (the "**Plan**"). Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exercisable at HK$3.588 per unit at any time between 5 October 2008 and 4 October 2016.

(2) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 4 June 2007 pursuant to the Plan. Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exercisable at HK$9.540 per unit at any time between 4 June 2009 and 3 June 2017.

(b) As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, no Director is a director or on employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

COSCO

Name of Director	Posts held
Mr. WAN Min	Executive Vice President

China COSCO

Name of Director	Posts held
Mr. WAN Min	Non-executive director
Mr. QIU Jinguang	Vice President
Mr. WANG Haimin	Vice President
Mr. TANG Runjiang	Chief Financial Officer
Mr. FENG Bo	General Manager of the Strategic Planning Division
Mr. WANG Wei	General Manager of the Organization Division/Human Resources Division
Mr. ZHANG Wei	General Manager of the Operating Management Division
Dr. FAN HSU Lai Tai, Rita	Independent non-executive director

China COSCO (Hong Kong) Limited

Name of Director	Posts held
Mr. TANG Runjiang	Director
Mr. WANG Wei	Director

(c) Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, (i) none of the Directors or chief executives of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; and (ii) none of the Directors was a director or an employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the Directors namely Mr. WAN Min, Mr. QIU Jinguang, Mr. DENG Huangjun, Mr. TANG Runjiang, Mr. FENG Bo, Mr. WANG Wei, Mr. WANG Haimin and Mr. ZHANG Wei held directorships and/or senior management positions in COSCO and/or COSCON and their respective associates and/or other companies which have interests in terminals (the "**Terminals Interests**"). In addition, as at the Latest Practicable Date, Mr. IP Sing Chi acted as the Group Managing Director of Hutchison Port Holdings Limited (which engages in, *inter alia*, the operation of container terminals) and directors of certain other companies which have the Terminals Interests.

The Board is of the view that the Group is capable of carrying on its businesses independently of the Terminals Interests. When making decisions on the terminals business of the Group, the relevant Directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interests of the Group. Other than as disclosed above, none of the Directors and their respective associates has interests in the businesses which competes or was likely to compete, whether directly or indirectly, with the businesses of the Group.

DIRECTOR'S INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had or had had any interest, direct or indirect, in any assets which had been, since 31 December 2014, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Reorganized Group, or are proposed to be acquired or disposed of by or leased to any member of the Reorganized Group.

DIRECTOR'S INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the businesses of the Reorganized Group.

DIRECTOR'S INTERESTS IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract or service agreement with any member of the Reorganized Group which was not determinable by such member of the Reorganized Group within one year without payment of compensation, other than statutory compensation.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular and whose advice or opinion is contained in this circular:

Name	Qualification
Asia Investment Management Limited	a licensed corporation under the SFO to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Challenge Capital Management Limited	a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
ING Bank N.V.	a registered institution under the SFO registered to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
China Tong Cheng Assets Appraisal Co., Ltd.	a licensed valuer under the law of PRC to carry out valuation and appraisal services in relation to assets, securities and futures contracts

As at the Latest Practicable Date, AIM, Challenge Capital, ING, EY, PwC and China Tong Cheng did not have any shareholding, direct or indirect, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of AIM, Challenge Capital, ING, EY, PwC or China Tong Cheng had or had had any interest, direct or indirect, in any assets which had been, since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Each of AIM, Challenge Capital, ING, EY, PwC and China Tong Cheng has given and has not withdrawn their respective written consents to the issue of this circular with the inclusion herein of their reports and references to their names, in the form and context in which they appear.

LITIGATION

There was no litigation or claim of material importance pending or threatened against any member of the Reorganized Group as at the Latest Practicable Date.

MATERIAL CONTRACTS

The members of the Reorganized Group have entered into the following material contracts within the two years immediately preceding the date of this circular:

(a) CSPD SPA; and

(b) FCHL SPA.

Except as disclosed above, no other material contract has been entered into by the members of the Reorganized Group within the two years immediately preceding the date of this circular.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection by Shareholders during normal business hours at the principal place of business of the Company at 49/F, COSCO Tower, 183 Queen's Road Central, Hong Kong on weekdays (Saturdays and public holidays excepted) up to and including 1 February 2016:

(a) the memorandum of association and bye-laws of the Company;

(b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 36 of this circular;

(c) the letter from the Independent Financial Advisors to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 37 to 85 of this circular;

(d) the audited financial information of the Group for the two financial years ended 31 December 2013 and 31 December 2014;

(e) the audited financial information of CSPD for the two financial years ended 31 December 2013 and 31 December 2014;

(f) the accountant's report on the financial information of CSPD prepared by EY, the text of which is set out in Appendix II;

(g) the report from PwC on the unaudited pro forma financial information of the Reorganized Group, the text of which is set out in Appendix III;

(h) the business valuation reports prepared by China Tong Cheng on CSPD and FCHL respectively, which are summarized in Appendix V;

(i) the written consents from the experts referred to under the section headed "Experts" in this Appendix;

(j) the material contracts referred to in the section headed "Material Contracts" in this Appendix; and

(k) a copy of each circular issued by the Company under Chapters 14 and/or 14A of the Listing Rules since 31 December 2014, being the date of the latest published audited accounts of the Company.

MISCELLANEOUS

1. The General Counsel & Company Secretary of the Company is Ms. HUNG Man, Michelle, a practising solicitor in Hong Kong. She is also qualified in England and Wales.

2. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

3. The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

4. In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

COSCO Pacific Limited
中遠太平洋有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1199)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of COSCO Pacific Limited (the "**Company**") will be held at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Monday, 1 February 2016, at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without modifications the following as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) (i) the entering into of the sale and purchase agreement dated 11 December 2015 by the Company as purchaser, and China Shipping Container Lines Company Limited (中海集裝箱運輸股份有限公司) and China Shipping (Hong Kong) Holdings Co., Limited (中國海運(香港)控股有限公司) as sellers in relation to the acquisition by the Company of all the issued shares in China Shipping Ports Development Co., Limited; (ii) the entering into of the sale and purchase agreement dated 11 December 2015 by the Company as seller and China Shipping Container Lines (Hong Kong) Co., Limited (中海集裝箱運輸(香港)有限公司) as purchaser in relation to the disposal by the Company of all the issued shares in Florens Container Holdings Limited and the assignment by the Company of the shareholder's loans owed by Florens Container Holdings Limited to the Company; and (iii) in each case, the transactions contemplated thereunder (together, the "**Transactions**") be and are hereby approved, ratified and confirmed.

(b) the directors of the Company be and are hereby authorized for and on behalf of the Company, among other matters, to sign, execute and deliver or to authorize the signing, execution and delivery of all such documents and to do all such things as they may in their absolute discretion consider necessary, expedient or desirable to implement and/or to give effect to or otherwise in connection with the Transactions and to be in the interests of the Company."

By Order of the Board
COSCO Pacific Limited
HUNG Man, Michelle
General Counsel & Company Secretary

Hong Kong, 31 December 2015

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:
49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

Notes:

1. Shareholders who are entitled to vote at the SGM are those whose names appear as Shareholders on the register of members of the Company as at the close of business on Friday, 29 January 2016. In order to be entitled to vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 29 January 2016.

2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more (if the relevant member holds more than one share) proxies to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person to represent the member.

3. To be valid, the proxy form together with any power of attorney or other authority under which it is signed or a certified copy of such power or authority must be deposited at the principal place of business of the Company at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4. Completion and return of the proxy form will not preclude a shareholder of the Company from attending and voting in person at the meeting or any adjourned meeting thereof if the shareholder of the Company so desires, and in such event, the proxy form will be deemed to be revoked.

5. Where there are joint holders of any shares in the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

6. Unless the context requires otherwise, terms defined in the circular of the Company dated 31 December 2015 of which this notice forms part have the same meanings in this notice.