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

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

Stock Code : 2866


# Pursuing Sustainable Opportunities

**2016** Interim Report

# CONTENTS

# CORPORATE INFORMATION

## DIRECTORS

### *EXECUTIVE DIRECTORS*

Ms. Sun Yueying *(Chairman)*
Mr. Wang Daxiong
Mr. Liu Chong
Mr. Xu Hui

### *NON-EXECUTIVE DIRECTORS*

Mr. Yang Jigui
Mr. Feng Boming
Mr. Huang Jian

### *INDEPENDENT NON-EXECUTIVE DIRECTORS*

Mr. Cai Hongping
Mr. Tsang Hing Lun
Ms. Hai Chi Yuet
Mr. Graeme Jack

## SUPERVISORS

Mr. Ye Hongjun *(Chairman)*
Mr. Hao Wenyi
Mr. Gu Xu
Ms. Zhang Weihua
Mr. Zhu Donglin
Mr. Fu Yi

## INVESTMENT STRATEGY COMMITTEE

Ms. Sun Yueying *(Chairman)*
Mr. Wang Daxiong
Mr. Liu Chong
Mr. Feng Boming
Mr. Huang Jian
Mr. Cai Hongping
Ms. Hai Chi Yuet

## NOMINATION COMMITTEE

Ms. Hai Chi Yuet *(Chairman)*
Ms. Sun Yueying
Mr. Wang Daxiong
Mr. Cai Hongping
Mr. Tsang Hing Lun

## REMUNERATION COMMITTEE

Mr. Cai Hongping *(Chairman)*
Mr. Wang Daxiong
Mr. Graeme Jack

## AUDIT COMMITTEE

Mr. Tsang Hing Lun *(Chairman)*
Mr. Yang Jigui
Mr. Cai Hongping

## CHIEF ACCOUNTANT

Mr. Zhang Mingwen

## JOINT COMPANY SECRETARIES

Mr. Yu Zhen
Ms. Ng Sau Mei

## AUTHORISED REPRESENTATIVES

Mr. Wang Daxiong
Mr. Yu Zhen

## LEGAL ADDRESS IN THE PRC

Room A-538, International Trade Center
China (Shanghai) Pilot Free Trade Zone
Shanghai
The PRC

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

628 Minsheng Road
Pudong New Area
Shanghai
The PRC

**PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

31/F, Tower 2
Kowloon Commerce Centre
51 Kwai Cheong Road
Kwai Chung
New Territories
Hong Kong

**INTERNATIONAL AUDITOR**

Ernst & Young

**DOMESTIC AUDITOR**

Baker Tilly China (Special General Partnership)

**LEGAL ADVISER**

Clifford Chance (As to Hong Kong Laws)
Zhong Lun Law Firm (As to PRC Laws)

**HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE**

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

**PRINCIPAL BANKERS**

Bank of China
Industrial and Commercial Bank of China
Citibank
China Merchants Bank
Shanghai Pudong Development Bank
Bank of Communications

**TELEPHONE NUMBER**

86 (21) 6596 6105

**FAX NUMBER**

86 (21) 6596 6813

**COMPANY WEBSITE**

www.cscl.com.cn

**H SHARE LISTING PLACE**

Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange")

**LISTING DATE**

16 June 2004

**NUMBER OF H SHARES IN ISSUE**

3,751,000,000 H Shares

**BOARD LOT**

1,000 shares

**STOCK EXCHANGE STOCK CODE**

02866

**A SHARE LISTING PLACE**

Shanghai Stock Exchange

**LISTING DATE**

12 December 2007

**NUMBER OF A SHARES IN ISSUE**

7,932,125,000 A Shares

**BOARD LOT**

100 shares

**SHANGHAI STOCK EXCHANGE STOCK CODE**

601866

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

## RESULTS AND BUSINESS HIGHLIGHTS UNDER HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

| | **1H 2016**<br>***RMB***<br>**(Unaudited)** | 1H 2015<br>*RMB*<br>(Unaudited)<br>(Restated) | **Change**<br>*(%)* |
|---|---|---|---|
| Revenue | **8,375,935,000** | 16,654,023,000 | -49.7% |
| (Loss)/profit before income tax from continuing operations | **(735,906,000)** | 1,000,601,000 | -173.6% |
| (Loss)/profit attributable to owners of the parent | **(834,572,000)** | 831,116,000 | -200.4% |
| Basic (loss)/earnings per share | **(0.07)** | 0.07 | -200.0% |
| Gross profit margin | **6.09%** | 8.02% | -24.10% |
| Gearing ratio | **4.76** | 0.89 | 434.8% |

## MANAGEMENT DISCUSSION AND ANALYSIS

Completion of restructuring, disposal and purchase of assets:

### 1. DETAILS OF RESTRUCTURING:

#### 1) Disposal of material assets

China Shipping Container Lines Company Limited ("Company" or "CSCL") and its wholly-owned subsidiary China Shipping Container Lines (Hong Kong) Co., Ltd. ("CSCL HK") disposed of the equity interests they held in 34 companies to the transferee designated by China COSCO Holdings Company Limited ("China COSCO") as well as China Shipping Regional Holdings Pte. Ltd., a subsidiary of China Shipping (Group) Company ("CS Group"); and CSCL disposed of the 49% equity interests it held in China Shipping Ports Development Co., Ltd. to COSCO Pacific Limited.

#### 2) Purchase of material assets

CSCL purchased from CS Group, Guangzhou Maritime Transport (Group) Co., Ltd. ("CS Guangzhou") and Shanghai Shipping (Group) Company the 100% equity interests they held in China Shipping Investment Co., Ltd., purchased from CS Group the 100% equity interests it held in China Shipping Leasing Co., Ltd. ("CS Leasing"), purchased from CS Group and CS Guangzhou the 40% equity interests they held in China Shipping Finance Company Limited, purchased from China Ocean Shipping (Group) Company the 13.67% equity interests it held in China Bohai Bank Co., Ltd. by means of capital increase in China Shipping Investment Co., Ltd., and subscribed for the 17.53% equity interests in COSCO Finance Co., Ltd. by means of capital increase.

CSCL, through its wholly-owned subsidiary CSCL HK, purchased from China Shipping (Hong Kong) Holdings Co., Limited the 100% equity interests it held in Dong Fang International Investment Limited, 100% equity interests it held in China Shipping Nauticgreen Holdings Company Limited ("CS Nauticgreen") and 100% equity interests it held in Helen Insurance Brokers Limited, purchased from China COSCO (Hong Kong) Limited the 100% equity interests it held in Long Honour Investments Limited, and purchased from COSCO Pacific Limited the 100% equity interests it held in Florens Container Holdings Limited.

As at 30 June 2016, the Company was finalising the payment and settlement procedures for its disposal of the 100% equity interests in China Shipping Container Lines Agency (Shenzhen) Co., Ltd. and 100% equity interests in Universal Logistics (Shenzhen) Co., Ltd. In addition, the acquisition of the 13.67% equity interests in China Bohai Bank Co., Ltd. involved in the material assets restructuring as well as the capital increase in COSCO Finance Co., Ltd. were pending approval from the relevant regulatory authorities.

Other than the abovementioned transactions, all the other disposal and purchase transactions involved in the material assets restructuring have been completed.

## 2. EFFECT OF RESTRUCTURING

### 1) Changes in the Company's principal business

By virtue of the transaction, the Company had its business focus shifted from container liner operation to integrated financial services consisting of diversified leasing businesses such as vessel leasing, container leasing and non-shipping finance leasing. Upon completion of the transaction, the container leasing business of the Company ranked No.2 in the world, and its non-shipping finance leasing business would focus on the development of health care, education, energy, construction, industrial equipment and other finance leasing business. In addition to the diversified leasing business, the Company will focus on the development of other integrated financial services, with which the profitability and capital returns of the Company will be enhanced gradually and remain stable.

Following the transaction, the Company will take good advantage of its experience in the shipping industry as well as the existing resources of the financial service industry to promote the development of the emerging industries, optimize its business models and achieve the diversified development of its financial business. The Company will strive to establish an integrated financial services platform with leasing business such as vessel, container and non- shipping leasing as core and characterized by shipping finance.

### 2) Effect of vessel and container leasing transactions on the Company

As at 30 June 2016, the Company operated a container fleet of 115 vessels, with a total capacity of 842,000 TEU, among which, 74 vessels were owned by the Company, with a total capacity of 582,000 TEU. In addition, the Company had 16 vessels under construction or to be delivered under charter. Upon completion of the transaction, the Company provided vessel leasing services to China COSCO. Such vessel leases will be provided as time charter in principle, and are all operating leases without any finance leases.

As at 30 June 2016, the Company had a stock of containers of about 3.5 million TEU. Upon completion of the restructuring, the Company provided container leasing services to the world-famous container shipping companies, including China COSCO. Following the restructuring and transformation, the Company will actively adjust its business strategies, and shift its business focus from container liner operation to leasing of shipping-related assets. Relatively long-term vessel leasing contracts (especially for larger vessels) can guarantee a stable cash flow. By virtue of (i) the Company's fleet and containers; (ii) the Company's rich experience and deep understanding of the shipping market accumulated over the long-term operation in the shipping industry; (iii) the overall penetration of China COSCO Shipping Corporation Limited ("China COSCO Shipping"), the Company's indirect controlling shareholder, in the shipping industry chain; and (iv) the long-term cooperation relationship between the Company and financial institutions such as banks, the Company will be able to carry out its shipping-related assets leasing business in a more professional and far-reaching manner, providing its customers with one-stop services such as vessel leasing, container leasing, crew management, vessel management and maintenance and logistics network, etc. The Company will concentrate on developing new customer groups in future, aiming to further disperse its operating risks and secure reasonable and stable returns on investment.

## ANALYSIS OF OPERATING ENVIRONMENT AND OUTLOOK

### 1. MACROECONOMIC CONDITIONS:

In the first half of 2016, the global economy saw a sluggish recovery amid weak demand as the economic situation remained complicated. According to the latest data published by the International Monetary Fund ("IMF") on 19 July 2016, the global economy is expected to grow by 3.1% in 2016 and 3.4% in 2017, while the pickup in global economic activities would be even slower and development of emerging markets and developing economies would remain uneven. Overall, the world economy faces substantial downside risk.

China remains in a transitional phase characterized by efforts aimed at economic restructuring and growth stabilization as the economy shifts from a growth model dominated by foreign investment and manufacturing to one driven by consumption and services. According to the data published by the National Bureau of Statistics, during the first half of the year, China's GDP grew by 6.7% while national investment in fixed assets increased by 9.0% from the same period of last year, indicating a deceleration in growth pace; and total foreign trade import and export decreased by 3.3% from the same period of last year. While the domestic economy is gradually stabilizing, pressures and challenges still persist.

### 2. SHIPPING MARKET:

Given the sluggish recovery in global economic and trading activities, the shipping market has remained in doldrums in 2016, with the imbalance between supply of and demand for shipping capacity persisting. In other words, the recovery of global shipping industry is still faltering. All the shipping market segments have been trending down continually since the financial crisis, with Baltic Dry Index (BDI) and China Containerized Freight Index (CCFI) both reaching record lows this year. According to Clarksons Research Services, the global container shipping volume may have grown to around 89.30 million TEU in the first half of the year, representing a slight increase of 0.5% as compared with the same period of last year, with the growth rate down sharply by 7.7 percentage points from the same period of last year.

### 3. VESSEL AND CONTAINER LEASING MARKET

#### 1) Industrial environment:

In the context of weak shipping demand and shipping capacity glut, the container vessel leasing market was in decline, leading to lower freight rates for all types of vessels.

Currently, China ranks No.2 in ship-building capacity in the world, though the shipping finance industry is still in the early stage of development, with great market potential. Meanwhile, national and local policies have been promulgated to encourage the development of shipping finance business. In the meantime, demand from shipping companies, ship-building companies and financial institutions has prepared objective conditions for the development of vessel leasing business: firstly, the shipping industry requires substantial investment as shipping companies have considerable needs for financing, and purchase of vessels represents the largest portion of costs for shipping companies; the costs of vessels play a vital role in the survival and growth of shipping companies; secondly, given the growing popularity of larger and more energy-efficient ships, it is urgent for shipping companies to adjust their fleet structure so as to accommodate market demands. Therefore, continual improvement in fleet structure has become a key factor dictating the survival and development of shipping companies.

During the first half of 2016, the overall operating environment of the container leasing industry appeared more challenging due to the downbeat business climate of the container shipping market, with prices and rental rates of new containers, leasing rates of dry cargo containers, and prices of used containers constantly declining on weak demand. Furthermore, an accelerated increase in the number of returned containers due to feeble demand has led to lower container lease rates among major container leasing companies, resulting in reduced revenue, while the sharp increase in container inventory also led to a substantial increase in operating costs.

The situation is expected to remain grim in the remainder of 2016 as the oversupply of containers will hardly be reversed in the short term, especially given the gradual emergence of consolidation among vessel owners and container leasing companies, respectively. However, the driving force that underpins steady growth of container demand remains strong: firstly, international trade and cargo transportation remains frequent, leading to stable demand from container shipping companies and end users for new containers; secondly, there is growing demand for special cargo containers with advanced features which can help provide proper transportation environment for different kinds of special goods so as to meet the special requirements for transport, safety and operating costs; thirdly, it has become a common practice for liner companies to adopt the slow-steaming strategy, which has somehow led to a low turnover of containers, thereby increasing demand for containers; and fourthly, the replacement of old containers with new ones and the increase in old container trade also created a lot of demand for new containers.

According to Drewry Maritime Research, the size of the global container market reached around 37.61 million TEU as of the end of 2015, of which the container leasing market accounted for about 47.5%, equivalent to approximately 17.88 million TEU. In 2015, due to feeble growth in global trade and falling demand, the global container market only increased by 3.8%, while the container leasing market managed to grow by 3.5%.

**2) Competitive landscape:**

In recent years, vessel leasing business has remained in a growth mode in both quantity and scale, making a strategic contribution to the development of the shipping industry. Vessel leasing business has become one of the top priorities in the construction of shipping centres across free trade zones ("FTZs"). With geographic advantages and policy support, FTZs will become important hubs for vessel leasing businesses in China. Riding on the opportunities linked to reform initiatives for FTZs, growth potential of the vessel leasing business is being unlocked at an accelerating pace. The vessel leasing business in China is undergoing rapid growth, making huge contribution to construction of high-end vessels and maritime engineering equipment, especially semi-submersible deepwater drilling platforms, self-elevating drilling platforms and container vessels with capacity of more than 10,000 TEU. At present, there are dozens of financial leasing companies involved in vessel leasing business in China and with the development of the business, China's vessel leasing industry will be elevated to a higher level of development.

As at 30 June 2016, the Company operated a container fleet of 115 vessels, with a total capacity of 842,000 TEU, among which, 74 vessels were owned by the Company, with a total capacity of 582,000 TEU.

CSCL HK had eight 13,500 TEU container vessels under construction, which are expected to be delivered in 2018.

CS Nauticgreen had four 64,000 DWT bulk cargo vessels and six 21,000 TEU container vessels under construction. Among them, two bulk cargo vessels have already been delivered, with another two expected to be delivered in the second half of 2016. The 21,000 TEU container vessels are the world's largest ultra-large container vessels in terms of dimension and capacity, which are expected to be delivered starting in 2018.

CS Leasing has a diverse fleet involved in the vessel leasing business, including 13 multi-purpose vessels, five oil/chemical ships, four oil tankers, four dredgers, one chemical tanker, one flat-top barge and one towing vessel.

Florens (Tianjin) Finance Leasing Co., Ltd. had two vessels involved in the vessel leasing business, including a 57,500 DWT bulk cargo vessel and a 4,000-hp full-rotary tug vessel.

The container leasing industry is known for its relatively high market concentration as there are more than ten leading container leasing companies in the world, located mainly in the United States, Europe and China. According to a report published by Drewry Maritime Research, as of the end of 2015, the world's top ten leasing companies (in terms of TEU) accounted for 92.1% and the top four accounted for 53.3% of the total number of containers, with seven of the top ten container leasing companies owning more than 1 million TEU of containers each. As of 30 June 2016, the new Florens container fleet after consolidation boasted total capacity of about 3.5 million TEU, which is estimated to make up 17% – 19% of the container leasing market.

## 4. CONTAINER MANUFACTURING MARKET

### 1) Industrial environment:

Due to a sluggish recovery of the world economy and shipping market, the container manufacturing market remained stagnant, with container prices falling all the way down to record lows. From 2010 to 2015, the overall demand of the industry remained at about 2.5 to 3 million TEU, with overall production capacity far greater than demand, and capacity utilization less than 50%. The downturn in 2015 was extended to 2016, with demand shrinking further and container prices falling in a continual manner.

### 2) Competitive landscape:

According to the statistics, the global container production capacity is expected to be more than 6 million TEU, with China International Marine Containers (Group) Co., Ltd. ("CIMC"), Singamas Container, CXIC Group and Shanghai Universal accounting for more than 90% of the total capacity, which indicates overall industry overcapacity and intense market competition. Shanghai Universal, a subsidiary of the Company, owns three dry cargo container manufacturing facilities, with a market share of about 10%, ranking No.4 in the industry.

## 5. FINANCIAL LEASING MARKET FOR NON-SHIPPING INDUSTRIES

### 1) Industrial environment:

In recent years, the nation has promulgated a series of guiding opinions and favourable policies for promotion of healthy development of the financial leasing industry, which has been elevated to the strategic status of serving the real economy. This has promoted rapid development and innovation of the entire industry.

Against the background of overall economic downward cycle, premium assets are difficult to come by, this has further intensified competition in the sector. Since the beginning of the year, banks, trust and financial leasing companies have engaged in the sectors of medical services, education and financing platforms of the local governments, competition is increasingly keen as a result. On the other hand, however, penetration of financial leasing industry is still low in China; this means relatively huge potential for growth. With commencement of the 13th Five-Year-Plan, industrial upgrading and structural adjustments take place at quicker pace whereas urbanization and industrialization also proceed steadily. This brings about historic opportunities of development to the financial leasing industry, which is expected to develop at relatively high speed.

**2) Competitive landscape:**

In the domestic financial leasing industry, the main operators include financial leasing companies, domestically invested pilot leasing companies and foreign invested leasing companies. Financial leasing companies are mainly established by financial institutions such as banks and they are supervised by the China Banking Regulatory Commission. These companies have higher leverage ratios than the other two types, and much higher average contract balance and average total registered capital as well. In recent years, foreign invested leasing companies have grown tremendously in both total number of registration and total registered capital. In terms of financing leasing contract balance, the business share of these three types of leasing companies is 4:3:3.

CS Leasing is a domestically invested pilot leasing company with registered capital of RMB1.5 billion. In the two years of operation, it has developed considerable expertise in the market segments of shipping, medical services, education, energy, construction and industrial equipment. Its business is rapidly expanding in terms of scale.

## 6. COMPANY'S COUNTERMEASURES

**1) Market forecast for the second half of 2016**

The inclement and complicated economic scenario persists concomitant with a number of uncertainties. The IMF has time and again adjusted downward its global economic forecast; the economy is estimated to grow at 3.1% this year. The Chinese economy is in the critical stage of intensified reformation and structural adjustment, with co-existence of low demand and overcapacity persisting, the pressure of economic downturn is still relatively great.

A series of national strategies are being implemented at an accelerated pace, ranging from the "One Belt One Road" strategy to construction of "the Yangtze River Economic Belt"; and from marine potestatem strategies to "Made in China 2025". They all bring new strategic opportunities to CSCL for development of integrated financial services platform with shipping financial characteristics.

**2) Company's strategic ideas, operation goals and plans**

*A. Strategic positioning*

As the shipping financial platform, CSCL will integrate premium resources and give full play to its advantages in the shipping industry. Synergic development will be pursued for various financial businesses, in an attempt to become China's leading and the world's first-class business group boasting an integrated financial services platform with distinct shipping logistic features.

*B. Goals of development*

To give play to advantages in shipping logistics industry and integrate shipping industry chain with shipping finance as the foundation; to develop industrial cluster with leasing, investment, insurance and banking as the core; to develop into a "one-stop" financial services group by integrating industry and finance, combining finance with finance, and synergy of various businesses, with market mechanism, differentiated advantages and international vision.

*C. Development plan*

a. Leasing business

The container leasing business is an extension of the industry chain of container manufacturing, which will be mainly engaged in container leasing and trading of various kinds. The Company will strive to become an industry-leading leasing company with unique competitive edges on the basis of the current container leasing business of Florens and Dong Fang International. In a short-term view, the Company is to follow the guideline of "consolidating core businesses while seizing market opportunities" and take advantage of the business combination to realize synergy among sales, cost and capability, so as to consolidate its core business. In a long-term view, the Company is to seize market opportunities to develop its special container leasing business, optimize its contract patterns and improve capital structure, so as to increase returns.

The vessel leasing business will focus on the operating lease or finance lease of various vessels, such as container vessels and dry bulk cargo vessels. Upon completion of the transaction, the Company will be developing the vessel finance leasing as its core business on the basis of its existing shipping business. In a short-term view, CSCL is to mobilize its current fleet resources to revive its internal business; in the long run, it is to gradually increase the proportion of external business and workout a "one-stop" business model leveraging on China COSCO Shipping's advantages of full industrial chain deployment, in an attempt to establish a unique competitive edge in the industry.

The non-shipping leasing business will engage in various non-shipping leasing business while focusing on businesses of development potential such as medical services, education, new energy and intelligent manufacturing. The Company sets its focus on the SME clients and small projects, striving to become a finance leasing industry leader by leveraging on its existing business, experience and capital to promote combination of industry and finance. In the industrial sector, the Company will support customer-oriented development and provide financial leasing value-added services, establishing a leasing business platform offering one-stop professional services with uniform standards.

b. Investment business

The Company will devote itself to various financial and strategic investments such as those in the financial sector: utilizing various strategic investment opportunities and enhancing return on investment and the Company's overall return on capital; actively pursuing of investment opportunities in securities, funds, insurance, banking and trust and further expanding financial businesses through various means to achieving synergic effects and effectiveness; further enhancing cooperation with external investment institutions and actively participating in direct and indirect investment activities to form proprietary investment team progressively and provide asset allocation business for companies in the full industrial chain; pursuing flexible investment by leveraging the characteristics of strategic and financial investment and emphasizing company equities and other investments of considerable liquidity.

c. Integrated financial services

To give play to the advantages of financial company based on the Company's and China COSCO Shipping's customer resources, and taking advantage of discovered values of supply chain customer flow, capital flow and information flow. Full support is given to China COSCO Shipping's "6+1" development strategy of industrial cluster, and integrate into industrial chain flow of China COSCO Shipping's members through construction of services platforms such as the "finance manager" to provide customized, differentiated and low-cost financial service products.

Upon restructuring and transformation, CSCL will boast the unique business model of "shipping + finance" which integrates its shipping and finance businesses and constitutes a bridge between real economy and capital market. CSCL's new unique status will enable the Company to leverage advantages of the real economy and capital market for realization of higher operation efficiency and optimization of financial indicators. Covering the full shipping industry chain, the new CSCL can provide companies in the upper and lower streams with one-stop financial services and solutions to enhance utilization rate and loyalty of customers. By keeping abreast with the sectoral development, resources can be used and deployed more effectively besides better management and precise control of the risks faced by the financial business.

## ANALYSIS OF SEGMENT RESULTS OF THE GROUP

The Group recorded a revenue of RMB8,375,935,000, representing a decrease of 50% as compared with the restated revenue of RMB16,654,023,000 for the same period of last year; total loss before income tax from continuing operations amounted to RMB735,906,000, representing a decrease of 174% as compared with the restated profit of RMB1,000,601,000 for the same period of last year; net loss attributable to shareholders of the parent amounted to RMB834,572,000, representing a decrease of 200% as compared with the restated profit of RMB831,116,000 for the same period of last year. Due to the downturn of the shipping market, the Company's liner operations had suffered significant losses during January to February prior to the completion of the restructuring.

Analyses of segment results are as follows:

### 1. ANALYSIS OF REVENUE AND COSTS FROM LINER OPERATIONS

#### 1) Operating Revenue

The shipping business recorded a revenue of RMB3,235,222,000, representing a decrease of 76% as compared with the restated revenue of RMB13,598,797,000 for the same period of last year, accounting for 39% of the total revenue of the Group. The Group accomplished a loaded container volume of 1,059,103 TEU for this Period, representing a decrease of 73% as compared with the restated volume of 3,991,098 TEU for the same period of last year. Such decrease is mainly due to that CSCL ceased to be engaged in the container liner operations following the restructuring and transformation, with its revenue from the shipping business for the year all coming from operations during January to February prior to completion of the transaction.

#### 2) Operating Costs

Total operating costs of the shipping business amounted to RMB4,124,859,000, representing a decrease of 69% as compared with the restated costs of RMB13,310,989,000 for the same period of last year, mainly due to that CSCL ceased to be engaged in the container liner operations following the restructuring and transformation, with its operating costs from the shipping business for the year all coming from operations during January to February prior to completion of the transaction.

### 2. ANALYSIS OF REVENUE AND COSTS FROM SHIPPING-RELATED LEASING BUSINESS

#### 1) Operating Revenue

The Group recorded a revenue from its shipping-related leasing business of RMB4,151,288,000 for the first half of 2016, representing an increase of 119% as compared with the restated revenue of RMB1,898,409,000 for the same period of last year, accounting for 50% of the total revenue of the Group. Such increase is mainly due to the Company starting to lease out all its self-owned vessels since March this year.

Revenue from container leasing, management and sales amounted to RMB1,536,148,000, representing an increase of 18% as compared with the restated revenue of RMB1,296,640,000 for the same period of last year, including revenue from container leasing and sales of the returned containers upon expiry. The Group recorded a revenue from its container leasing business of RMB1,413,455,000 for the first half of 2016, representing an increase of 14% as compared with the restated revenue of RMB1,239,060,000 for the same period of last year, mainly due to the increase in the number of containers the Company owned and leased back after sales by 21% to 2,661,635 TEU (31 December 2015: 2,197,149 TEU). As for the container sales business, the revenue from sales of containers returned upon expiry amounted to RMB122,693,000, representing an increase of 113% as compared with the restated revenue of RMB57,580,000 for the same period of last year, mainly due to the increase in the number of containers returned upon expiry.

Revenue from vessel leasing business amounted to RMB2,615,140,000 for the first half of 2016, representing an increase of 335% as compared with the restated revenue of RMB601,769,000 for the same period of last year. In the first half of 2016, the Group had a total of 119 vessels leased out.

2) **Operating Costs**

Operating costs for leasing business include the depreciation and maintenance costs for self-owned vessels, depreciation of self-owned containers, staff salaries, net carrying value of sales of containers returned upon expiry and rents of the leased-in vessels and containers. Operating costs for the first half of 2016 was RMB3,231,326,000, representing an increase of 197% as compared with the restated costs of RMB1,087,705,000 for the same period of last year, mainly due to the following reasons:

As CSCL leased out all its self-owned vessels following the restructuring and transformation, the leasing costs rose significantly. Leasing costs include vessel rents, depreciation costs, labour costs and repair costs. The increase in container leasing costs was mainly due to the increase in depreciation as a result of the decrease in the residual value of the containers.

### 3. ANALYSIS OF REVENUE AND COSTS FROM CONTAINER MANUFACTURING BUSINESS

1) **Operating Revenue**

The Group's ordinary dry cargo container business realized operating revenue of RMB475,663,000 in the first half of 2016, representing a decrease of 44% as compared with the restated revenue of RMB848,195,000 for the same period of last year. The decline in revenue from the ordinary dry cargo container business was mainly due to decreased demand from shipping companies for containers in the first half of 2016. The Group's container sales amounted to 54,000 TEU during the Period, representing a decrease of 11% as compared with the restated sales of 61,000 TEU for the same period of last year.

2) **Operating Costs**

The operating costs of the container manufacturing business mainly consist of raw material costs, employee compensation and depreciation expenses. The operating costs of the business amounted to RMB403,708,000 in the first half of 2016, representing a decrease of 54% as compared with the restated operating costs of RMB878,770,000 for the same period of last year.

### 4. ANALYSIS OF REVENUE AND COSTS FROM NON-SHIPPING FINANCIAL LEASING BUSINESS

1) **Operating Revenue**

The Group's non-shipping financial leasing business realized operating revenue of RMB349,055,000 in the first half of 2016, representing an increase of 419% as compared with the restated revenue of RMB67,243,000 for the same period of last year. The business accounted for 4% of the Group's total revenue in the Period. The strong growth in revenue from the non-shipping financial leasing business was mainly driven by a rapid expansion in financial leasing services after the Group's subsidiary CS Leasing commenced operations in the first half of 2015.

2) **Operating Costs**

The operating costs of the non-shipping financial leasing business mainly consist of interest expenses. The operating costs of the business amounted to RMB82,541,000 in the first half of 2016, representing an increase of 1,108% as compared with the restated operating costs of RMB6,832,000 for the same period of last year. The sharp increase in the operating costs was mainly driven by a rapid expansion in loans borrowed by CS Leasing after it commenced operations in the first half of 2015.

## PERFORMANCE OF ASSOCIATED COMPANIES HELD BY THE GROUP

**CIMC**

During the first half of 2016, CIMC realized operating revenue of RMB23,542,843,000, representing a decrease of 27.87% as compared with RMB32,637,289,000 recorded in the same period of last year; net loss attributable to shareholders of the parent company of RMB378,034,000, representing a decrease of 124.90% as compared to net profit of RMB1,518,195,000 in the same period of last year; and basic loss per share of RMB0.1444, compared to earnings per share of RMB0.5681 recorded in the same period of last year. During the reporting period, its container business, road transportation vehicle business, logistics services, airport business, energy, chemicals and liquid food business, and marine engineering business all saw declines in profit, while its finance and real estate business realized profit growth.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

**1. LIQUIDITY AND BORROWINGS**

The Group's principal sources of liquidity are operating cash inflow and short-term bank borrowings. The Group's cash is mainly used for operating expenses, repayment of loans, construction of new vessels, procurement of containers, and the Group's financial leasing business. During the Period, the Group's net operating cash inflow was RMB5,161,809,000. As at 30 June 2016, the Group's cash balance in banks was RMB14,829,828,000.

As at 30 June 2016, the Group's total bank borrowings were RMB44,231,622,000. The maturity profile is spread over a period between 2016 to 2027, with RMB14,234,709,000 repayable within one year, RMB9,550,453,000 repayable within the second year, RMB16,629,913,000 repayable within the third to the fifth year, and RMB3,816,548,000 repayable after the fifth year. The Group's long-term bank borrowings are mainly used to finance the construction of vessels, procurement of containers, and equity acquisitions.

As at 30 June 2016, the Group's long-term bank borrowings were secured by mortgages over certain containers and vessels with total book value of RMB35,511,010,000.

As at 30 June 2016, the Group's 10-year RMB-denominated bonds payable amounted to RMB1,797,658,000, and all proceeds raised from the bonds were used for construction of vessels. The issuance of such bonds is guaranteed by Shanghai Branch of Bank of China.

In addition, the Group's fixed term USD-denominated bonds payable amounted to USD264,112,000 (equivalent to RMB1,751,377,000), and all proceeds raised from the bonds were used for procurement of containers.

The Group's RMB borrowings at fixed interest rates amounted to RMB7,382,096,000. USD borrowings at fixed interest rates amounted to USD480,255,000 (equivalent to RMB3,184,664,000) and USD borrowings at floating interest rates amounted to USD5,076,737,000 (equivalent to RMB33,664,861,000). The Group's borrowings are settled in RMB or US dollars while its cash and cash equivalents are also primarily denominated in RMB and US dollars.

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

### 2. GEARING RATIO

As at 30 June 2016, the gearing ratio of the Group (i.e., the ratio of net interest-bearing financial liabilities less cash and cash equivalents over total equity) was 476%, which is higher than that of 89% as at 31 December 2015. The increase was primarily due to the completion of its acquisitions of subsidiaries at a premium during the six months ended 30 June 2016 ("Period").

### 3. FOREIGN EXCHANGE RISK

Revenues and costs of the Group's liner services, shipping-related leasing business, and container manufacturing operations are settled or denominated in US dollars. As a result, the impact on the net operating revenue due to RMB exchange rate fluctuation can be offset by each other to a certain extent. During the Period, the Group recorded a net exchange loss of RMB49,945,000 which was mainly due to fluctuations of the US dollar and Euro exchange rates and the exchange difference which was charged to equity attributable to shareholders of the parent amounted to RMB235,255,000. The Group will continue to monitor the exchange rate fluctuation of RMB and major international currencies, minimize the loss arising from exchange rate fluctuation, and take appropriate measures to mitigate the Group's foreign exchange exposure when necessary.

### 4. CAPITAL COMMITMENT

As at 30 June 2016, the Group had RMB10,654,848,000 in capital commitments which had been contracted but not provided for and which had been authorised by the Board but not contracted for, in relation to vessels under construction. Furthermore, the Group had RMB24,802,000 in capital commitments which had been contracted but not provided for and which had been authorised by the Board but not contracted for, in relation to procurement of containers. The equity investment commitment for the Period was RMB1,575,000,000.

## SUBSEQUENT EVENTS

There is no material subsequent event undertaken by the Group after 30 June 2016.

## CONTINGENT LIABILITY

As at 30 June 2016, the Group had a provision of RMB25,000,000 for legal claims. The provision was related to legal claims brought against the Group by customers of the Group. After taking appropriate legal advice, the Board is of the view that the outcome of the legal claims should not give rise to any significant loss beyond the amounts provided for as at 30 June 2016.

## EMPLOYEES, TRAINING AND BENEFITS

As at 30 June 2016, the Group had 7,223 employees (of which 5,105 were outsourced labour employees), and the total staff costs for the Period (including staff remuneration, welfare and social insurance, etc.) amounted to approximately RMB856,211,400 (including outsourced labour costs).

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

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

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

As at 30 June 2016, the Group did not implement any equity incentive scheme.

## SHARE CAPITAL

As at 30 June 2016, the share capital of the Company was as follows:

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

## INTERESTS OR SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, none of the Directors, supervisors or chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 any such Directors, supervisors or chief executive(s) were taken or deemed to have taken under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") adopted by the Company.

## INTERESTS OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OR OTHER PERSONS IN THE SHARES OR UNDERLYING SHARES

As at 30 June 2016, so far as was known to the Directors, Supervisors or chief executive(s) of the Company, the interests or short positions of the shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting or other persons (other than a Director, supervisor or chief executive(s) of the Company) in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or which have been notified to the Company and the Stock Exchange were as follows:

| Name of shareholder | Types of shares | Number of shares/ underlying shares held | Capacity | Percentage in the relevant class of share capital *(%)* | Percentage in total share capital *(%)* |
|---|---|---|---|---|---|
| China Shipping (Group) Company | A Shares | 4,458,195,175(L) [1] | Beneficial owner | 56.20 | 38.16 |
| China COSCO Shipping Corporation Limited | A Shares | 4,458,195,175(L) [1] | Interest of controlled corporation | 56.20 | 38.16 |
| The Northern Trust Company (ALA) | H Shares | 249,945,900(P) | Approved lending agent | 6.66 | 2.14 |

(L) – Long position, (P) – Lending pool

*Note:*

1. Such 4,458,195,175 shares represent the same block of shares.

Save as disclosed above, as at 30 June 2016, no other person (other than Directors, supervisors or chief executive(s) of the Company) had any interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interests or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interests or short positions which have been notified to the Company and the Stock Exchange.

## CHANGES IN INFORMATION OF DIRECTORS OR SUPERVISORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors or supervisors of the Company subsequent to the date of its 2015 Annual Report were as follows:

**DIRECTORS, SUPERVISORS – DETAILS OF CHANGES**

| Name | Position | Change | Reason of change |
|---|---|---|---|
| Sun Yueying | Executive Director | elected to be in office | Re-election of the Board |
| | Chairman | elected to be in office | Approved at the 1st meeting of the fifth session of the Board |
| Wang Daxiong | Executive Director | elected to be in office | Re-election of the Board |
| | Chief executive officer | appointed | Approved at the 43rd meeting of the fourth session of the Board |
| Liu Chong | Executive Director | elected to be in office | Re-election of the Board |
| Xu Hui | Executive Director | elected to be in office | Re-election of the Board |
| | Deputy general manager | appointed | Approved at the 46th meeting of the fourth session of the Board |
| Feng Boming | Non-executive Director | elected to be in office | Re-election of the Board |

| Name | Position | Change | Reason of change |
|---|---|---|---|
| Huang Jian | Non-executive Director | elected to be in office | Re-election of the Board |
| Cai Hongping | Independent non-executive Director | elected to be in office | Re-election of the Board |
| Tsang Hing Lun | Independent non-executive Director | elected to be in office | Re-election of the Board |
| Hao Wenyi | Supervisor | elected to be in office | Re-election of the supervisory committee |
| Fu Yi | Employee representative supervisor | elected to be in office | Re-election of the supervisory committee |
| Gu Xu | Independent supervisor | elected to be in office | Re-election of the supervisory committee |
| Zhang Weihua | Independent supervisor | elected to be in office | Re-election of the supervisory committee |
| Zhang Guofa | Executive Director, Chairman | ceased to be in office | Approved at the 43rd meeting of the fourth session of the Board |
| Zhao Hongzhou | Executive Director | ceased to be in office | Approved at the 43rd meeting of the fourth session of the Board |
| | General manager | ceased to be in office | Approved at the 43rd meeting of the fourth session of the Board |
| Yu Zenggang | Non-executive Director | ceased to be in office | Re-election of the Board |

| Name | Position | Change | Reason of change |
|---|---|---|---|
| Han Jun | Non-executive Director | ceased to be in office | Re-election of the Board |
| Zhang Nan | Independent non-executive Director | ceased to be in office | Re-election of the Board |
| Guan Yimin | Independent non-executive Director | ceased to be in office | Re-election of the Board |
| Shi Xin | Independent non-executive Director | ceased to be in office | Re-election of the Board |
| Xu Wenrong | Chairman of supervisory committee | ceased to be in office | Re-election of the supervisory committee |
| Zhong Lu | Employee representative supervisor | ceased to be in office | Re-election of the supervisory committee |
| Shen Kangchen | Independent supervisor | ceased to be in office | Re-election of the supervisory committee |
| Qian Weizhong | Deputy general manager | ceased to be in office | Approved at the 43rd meeting of the fourth session of the Board |
| Chen Wei | Deputy general manager | ceased to be in office | Approved at the 43rd meeting of the fourth session of the Board |
| Sui Jun | Deputy general manager | ceased to be in office | Approved at the 43rd meeting of the fourth session of the Board |
| Chen Shuai | Deputy general manager | ceased to be in office | Approved at the 43rd meeting of the fourth session of the Board |
| Gu Zhongdong | Deputy general manager | ceased to be in office | Approved at the 43rd meeting of the fourth session of the Board |
| Huang Xiaowen | Deputy chairman, executive Director | ceased to be in office | Re-election of the board |
| Chen Jihong | Non-executive Director | ceased to be in office | Re-election of the board |
| Ding Nong | Non-executive Director | ceased to be in office | Re-election of the board |

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

## INTERIM DIVIDEND

The Board does not recommend distribution of an interim dividend for the Period (2015: nil).

## AUDIT COMMITTEE

The Board has set up an audit committee which consists of two independent non-executive Directors, namely Mr. Tsang Hing Lun and Mr. Cai Hongping, and one non-executive Director, namely Mr. Yang Jigui. The audit committee has reviewed the Company's interim results for the Period and agreed with the accounting treatment adopted by the Company.

## CORPORATE GOVERNANCE CODE

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

## MODEL CODE FOR SECURITIES TRANSACTIONS

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

By order of the Board
*China Shipping Container Lines Company Limited*
**Sun Yueying**
*Chairman*

Shanghai, the PRC
30 August 2016

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**TO THE MEMBERS OF CHINA SHIPPING CONTAINER LINES COMPANY LIMITED**
(Incorporated in the People's Republic of China with limited liability)

## INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 23 to 68 which comprise the interim condensed consolidated statement of financial position of China Shipping Container Lines Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2016 and the related interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Ernst & Young**
Certified Public Accountants

Hong Kong
30 August 2016

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

| | *Notes* | **FOR THE SIX MONTHS ENDED 30 JUNE** **2016** ***RMB'000*** **(Unaudited)** | 2015 *RMB'000* (Unaudited) (Restated) |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **REVENUE** | *3* | **8,375,935** | 16,654,023 |
| Cost of sales | | **(7,866,192)** | (15,318,713) |
| **Gross profit** | | **509,743** | 1,335,310 |
| Selling, administrative and general expenses | | **(631,923)** | (641,619) |
| Other income | *4* | **73,235** | 220,240 |
| Other gains, net | *5* | **130,251** | 76,760 |
| **Operating profit** | | **81,306** | 990,691 |
| Finance costs | *6* | **(686,916)** | (425,782) |
| Share of (losses)/profits of: | | | |
| Associates | | **(135,784)** | 434,235 |
| Joint ventures | | **5,488** | 1,457 |
| **(Loss)/profit before income tax from continuing operations** | | **(735,906)** | 1,000,601 |
| Income tax expense | *7* | **(80,806)** | (121,335) |
| **(Loss)/profit for the period from continuing operations** | | **(816,712)** | 879,266 |
| **DISCONTINUED OPERATION** | | | |
| Profit for the period from discontinued operation | *8* | **9,772** | 9,419 |
| **(LOSS)/PROFIT FOR THE PERIOD** | | **(806,940)** | 888,685 |
| **Attributable to:** | | | |
| Owner of the parent | | **(834,572)** | 831,116 |
| Non-controlling interests | | **27,632** | 57,569 |
| | | **(806,940)** | 888,685 |
| **(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| (express in RMB per share) | *9* | | |
| Basic and diluted | | | |
| – For (loss)/profit for the period | | **(0.07)** | 0.07 |
| – For (loss)/profit for the period from continuing operations | | **(0.07)** | 0.07 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

| | FOR THE SIX MONTHS ENDED 30 JUNE | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| **(LOSS)/PROFIT FOR THE PERIOD** | **(806,940)** | 888,685 |
| **OTHER COMPREHENSIVE INCOME** | | |
| *Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:* | | |
| Change in fair value of available-for-sale investments, net of tax | **(95,567)** | 66,473 |
| Cash flow hedges: | | |
| Effective portion of changes in fair value of hedging instruments arising during the period | **(32,196)** | (521) |
| Exchange differences on translation of foreign operations | **(239,616)** | (10,190) |
| Share of other comprehensive income of associates | **34,242** | (1,927) |
| **OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX** | **(333,137)** | 53,835 |
| **TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD** | **(1,140,077)** | 942,520 |
| **Attributable to:** | | |
| Owner of the parent | **(1,158,892)** | 883,826 |
| Non-controlling interests | **18,815** | 58,694 |
| | **(1,140,077)** | 942,520 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*30 JUNE 2016*

| | Notes | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Unaudited) (Restated) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *11* | **58,116,231** | 56,642,656 |
| Investment properties | | **8,005** | 10,087 |
| Prepaid land lease payments | | **214,412** | 214,396 |
| Intangible assets | | **23,440** | 30,738 |
| Investments in associates | *12* | **8,710,052** | 12,002,322 |
| Investments in joint ventures | | **134,305** | 56,243 |
| Available-for-sale investments | *13* | **1,557,118** | 1,349,915 |
| Finance lease receivables | *14* | **9,023,724** | 5,680,658 |
| Loans and receivables | *15* | **207,413** | 368,467 |
| Deferred tax assets | | **85,631** | 56,340 |
| Other long term prepayments | | **28,050** | 34,721 |
| **Total non-current assets** | | **78,108,381** | 76,446,543 |
| **CURRENT ASSETS** | | | |
| Inventories | | **590,211** | 1,238,768 |
| Trade and notes receivables | *16* | **1,720,328** | 2,688,106 |
| Prepayments and other receivables | | **2,034,622** | 1,865,156 |
| Prepaid land lease payments | | **3,904** | 3,897 |
| Finance lease receivables | *14* | **2,142,961** | 1,682,327 |
| Loans and receivables | *15* | **1,830,739** | 3,133,055 |
| Held-for-trading investments | | **21,668** | 200,349 |
| Restricted cash | *17* | **864,547** | 922,268 |
| Cash and cash equivalents | *17* | **13,965,281** | 15,860,939 |
| | | **23,174,261** | 27,594,865 |
| Assets of a disposal group classified as held for sale | *8* | **11,036** | – |
| **Total current assets** | | **23,185,297** | 27,594,865 |
| **Total assets** | | **101,293,678** | 104,041,408 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | | **11,683,125** | 11,683,125 |
| Special reserves | | **4,817** | 21,090 |
| General reserves | *18* | **93,356** | 65,504 |
| Other reserves | | **(97,032)** | 21,606,867 |
| Retained profits | | **2,133,734** | 3,207,032 |
| | | **13,818,000** | 36,583,618 |
| **Non-controlling interests** | | **328,925** | 497,549 |
| **Total equity** | | **14,146,925** | 37,081,167 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

*30 JUNE 2016*

| | *Notes* | **30 June 2016** *RMB'000* **(Unaudited)** | 31 December 2015 *RMB'000* (Unaudited) (Restated) |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Bank and other borrowings | *19* | **41,779,529** | 25,349,767 |
| Corporate bonds | *20* | **1,506,225** | 3,449,494 |
| Deposits from customers | *21* | **8,951** | 8,900 |
| Derivative financial instruments | | **27,044** | 691 |
| Deferred tax liabilities | | **248,178** | 280,968 |
| Other long term payables | *22* | **701,370** | 405,129 |
| **Total non-current liabilities** | | **44,271,297** | 29,494,949 |
| **CURRENT LIABILITIES** | | | |
| Trade and notes payables | | **2,291,539** | 4,041,654 |
| Other payables and accruals | | **1,176,093** | 1,723,336 |
| Bank and other borrowings | *19* | **29,344,629** | 26,818,843 |
| Corporate bonds | *20* | **2,042,810** | 245,617 |
| Finance lease obligations | | **–** | 141 |
| Deposits from customers | *21* | **7,821,837** | 4,482,658 |
| Derivative financial instruments | | **6,345** | 147 |
| Tax payable | | **100,268** | 127,896 |
| Provisions | | **25,000** | 25,000 |
| | | **42,808,521** | 37,465,292 |
| Liabilities directly associated with assets classified as held for sale | *8* | **66,935** | – |
| **Total current liabilities** | | **42,875,456** | 37,465,292 |
| **Total liabilities** | | **87,146,753** | 66,960,241 |
| **Total equity and liabilities** | | **101,293,678** | 104,041,408 |
| **NET CURRENT LIABILITIES** | | **(19,690,159)** | (9,870,427) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **58,418,222** | 66,576,116 |

*Director*　　　　　　*Director*

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

| | | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Notes* | Share capital *RMB'000* | Special reserves *RMB'000* | General reserves *RMB'000* *(note 19)* | Other reserves *RMB'000* | (Accumulated losses)/ retained profits *RMB'000* | Total *RMB'000* | Non-controlling interests *RMB'000* | Total equity *RMB'000* |
| **At 1 January 2016 as previously reported** | | **11,683,125** | **19,030** | **–** | **17,206,241** | **(6,734,162)** | **22,174,234** | **63,096** | **22,237,330** |
| Effect of merger accounting | 2.2 | – | 2,060 | 65,504 | 4,400,626 | 9,941,194 | 14,409,384 | 434,453 | 14,843,837 |
| **At 1 January 2016 (Restated and unaudited)** | | **11,683,125** | **21,090** | **65,504** | **21,606,867** | **3,207,032** | **36,583,618** | **497,549** | **37,081,167** |
| (Loss)/profit for the period | | – | – | – | – | (834,572) | (834,572) | 27,632 | (806,940) |
| Other comprehensive (loss)/income for the period: | | | | | | | | | |
| Change in fair value of available for-sale investments, net of tax | | – | – | – | (91,111) | – | (91,111) | (4,456) | (95,567) |
| Cash flow hedges, net of tax | | – | – | – | (32,196) | – | (32,196) | – | (32,196) |
| Exchange differences on translation of foreign operations | | – | – | – | (235,255) | – | (235,255) | (4,361) | (239,616) |
| Share of other comprehensive income of associates | | – | – | – | 34,242 | – | 34,242 | – | 34,242 |
| **Total comprehensive (loss)/income for the period** | | **–** | **–** | **–** | **(324,320)** | **(834,572)** | **(1,158,892)** | **18,815** | **(1,140,077)** |
| Acquisition of subsidiaries under common control | 2.2 | – | – | – | (21,381,010) | – | (21,381,010) | – | (21,381,010) |
| Disposal of subsidiaries | 23 | – | (22,548) | – | 1,431 | 22,548 | 1,431 | (65,180) | (63,749) |
| Dividend paid to previous shareholders of acquired subsidiaries under common control | | – | – | – | – | (227,055) | (227,055) | – | (227,055) |
| Dividend paid to non-controlling shareholders | | – | – | – | – | – | – | (122,190) | (122,190) |
| Transfer from retained profits | | – | – | 27,852 | – | (27,852) | – | – | – |
| Accrual of special reserves | | – | 77,897 | – | – | (77,897) | – | – | – |
| Utilisation of special reserves | | – | (71,622) | – | – | 71,622 | – | – | – |
| Other | | – | – | – | – | (92) | (92) | (69) | (161) |
| **At 30 June 2016 (Unaudited)** | | **11,683,125** | **4,817** | **93,356** | **(97,032)** | **2,133,734** | **13,818,000** | **328,925** | **14,146,925** |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

| | | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital *RMB'000* | Special reserves *RMB'000* | General reserves *RMB'000* *(note 19)* | Other reserves *RMB'000* | (Accumulated losses)/ retained profits *RMB'000* | Total *RMB'000* | Non-controlling interests *RMB'000* | Total equity *RMB'000* |
| At 1 January 2015 as previously reported | | 11,683,125 | 20,150 | – | 16,873,604 | (3,784,442) | 24,792,437 | 85,046 | 24,877,483 |
| Effect of merger accounting | 2.2 | – | 1,130 | 52,339 | 3,019,035 | 9,486,528 | 12,559,032 | 417,629 | 12,976,661 |
| At 1 January 2015 (Restated and unaudited) | | 11,683,125 | 21,280 | 52,339 | 19,892,639 | 5,702,086 | 37,351,469 | 502,675 | 37,854,144 |
| Profit for the period | | – | – | – | – | 831,116 | 831,116 | 57,569 | 888,685 |
| Other comprehensive income/(loss) for the period: | | | | | | | | | |
| Change in fair value of available for-sale investments, net of tax | | – | – | – | 65,337 | – | 65,337 | 1,136 | 66,473 |
| Cash flow hedges, net of tax | | – | – | – | (521) | – | (521) | – | (521) |
| Exchange differences on translation of foreign operations | | – | – | – | (10,179) | – | (10,179) | (11) | (10,190) |
| Share of capital reserve of associates | | – | – | – | (1,927) | – | (1,927) | – | (1,927) |
| Total comprehensive income for the period | | – | – | – | 52,710 | 831,116 | 883,826 | 58,694 | 942,520 |
| Disposal of subsidiaries | 23 | – | – | – | (58,272) | (397,216) | (455,488) | – | (455,488) |
| Capital injection from previous shareholders of acquired subsidiaries under common control | | – | – | – | 320,000 | – | 320,000 | – | 320,000 |
| Dividend paid to previous shareholders of acquired subsidiaries under common control | | – | – | – | – | (67,050) | (67,050) | – | (67,050) |
| Dividend declared to non-controlling shareholders | | – | – | – | – | – | – | (54,850) | (54,850) |
| Accrual of special reserves | | – | 91,447 | – | – | (91,447) | – | – | – |
| Utilisation of special reserves | | – | (94,019) | – | – | 94,019 | – | – | – |
| Others | | – | – | – | – | (511) | (511) | 228 | (283) |
| At 30 June 2015 (Restated and unaudited) | | 11,683,125 | 18,708 | 52,339 | 20,207,077 | 6,070,997 | 38,032,246 | 506,747 | 38,538,993 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

| | Notes | FOR THE SIX MONTHS ENDED 30 JUNE | |
|---|---|---|---|
| | | **2016** | 2015 |
| | | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) (Restated) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | | **5,167,994** | 1,136,164 |
| Income tax paid | | **(6,185)** | (84,673) |
| Net cash generated from operating activities | | **5,161,809** | 1,051,491 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | | **44,392** | 79,658 |
| Dividends received from associates | | **15,356** | 64,030 |
| Dividends received from joint ventures | | **312** | – |
| Dividends received from available-for-sale investments | | **954** | 44,252 |
| Dividends received from held-for-trading investments | | **58,581** | 961 |
| Purchase of items of property, plant and equipment | | **(5,879,447)** | (5,816,165) |
| Proceeds from disposal of items of property, plant and equipment and intangible assets | | **745,064** | 107,739 |
| Purchase of equity in an associate | | **–** | (320,000) |
| Purchase of equity in a joint venture | | **(125,000)** | – |
| Purchase of available-for-sale investments | | **(700,329)** | (624,374) |
| Purchase of held-for-trading investments | | **–** | (110,215) |
| Prepayment for an investment | | **(225,000)** | – |
| Disposal of subsidiaries | *23* | **(349,884)** | (8,005) |
| Disposal of associates | | **3,954,920** | – |
| Disposal of joint ventures | | **54,602** | – |
| Disposal of available-for-sale investments | | **216,345** | 406,253 |
| Disposal of held-for-trading investments | | **200,008** | 290,218 |
| Net cash used in investing activities | | **(1,989,126)** | (5,885,648) |



*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

| | Notes | FOR THE SIX MONTHS ENDED 30 JUNE **2016** ***RMB'000*** **(Unaudited)** | 2015 *RMB'000* (Unaudited) (Restated) |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Interest paid | | **(759,141)** | (489,958) |
| Capital injection from previous shareholders of acquired subsidiaries under common control | | **–** | 320,000 |
| Acquisition of subsidiaries under common control | | **(21,350,801)** | – |
| New bank and other borrowings | | **95,046,616** | 43,567,815 |
| Repayment of bank and other borrowings | | **(77,598,733)** | (41,673,316) |
| Repayment of corporate bonds | | **(188,815)** | (175,243) |
| Decrease in finance lease obligations | | **(141)** | (166,470) |
| Dividends paid to previous shareholders of acquired subsidiaries under common control | | **(227,138)** | (67,050) |
| Dividends paid to non-controlling shareholders | | **(137,492)** | (46,935) |
| Net cash (used in)/generated from financing activities | | **(5,215,645)** | 1,268,843 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(2,042,962)** | (3,565,314) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(2,042,962)** | (3,565,314) |
| Cash and cash equivalents at beginning of period | | **15,860,939** | 14,314,872 |
| Effect of foreign exchange rate changes, net | | **147,304** | 11,010 |
| Cash and cash equivalents at end of period | *17* | **13,965,281** | 10,760,568 |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

### 1. CORPORATE INFORMATION

China Shipping Container Lines Company Limited (the "Company") was established in the People's Republic of China (the "PRC"). The address of the Company's registered office is Room A-538, International Trade Center, China (Shanghai) Pilot Free Trade Zone, Shanghai, the PRC.

On 11 December 2015, the Company announced that a notification was received from China Shipping (Group) Company, the former ultimate holding company and current immediate holding company of the Company, that the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (the "SASAC") has granted its approval in principle of the restructuring of China Shipping (Group) Company and its subsidiaries (the "CS Group") and China Ocean Shipping (Group) Company and its subsidiaries (the "COSCO Group") in relation to their businesses in container shipping, vessel leasing, oil shipping, bulk shipping and the financial sectors (the "Restructuring"). As part of the Restructuring, the Company and its relevant subsidiaries entered into a series of agreements with China Shipping (Group) Company, China Ocean Shipping (Group) Company and their relevant subsidiaries (the "Counterparties") on 11 December 2015, whereby the Company and its relevant subsidiaries have agreed to acquire equity interests in certain companies' operating container leasing businesses, shipping-related financial service business and other financial business from the Counterparties; and to sell equity interests in certain of its subsidiaries and associates operating port business and container shipping agency business to the Counterparties. As of 30 June 2016, the Company and its relevant subsidiary completed the following transactions within the Restructuring:

**Acquisition of subsidiaries**

- Acquisition of 100% equity interests in Dong Fang International Investment Limited and its subsidiaries;
- Acquisition of 100% equity interests in Florens Container Holdings Limited and its subsidiaries;
- Acquisition of 100% equity interests in China Shipping Nauticgreen Holdings Co., Ltd. and its subsidiaries;
- Acquisition of 100% equity interests in Helen Insurance Brokers Limited;
- Acquisition of 100% equity interests in Long Honour Investments Limited and its subsidiary;
- Acquisition of 100% equity interests in China Shipping Investment Co., Ltd. and its subsidiaries;
- Acquisition of 100% equity interests in China Shipping Leasing Co., Ltd. and its subsidiary; and
- Acquisition of 40% equity interests in China Shipping Finance Co., Ltd. ("CS Finance") (a former associate changed to a subsidiary with a total of 65% equity interests held subsequent to the acquisition).
  (together as the "Acquired Subsidiaries" or "Acquirees")



**1. CORPORATE INFORMATION** *(Continued)*

**Disposal of subsidiaries**

- Disposal of 100% equity interests in China Shipping Container Lines Dalian Co., Ltd. and its subsidiaries, China Shipping Container Lines Tianjin Co., Ltd. and its subsidiaries, China Shipping Container Lines Qingdao Co., Ltd. and its subsidiaries, China Shipping Container Lines Shanghai Co., Ltd. and its subsidiaries, China Shipping Container Lines Xiamen Co., Ltd. and its subsidiaries, China Shipping Container Lines Guangzhou Co., Ltd. and its subsidiaries, China Shipping Container Lines Hainan Co., Ltd. and its subsidiary and China Shipping Container Lines Shenzhen Co., Ltd.;
- Disposal of 100% equity interests in China Shipping Container Lines(Dalian) Data Processing Co., Ltd.;
- Disposal of 100% equity interests in Shanghai Puhai Shipping Liners Co., Ltd. and its subsidiaries ("Puhai Group");
- Disposal of 100% equity interests in China Shipping (Yangpu) Refrigeration Storage & Transportation;
- Disposal of 100% equity interests in China Shipping Container Lines Agency (Hong Kong) Co., Ltd.;
- Disposal of 100% equity interests in Universal Shipping (Asia) Co., Ltd. ("Universal Shipping");
- Disposal of 60% equity interests in Golden Sea Shipping Pte. Ltd. ("Golden Sea"); and
- Disposal of 91% equity interests in China Shipping (Singapore) Petroleum Pte. Ltd. ("CS Singapore Petroleum")

  (together as the "Disposed Subsidiaries")

**Disposal of interest in joint ventures and associates**

- Disposal of 50% equity interests in Dalian Vanguard International Logistics Co., Ltd., a former joint venture;
- Disposal of 49% equity interests in China Shipping Ports Development Co., Ltd. ("CSPD") and its subsidiaries, a former associate;
- Disposal of 45% equity interests in Jinzhou Port Container and Railway Logistics Limited, a former joint venture; and
- Disposal of 20.07% equity interests in Angang Vehicle Transportation Co., Ltd. and its subsidiary, a former associate.

  (together as the "disposed interest in joint ventures and associates")

This interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated. This interim condensed consolidated financial information has been approved for issue by the board of directors of the Company on 30 August 2016.

This condensed consolidated interim financial information has not been audited.

### 2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2016 and the related interim condensed consolidated statement of profit or loss, the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2016, have been prepared in accordance with HKAS 34 *Interim Financial Reporting* and Accounting Guideline 5 *Merger Accounting for Common Control Combinations* ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

**Going concern**

The Group had net current liabilities of RMB19,690,159,000 as at 30 June 2016. The Directors are of opinion that based on the available unutilised banking facilities as at 30 June 2016, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the Directors are of the opinion that it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

### 2.2 MERGER ACCOUNTING FOR COMMON CONTROL COMBINATIONS

The Group and all those acquirees in note 1 were under common control of SASAC before and after those acquisitions. Therefore, the Restructuring was accounted for as business combination involving entities under common control.

HKFRS 3 *Business Combinations* applies to all business combinations except where a combination is specifically excluded from its scope. For those business combinations outside the scope of HKFRS 3, for example, business combinations involving entities or businesses under common control, there is no specific accounting standard addressing the appropriate accounting treatment.



### 2.2 MERGER ACCOUNTING FOR COMMON CONTROL COMBINATIONS *(Continued)*

HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* contains requirements for the selection of accounting policies in the absence of a Standard or an Interpretation that specifically applies to an issue. Business combinations involving entities or business under common control fall outside the scope of HKFRS 3. Accordingly, the Group selects an appropriate accounting policy in accordance with the requirements set out in HKAS 8 and it is considered that merger accounting for common control combinations, as introduced by AG5, is an appropriate accounting policy for the above acquisitions of subsidiaries.

By applying AG 5, the acquisition of the subsidiaries in note 1 have been accounted for as if the acquisitions had occurred on the date when the combining entities first came under the control of the ultimate shareholder. Accordingly, the assets and liabilities acquired in the common control combinations are stated at their carrying amounts from the controlling parties' perspective as if they had been held or incurred by the Group from the later of the date on which the combining entities first came under the control of the ultimate shareholder or the relevant transactions giving rise to the assets or liabilities arose.

By adopting with AG 5, the comparative amounts of the interim condensed financial statements of the Group have been restated to include the financial statement items of the acquired subsidiaries.

As of 30 June 2016, the Group has paid a total consideration of RMB21,350,801,000 to complete those acquisition of subsidiaries referred in note 1, which was treated as a deemed distribution.

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As a result of merger accounting, the Group adopted the following additional significant accounting policies to those used in the annual financial statements for the year ended 31 December 2015 in the preparation of the interim condensed consolidated financial statements:

**Revenue recognition**

*Sales of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, and the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

*Finance lease income*

Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of a finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.



**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Investments and other financial assets**

*Initial recognition and measurement*

When financial assets at fair value through profit or loss are recognised initially, they are measured at fair value and transaction costs that are attributable to the acquisition of the financial assets are charged to the statement of profit or loss. When available-for-sale financial investments are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

*Subsequent measurement*

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other gains, net in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised 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.

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is 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 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.



**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Investments and other financial assets** *(Continued)*

*Subsequent measurement (Continued)*

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 of 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 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 Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

**Impairment of financial assets**

*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.



**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Impairment of financial assets** *(continued)*

*Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. 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.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

### 2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time in these interim condensed consolidated financial statements:

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | *Investment Entities: Applying the Consolidation Exception* |
| Amendments to HKFRS 11 | *Accounting for Acquisitions of Interests in Joint Operations* |
| Amendments to HKAS 1 | *Disclosure Initiative* |
| Amendments to HKAS 16 and HKAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortisation* |
| Amendments to HKAS 16 and HKAS 41 | *Agriculture: Bearer Plants* |
| Amendments to HKAS 27 (2011) | *Equity Method in Separate Financial Statements* |
| *Annual Improvements 2012-2014 Cycle* | Amendments to a number of HKFRSs |

The adoption of these new and revised HKFRSs has had no significant financial effect on the Group's interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Except for the additional significant accounting policies as a result of merger accounting and the changes in accounting policies noted above, the accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2015.

### 2.5 A CHANGE IN ACCOUNTING ESTIMATES

With effect from 1 January 2016, the Group made a change in depreciation estimates as follows:

- Estimated residual value of vessels changed from US$420 to US$280 per ton
- Estimated useful life of certain containers changed from 12 years to 15 years
- Estimated residual value of certain containers changed from US$830-US$1,344 to US$560-US$896 per container

This constitutes a change in accounting estimates. In the opinion of the directors, based on the current business condition, the estimated residual value and useful lives of these containers are more appropriately reflected by the change.

The change has been applied prospectively and has resulted in an increase in depreciation of approximately RMB76,500,000 for the six months ended 30 June 2016.



**3. OPERATING SEGMENT INFORMATION AND REVENUE**

For management purposes, the Group is organised into business units based on their products and services and has seven reportable operating segments as follows:

(a) Container shipping segment, which renders the container marine transportation services and related businesses;

(b) Vessel chartering and container leasing segment, which specifically leases vessels and containers;

(c) Non-shipping related leasing segment, other than leases vessels and containers;

(d) Container segment, which is a supplier of containers;

(e) Financial services segment, which renders corporate banking and insurance agency services;

(f) Equity investment segment, which focuses on equity investments, such as investments in associates, investments in joint ventures and available-for-sale equity investments; and

(g) The "others" segment comprises, principally, logistic services and other miscellaneous services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that head office and corporate expenses are excluded from such measurement.

## 3. OPERATING SEGMENT INFORMATION AND REVENUE *(Continued)*

| | For the six months ended 30 June 2016 | | | | | | | | For the six months ended 30 June 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Container Shipping | Vessel chartering and container leasing | Non-shipping related leasing | Container | Financial services | Equity investment | Others | Total | Container Shipping | Vessel chartering and container leasing | Non-shipping related leasing | Container | Financial services | Equity investment | Others | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) (Restated) | (Unaudited) (Restated) | (Unaudited) (Restated) | (Unaudited) (Restated) | (Unaudited) (Restated) | (Unaudited) (Restated) | (Unaudited) (Restated) | (Unaudited) (Restated) |
| **Segment revenue:** | | | | | | | | | | | | | | | | |
| Sales to external customers | 3,235,222 | 4,151,288 | 349,055 | 475,663 | 148,941 | – | 15,766 | 8,375,935 | 13,598,797 | 1,898,409 | 67,243 | 848,195 | 214,644 | – | 26,735 | 16,654,023 |
| Intersegment sales | – | 1,924,030 | – | 195,666 | 27,120 | – | – | 2,146,816 | – | 2,143,450 | – | 1,016,788 | 4,622 | – | – | 3,164,860 |
| Total revenue | 3,235,222 | 6,075,318 | 349,055 | 671,329 | 176,061 | – | 15,766 | 10,522,751 | 13,598,797 | 4,041,859 | 67,243 | 1,864,983 | 219,266 | – | 26,735 | 19,818,883 |
| **Segment results** | (940,341) | 120,430 | 213,099 | (17,728) | 94,763 | (91,544) | (6,623) | (627,944) | 251,366 | 474,155 | 45,678 | 45,899 | 120,997 | 495,883 | 1,311 | 1,435,289 |
| Elimination of intersegment results | | | | | | | | 87,836 | | | | | | | | (181,798) |
| Unallocated administrative and general expenses | | | | | | | | (195,798) | | | | | | | | (252,890) |
| **(Loss)/profit before tax** | | | | | | | | (735,906) | | | | | | | | 1,000,601 |
| **Supplementary segment result information:** | | | | | | | | | | | | | | | | |
| Depreciation and amortisation | (318,001) | (1,209,925) | (401) | (30,213) | (1,143) | – | (868) | (1,560,551) | (703,117) | (692,323) | (42) | (34,127) | (1,850) | – | (9) | (1,431,468) |
| Reversal/(provision) of impairment on trade receivables and notes receivables, loans and receivables and finance lease receivables | 3,382 | 13,964 | (21,059) | 2,269 | 37,523 | – | – | 36,079 | (5,930) | (890) | (7,028) | (1,345) | 4,487 | – | – | (10,706) |
| Finance costs | (74,218) | (567,851) | – | (44,847) | – | – | – | (686,916) | (280,370) | (119,719) | – | (25,693) | – | – | – | (425,782) |
| Dividend income | – | – | – | – | – | 12,076 | – | 12,076 | – | – | – | – | – | 64,541 | – | 64,541 |
| Share of profits/(losses) of: | – | – | | | | | | | | | | | | | | |
| Associates | – | – | – | – | – | (135,784) | – | (135,784) | – | – | – | – | – | 434,235 | – | 434,235 |
| Joint ventures | – | – | – | – | – | 5,488 | – | 5,488 | – | – | – | – | – | 1,457 | – | 1,457 |

## 3. OPERATING SEGMENT INFORMATION AND REVENUE *(Continued)*

| | 30 June 2016 | | | | | | | | 31 December 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Container Shipping | Vessel chartering and container leasing | Non-shipping related leasing | Container | Financial services | Equity investment | Others | Total | Container Shipping | Vessel chartering and container leasing | Non-shipping related leasing | Container | Financial services | Equity investment | Others | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) (Restated) | (Unaudited) (Restated) | (Unaudited) (Restated) | (Unaudited) (Restated) | (Unaudited) (Restated) | (Unaudited) (Restated) | (Unaudited) (Restated) | (Unaudited) (Restated) |
| **Segment assets** | 2,416,355 | 123,775,159 | 9,049,886 | 5,309,392 | 14,034,889 | 10,633,385 | 45,101 | 165,264,167 | 50,890,055 | 30,453,337 | 5,034,998 | 4,702,115 | 10,395,887 | 9,774,953 | 59,303 | 111,310,648 |
| Elimination of intersegment assets | | | | | | | | (63,970,489) | | | | | | | | (7,269,240) |
| **Total assets** | | | | | | | | 101,293,678 | | | | | | | | 104,041,408 |
| **Segment liabilities** | (3,503,996) | (78,294,128) | (7,439,390) | (3,244,150) | (13,501,419) | (8,724,473) | (18,874) | (114,726,430) | (32,498,330) | (14,496,335) | (3,589,440) | (3,636,083) | (9,785,930) | (8,573,518) | (27,397) | (72,607,033) |
| Elimination of intersegment liabilities | | | | | | | | 27,579,677 | | | | | | | | 5,646,792 |
| **Total liabilities** | | | | | | | | (87,146,753) | | | | | | | | (66,960,241) |



## 4. OTHER INCOME

| | For the six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| Interest income generated from operations other than financial services | **34,823** | 65,622 |
| Government grant related to income | **21,790** | 1,974 |
| Refund of value-added tax ("VAT") | **112** | 79,219 |
| Dividend income from available-for-sale financial investments | **11,962** | 64,326 |
| Dividend income from held-for-trading investments | **114** | 215 |
| Others | **4,434** | 8,884 |
| | **73,235** | 220,240 |

## 5. OTHER GAINS, NET

| | For the six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| Gain on disposal of subsidiaries | **10,915** | – |
| Gain on disposal of interests in associates | **99,052** | – |
| Gain on disposal of interests in joint ventures | **17,571** | – |
| Gain on disposal of items of property, plant and equipment | **42,613** | 38,391 |
| Gains on dilution of investment in an associate | **–** | 30,887 |
| Gain on disposal of available-for-sale investments | **1,302** | 3,388 |
| Fair value gain on held-for-trading investments | **745** | 515 |
| Net foreign exchange (loss)/gain | **(49,945)** | 4,712 |
| Others | **7,998** | (1,133) |
| | **130,251** | 76,760 |



## 6. FINANCE COSTS

| | For the six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| Interest on borrowings and corporate bonds | **693,946** | 428,298 |
| Interest on finance lease | **–** | 1,632 |
| Total interest expense | **693,946** | 429,930 |
| Less: interest capitalised | **(7,030)** | (4,148) |
| | **686,916** | 425,782 |

## 7. INCOME TAX

According to the Corporate Income Tax ("CIT") Law of PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries incorporated in PRC was 25% for the six months ended 30 June 2016 and 2015.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. Some overseas subsidiaries are therefore liable for withholding taxes on dividends distributed by those subsidiaries, associates and joint ventures established in Mainland China in respect of earnings generated from 1 January 2008. Certain overseas subsidiaries of the Company are subject to preferential tax rate of 5%.

Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits of the Group's companies operating in Hong Kong for the six months ended 30 June 2016 (for the six months ended 30 June 2015: 16.5%).

The major components of income tax expense of the Group are as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| Current income tax – PRC | **94,087** | 76,285 |
| Current income tax – Hong Kong | **1,974** | 2,357 |
| Current income tax – elsewhere | **2,222** | 9,440 |
| Withholding tax on the distribution of dividends from PRC associates | **14,916** | 19,761 |
| Deferred tax | **(32,393)** | 13,492 |
| | **80,806** | 121,335 |



## 8. DISCONTINUED OPERATION

During February 2016, the Restructuring referred in note 1 was approved by the independent shareholders of the Company as well as the relevant regulatory authorities.

Among the disposed subsidiaries in note 1, Puhai Group, Universal Shipping, Golden Sea and CS Singapore Petroleum constituted a major line of business of provision of container marine transportation services and related business, which was classified as a discontinued operation. These disposals were completed before 30 June 2016, the assets and liabilities are no longer included in the interim condensed consolidated statement of financial position as at 30 June 2016.

The results of the discontinued operation for the period are presented below:

| | For the six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) (Restated) |
| Revenue | **411,138** | 1,726,664 |
| Cost | **(395,364)** | (1,685,037) |
| Expenses | **(12,399)** | (39,644) |
| Other income | **1,303** | 18,864 |
| Other gains/(loss) | **6,489** | (7,337) |
| Finance costs | **(3)** | (161) |
| Profit before tax from the discontinued operation | **11,164** | 13,349 |
| Income tax expense | **(1,392)** | (3,930) |
| Profit for the period from the discontinued operation | **9,772** | 9,419 |

The net cash flows incurred by the discontinued operation are as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) (Restated) |
| Operating activities | **208,887** | 52,758 |
| Investing activities | **–** | 6,627 |
| Financing activities | **(38,072)** | (28,821) |
| Effect of foreign exchange rate changes, net | **3,030** | 564 |
| Net cash flows | **173,845** | 31,128 |
| Earnings per share (expressed in RMB per share): | | |
| Basic and diluted, from the discontinued operation | **0.0006** | 0.0001 |



**8. DISCONTINUED OPERATION** *(Continued)*

Apart from the disposed subsidiaries in note 1, approved disposal of China Shipping Container Lines Agency (Shenzhen) Co., Ltd. and Universal Logistics (Shenzhen) Co., Ltd. are yet to complete by 30 June 2016. The major classes of assets and liabilities of those subsidiaries are classified as held for sale as at 30 June 2016 as follows:

| | **30 June 2016**<br>***RMB'000***<br>**(Unaudited)** |
|---|---:|
| *Assets* | |
| Property, plant and equipment | **1,485** |
| Intangible assets | **94** |
| Prepayments and other receivables | **9,457** |
| Assets of a disposal group classified as held for sale | **11,036** |
| *Liabilities* | |
| Trade payables | **(61,504)** |
| Income tax payable | **(5,431)** |
| Liabilities directly associated with assets classified as held for sale | **(66,935)** |
| Net liabilities directly associated with the disposal group | **(55,899)** |



**9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

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

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| (Loss)/earnings | | |
| (Loss)/profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation: | | |
| From continuing operations | **(841,489)** | 830,460 |
| From a discontinued operation | **6,917** | 656 |
| | **(834,572)** | 831,116 |

| | **Number of shares for the six months ended** | |
|---|---|---|
| | **30 June 2016** | 30 June 2015 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (thousands) | **11,683,125** | 11,683,125 |

There was no dilution effect for the period (six months ended 30 June 2015: None).

**10. DIVIDEND**

The directors did not recommend any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).



### 11. PROPERTY, PLANT AND EQUIPMENT

| | *Notes* | **2016**<br>***RMB'000***<br>**(Unaudited)** |
|---|---|---|
| At 1 January as previously reported | | **38,336,165** |
| Effect of merger accounting | *2.2* | **18,306,491** |
| At 1 January (Restated) | | **56,642,656** |
| Additions | | **2,651,171** |
| Disposals | | **(318,820)** |
| Disposal of subsidiaries | *23* | **(165,061)** |
| Depreciation provided during the period | | **(1,559,611)** |
| Impairment | | **(6,183)** |
| Transfer to inventories | | **(36,735)** |
| Exchange realignment | | **908,814** |
| At 30 June | | **58,116,231** |

| | *Notes* | 2015<br>*RMB'000*<br>(Unaudited)<br>(Restated) |
|---|---|---|
| At 1 January as previously reported | | 36,369,808 |
| Effect of merger accounting | *2.2* | 15,032,093 |
| At 1 January (Restated) | | 51,401,901 |
| Additions | | 4,760,221 |
| Disposals | | (81,203) |
| Disposal of subsidiaries | *23* | (3,307) |
| Depreciation provided during the period | | (1,418,954) |
| Exchange realignment | | (38,147) |
| At 30 June | | 54,620,511 |

## 12. INVESTMENTS IN ASSOCIATES

| | **30 June 2016** | 31 December 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| Share of net assets | **8,488,321** | 11,739,288 |
| Goodwill on acquisition | **221,731** | 263,034 |
| | **8,710,052** | 12,002,322 |

As of 30 June 2016, particulars of the material associates are as follows:

| Name | Particulars of issued shares held | Place of registration | Percentage of ownership interest | Principal activities |
|---|---|---|---|---|
| China International Marine Containers (Group) Co., Ltd. ("CIMC") | Registered capital of RMB1 each | PRC | 22.77 | Manufacture and sale of containers |
| Bank of Kunlun Co., Ltd. ("BOK") | Registered capital of RMB1 each | PRC | 3.98 | Banking |
| Shanghai Life Insurance Co., Ltd. ("Shanghai Life") | Registered capital of RMB1 each | PRC | 16 | Insurance |
| China Shipping Ports Development Co.,Ltd. ("CSPD") | Ordinary shares | Hong Kong | 49 | Operation of container terminal |

Though the Group has less than 20% of the equity interest in BOK and Shanghai Life, it has representation on the board of directors has cast significant influence over these companies.



## 12. INVESTMENTS IN ASSOCIATES *(Continued)*

The following tables illustrate the summarised financial information in respect of each of the Group's material associates adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

| | CIMC | | BOK | | Shanghai Life | | CSPD | |
|---|---|---|---|---|---|---|---|---|
| | **30 June 2016 *RMB'000* (Unaudited)** | 31 December 2015 *RMB'000* (Unaudited) (Restated) | **30 June 2016 *RMB'000* (Unaudited)** | 31 December 2015 *RMB'000* (Unaudited) (Restated) | **30 June 2016 *RMB'000* (Unaudited)** | 31 December 2015 *RMB'000* (Unaudited) (Restated) | **30 June 2016 *RMB'000* (Unaudited)** | 31 December 2015 *RMB'000* (Unaudited) |
| Current assets | **44,976,531** | 43,530,325 | **109,819,069** | 134,160,910 | **11,370,091** | 5,319,500 | **–** | 404,746 |
| Non-current assets | **69,823,386** | 63,232,846 | **182,753,538** | 156,016,861 | **26,643,446** | 12,995,896 | **–** | 7,940,687 |
| Total liabilities | **80,446,229** | 71,268,295 | **268,793,922** | 267,237,005 | **33,084,557** | 16,760,961 | **–** | 617,468 |
| Net assets attributable to owners of the parent | **25,644,350** | 26,508,276 | **23,719,934** | 22,884,525 | **4,928,980** | 1,554,435 | **–** | 7,286,300 |
| Equity instrument | **1,981,143** | 2,033,043 | **–** | – | **–** | – | **–** | – |
| Non-controlling interests | **6,728,195** | 6,953,557 | **58,751** | 56,241 | **–** | – | **–** | 441,665 |
| Net assets | **34,353,688** | 35,494,876 | **23,778,685** | 22,940,766 | **4,928,980** | 1,554,435 | **–** | 7,727,965 |
| Reconciliation to the Group's interests in the associates: | | | | | | | | |
| Proportion of the Group's ownership | **22.77%** | 22.77% | **3.975%** | 3.975% | **16%** | 16% | **–** | 49% |
| Group's share of net assets of the associates | **5,837,855** | 6,035,618 | **942,867** | 909,660 | **788,637** | 248,710 | **–** | 3,570,287 |
| Group's share of the revaluation surplus of assets of the associate | **810,583** | 810,661 | **–** | – | **–** | – | **–** | – |
| Goodwill on acquisition | **–** | – | **221,731** | 221,731 | **–** | – | **–** | 25,452 |
| Carrying amounts of the investments | **6,648,438** | 6,846,279 | **1,164,598** | 1,131,391 | **788,637** | 248,710 | **–** | 3,595,739 |



## 12. INVESTMENTS IN ASSOCIATES *(Continued)*

| | For the six months ended 30 June | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | CIMC | | BOK | | Shanghai Life | | CSPD | |
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) (Restated) | **(Unaudited)** | (Unaudited) (Restated) | **(Unaudited)** | (Unaudited) (Restated) | **(Unaudited)** | (Unaudited) |
| Revenue | **23,542,843** | 32,637,289 | **4,894,081** | 6,034,584 | **11,132,437** | 130,320 | **88,609** | 193,831 |
| Attributable to owners of parent: | | | | | | | | |
| (Loss)/profit for the period | **(378,034)** | 1,518,195 | **1,622,761** | 1,770,291 | **(726,228)** | (31,804) | **17,229** | 135,596 |
| Other comprehensive income/(loss) for the period | **274,766** | (51,516) | **(12,486)** | 29,287 | **(139,227)** | (47,495) | **(10,046)** | 33,453 |
| Total comprehensive income/(loss) for the period | **(103,268)** | 1,466,679 | **1,610,275** | 1,799,578 | **(865,455)** | (79,299) | **7,183** | 169,049 |
| Dividends declared | **654,822** | 833,030 | **774,866** | 767,487 | **–** | – | **–** | – |

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

| | For the six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) (Restated) |
| Share of the associates' profit for the period | **13,840** | 8,836 |
| Share of the associates' other comprehensive income | **639** | 371 |
| Share of the associates' total comprehensive income | **14,479** | 9,207 |

| | **30 June 2016** | 31 December 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) (Restated) |
| Aggregate carrying amount of the Group's investments in the associates | **108,379** | 180,203 |



## 13. AVAILABLE-FOR-SALE INVESTMENTS

| | **30 June 2016** | 31 December 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) (Restated) |
| Open-ended funds, at fair value | **607,311** | 686,666 |
| Wealth management products, at cost | **650,000** | 295,000 |
| Listed equity investments, at fair value | **137,026** | 205,468 |
| Unlisted equity investments, at cost | **162,781** | 162,781 |
| | **1,557,118** | 1,349,915 |

During the six months ended 30 June 2016 and 2015, a net loss after tax of RMB95,567,000 and a net gain after tax of RMB66,473,000 in respect of the Group's available-for-sale investments were recognised in other comprehensive income, respectively,

The unlisted available-for-sale investments are stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair value cannot be measured reliably.

## 14. FINANCE LEASE RECEIVABLES

| | **30 June 2016** | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | **Effective interest rate** | **Maturity** | **RMB'000 (Unaudited)** | Effective interest rate | Maturity | RMB'000 (Unaudited) (Restated) |
| Current portion | **2.6363%-23.1%** | **2016-2017** | **2,167,891** | 3.21% to 23.1% | 2016 | 1,687,513 |
| Non-current portion | **2.6363%-23.1%** | **2017-2026** | **9,082,783** | 3.21% to 23.1% | 2017 to 2026 | 5,730,373 |
| | | | **11,250,674** | | | 7,417,886 |
| Less: impairment | | | **(83,989)** | | | (54,901) |
| | | | **11,166,685** | | | 7,362,985 |



**14. FINANCE LEASE RECEIVABLES** *(Continued)*

| | **Minimum lease receivables** | | **Present value of minimum lease receivables** | |
|---|---|---|---|---|
| | **30 June 2016** | 31 December 2015 | **30 June 2016** | 31 December 2015 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) (Restated) | **(Unaudited)** | (Unaudited) (Restated) |
| Amounts receivables: | | | | |
| Within one year | **2,807,317** | 2,157,114 | **2,167,891** | 1,687,513 |
| In the second to fifth years, inclusive | **8,596,497** | 5,755,729 | **7,224,478** | 4,856,576 |
| After five years | **2,153,980** | 1,042,080 | **1,858,305** | 873,797 |
| Total minimum finance lease receivables | **13,557,794** | 8,954,923 | **11,250,674** | 7,417,886 |
| Less: unearned finance income | **(2,307,120)** | (1,537,037) | | |
| Less: impairment | **(83,989)** | (54,901) | | |
| Total net finance lease receivables | **11,166,685** | 7,362,985 | | |
| Portion classified as current assets | **(2,142,961)** | (1,682,327) | | |
| Non-current portion | **9,023,724** | 5,680,658 | | |

The tables below summarise the movement of impairment losses on finance lease receivables:

| | Note | 2016 | 2015 |
|---|---|---|---|
| | *Note* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) (Restated) |
| At 1 January as previously reported | | **–** | – |
| Effect of merger accounting | *2.2* | **54,901** | 24,111 |
| At 1 January (Restated) | | **54,901** | 24,111 |
| Impairment allowances charged | | **29,087** | 7,730 |
| Exchange realignment | | **1** | 66 |
| At 30 June | | **83,989** | 31,907 |



## 15. LOANS AND RECEIVABLES

| | **30 June 2016 *RMB'000* (Unaudited)** | 31 December 2015 *RMB'000* (Unaudited) (Restated) |
|---|---|---|
| Current portion | **1,830,739** | 3,133,055 |
| Non-current portion | **207,413** | 368,467 |
| | **2,038,152** | 3,501,522 |

The tables below summarise loans and receivables by natures:

| | **30 June 2016 *RMB'000* (Unaudited)** | 31 December 2015 *RMB'000* (Unaudited) (Restated) |
|---|---|---|
| Corporate loans | **2,090,412** | 3,591,305 |
| Impairment losses on loans and receivables | **(52,260)** | (89,783) |
| | **2,038,152** | 3,501,522 |

The tables below summarise the movement of impairment losses on loans and receivables:

| | *Note* | **2016 *RMB'000* (Unaudited)** | 2015 *RMB'000* (Unaudited) (Restated) |
|---|---|---|---|
| At 1 January as previously reported | | **–** | – |
| Effect of merger accounting | *2.2* | **89,783** | 115,861 |
| At 1 January (Restated) | | **89,783** | 115,861 |
| Impairment allowances charged | | **18,694** | 17,550 |
| Reversal of impairment allowances | | **(56,217)** | (22,037) |
| At 30 June | | **52,260** | 111,374 |



## 16. TRADE AND NOTES RECEIVABLES

| | **30 June 2016 *RMB'000* (Unaudited)** | 31 December 2015 *RMB'000* (Unaudited) (Restated) |
|---|---|---|
| Trade receivables | **1,719,099** | 2,583,188 |
| Notes receivables | **66,093** | 202,293 |
| | **1,785,192** | 2,785,481 |
| Impairment of trade receivables | **(64,864)** | (97,375) |
| | **1,720,328** | 2,688,106 |

The tables below summarise the movement of impairment of trade receivables:

| | *Note* | **2016 *RMB'000* (Unaudited)** | 2015 *RMB'000* (Unaudited) (Restated) |
|---|---|---|---|
| At 1 January as previously reported | | **53,531** | 67,848 |
| Effect of merger accounting | *2.2* | **43,844** | 25,627 |
| At 1 January (Restated) | | **97,375** | 93,475 |
| Impairment losses recognised | | **18,877** | 10,511 |
| Impairment losses reversed | | **(46,520)** | (3,048) |
| Write-off | | **(54)** | (2,084) |
| Disposal of subsidiaries | | **(5,852)** | – |
| Exchange realignment | | **1,038** | (751) |
| At 30 June | | **64,864** | 98,103 |



## 17. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

| | *Note* | **30 June 2016 *RMB'000* (Unaudited)** | 31 December 2015 *RMB'000* (Unaudited) (Restated) |
|---|---|---|---|
| Cash and bank balances | | **14,829,828** | 16,783,207 |
| Mandatory reserves with the central bank | *a* | **(670,985)** | (624,391) |
| Pledged time deposits for corporate bonds and general banking facilities | | **(120,020)** | (182,066) |
| Pledged time deposits for bank acceptance bills | | **(16,920)** | – |
| Time deposits with original maturity of more than three months | | **–** | (60,000) |
| Pledged to customs as guarantees for import | | **–** | (1,410) |
| Restricted insurance premium received | | **(56,622)** | (54,401) |
| Restricted cash | | **(864,547)** | (922,268) |
| Cash and cash equivalents | | **13,965,281** | 15,860,939 |

*Note:*

(a) CS Finance is required to place mandatory reserve deposits with the People's Bank of China ("PBOC"), the PRC central bank. Mandatory reserve deposits with the central bank are not available for use in CS Finance's daily operations.

## 18. GENERAL RESERVES

Pursuant to Caijin [2012] No.20 Requirements on Impairment Allowance for Financial Institutions ("Requirement"), issued by Ministry of Finance, in addition to the impairment allowance, CS Finance establishes a general reserve within the equity holders' equity through the appropriation of profit to address unidentified potential impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement, and the minimum threshold can be accumulated over a period of no more than five years.



## 19. BANK AND OTHER BORROWINGS

| | **30 June 2016** | 31 December 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) (Restated) |
| **Current** | | |
| Bank loans | **11,913,789** | 7,144,984 |
| Commercial paper notes | **2,320,920** | 4,870,200 |
| Borrowing from fellow subsidiary | **10,609,920** | 10,533,659 |
| Borrowing from immediate holding company | **4,500,000** | 4,270,000 |
| | **29,344,629** | 26,818,843 |
| **Non-current** | | |
| Bank loans | **29,996,913** | 23,775,727 |
| Borrowing from fellow subsidiary | **9,482,616** | 324,680 |
| Borrowing from the immediate holding company | **2,300,000** | 1,249,360 |
| | **41,779,529** | 25,349,767 |
| | **71,124,158** | 52,168,610 |



## 20. CORPORATE BONDS

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Unaudited) (Restated) |
|---|---|---|
| Current portion | **2,042,810** | 245,617 |
| Non-current portion | **1,506,225** | 3,449,494 |
| | **3,549,035** | 3,695,111 |

On 12 June 2007, the Company issued corporate bonds in the PRC with a face value of RMB1,800,000,000 ("Bond A"), pursuant to the approval obtained from the National Development and Reform Commission of the PRC. The bonds are denominated in RMB and for a ten-year period fully repayable by 12 June 2017, and bear interest at a rate of 4.51% per annum. The bonds are guaranteed by the Bank of China, Shanghai branch, and have been listed on the interbank bond market in the PRC. As of 30 June 2016, the carrying amount of Bond A was RMB1,797,658,000 (31 December 2015: RMB1,796,432,000).

On 25 September 2013, Dong Fang Container Finance (SPV) Limited ("DFCF(SPV)"), a subsidiary of the Company, issued a note with an aggregate principal amount of US$200,000,000 ("Note 2013"). The note carried an interest yield of 3.96% per annum and was issued at a price of 99.1001049% of its principal amount. The note bears interest from 25 September 2013, payable monthly in arrears. Unless previously prepaid by DFCF(SPV), the note is repayable monthly in accordance with the repayment schedule in the note offering memorandum commencing from October 2013. The note is subject to repayment in whole or in part, at a price equal to 102% of the aggregate principal amount if repayment made during 25 October 2015 to 24 October 2018 or 100% of the aggregate principal amount if repayment made on or after 25 October 2018, together with accrued interest, at the discretion of DFCF(SPV) at any time after 25 October 2015. As of 30 June 2016, the carrying amount of Note 2013 was RMB840,949,000 (31 December 2015: RMB1,012,753,000).

On 4 December 2014, the Dong Fang Container Finance II (SPV) Limited ("DFCFII(SPV)"), a subsidiary of the Company, issued notes with 2 classes (together refer to as "Note 2014"). The notes are set out as follows:

(a) principal amount of US$35,000,000 class A-1 notes (the "Class A-1 Notes"), and

(b) principal amount of US$124,000,000 class A-2 notes (the "Class A-2 Notes").



**20. CORPORATE BONDS** *(Continued)*

Class A-1 Notes carried an interest yield of 1.95% per annum and were issued at a price of 99.99017% of its principal amount.

Class A-2 Notes carried an interest yield of 3.55% per annum and were issued at a price of 99.89347% of its principal amount.

The notes bear interest from 4 December 2014, payable monthly in arrears. Unless previously repaid by DFCFII(SPV), Class A-1 Notes and Class A- 2 Notes are repayable monthly in accordance with the repayment schedule in the note offering memorandum commencing from December 2014. The notes are subject to prepayment in whole or in part at their principal amount, together with accrued interest, at the discretion of DFCFII(SPV) at any time after 4 December 2016. As of 30 June 2016, the carrying amount of Note 2014 was RMB910,428,000 (31 December 2015: RMB885,926,000).

**21. DEPOSITS FROM CUSTOMERS**

| | **30 June 2016** *RMB'000* **(Unaudited)** | 31 December 2015 *RMB'000* (Unaudited) (Restated) |
|---|---|---|
| **Current** | | |
| Demand deposits | **7,132,076** | 4,482,658 |
| Time deposits | **689,761** | – |
| | **7,821,837** | 4,482,658 |
| **Non-current** | | |
| Time deposits | **8,951** | 8,900 |
| | **7,830,788** | 4,491,558 |

**22. OTHER LONG TERM PAYABLES**

Long term payables represent deposits for finance lease contract received from customers due after one year.



## 23. DISPOSAL OF SUBSIDIARIES

(a) During the six months ended 30 June 2016, the Group disposed of a series of subsidiaries, particulars of which can be referred to note 1.

Details of the net assets disposed of and gain on disposal are as follows:

| | RMB'000 (Unaudited) |
|---|---|
| Net assets disposed of: | |
| Property, plant and equipment | 164,594 |
| Investment properties | 2,028 |
| Intangible assets | 4,145 |
| Deferred tax assets | 1,018 |
| Inventories | 18,087 |
| Trade and notes receivables | 2,726,445 |
| Prepayments and other receivables | 585,237 |
| Cash and cash equivalents | 1,130,988 |
| Bank and other borrowings | (416,954) |
| Deferred tax liabilities | (64) |
| Other long term payables | (335) |
| Trade payables | (2,555,611) |
| Other payables and accruals | (776,900) |
| Tax payable | (8,208) |
| Non-controlling interests | (63,341) |
| | 811,129 |
| Reclassification adjustments on exchange differences on translation of foreign operations to gain included in the interim condensed consolidated statement of profit or loss | 1,431 |
| Gain on disposal of subsidiaries | 10,064 |
| | 822,624 |
| Satisfied by: | |
| Cash | 800,481 |
| Other receivables | 22,143 |
| | 822,624 |

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

| | RMB'000 (Unaudited) |
|---|---|
| Cash and cash equivalents disposed of | (1,131,574) |
| Cash received | 801,067 |
| Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries | (330,507) |



**23. DISPOSAL OF SUBSIDIARIES** *(Continued)*

(b) The Group had 25% equity interests in E-shipping Global Supply Chain Management Co.,Ltd. ("E-shipping") and controlled E-shipping with dominant voting rights from contractual arrangement with the other vote holders of E-shipping as at 31 December 2015. During the six months ended 30 June 2016, such contractual arrangement ceased. Accordingly, the Group lost control over E-shipping, which was transferred from a subsidiary of the Group to an associate of the Group.

Details of the net assets disposed of and gain on disposal are as follows:

| | RMB'000 (Unaudited) |
|---|---|
| Net assets disposed of: | |
| Property, plant and equipment | 467 |
| Inventories | 331 |
| Trade and notes receivables | 3,464 |
| Prepayments and other receivables | 911 |
| Cash and cash equivalents | 19,377 |
| Trade payables | (1,209) |
| Other payables and accruals | (16,569) |
| Non-controlling interests | (1,839) |
| | 4,933 |
| Gain on disposal of subsidiary | 1,851 |
| | 6,784 |
| Satisfied by: | |
| Investment in an associate | 6,784 |

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiary is as follows:

| | RMB'000 (Unaudited) |
|---|---|
| Cash and cash equivalents disposed of and net outflow of cash and cash equivalents in respect of the disposal of subsidiary | (19,377) |



**23. DISPOSAL OF SUBSIDIARIES** *(Continued)*

(c) On 1 January 2015, the Group transferred 100% equity interests in four subsidiaries, Shanghai Zhenjing Industrial Co.,Ltd., Shanghai Chutai Industrial Co.,Ltd., Shanghai Chaokun Industrial Co.,Ltd., and Shanghai Yuekun Industrial Co.,Ltd. to China Shipping Property Co.,Ltd., a fellow subsidiary, for nil consideration. These four subsidiaries were engaged in property investment.

Details of the net assets disposed of and equity charged on disposal are as follows:

| | RMB'000<br>(Unaudited)<br>(Restated) |
|---|---|
| Net assets disposed of: | |
| Property, plant and equipment | 3,307 |
| Investment properties | 429,686 |
| Prepayments and other receivables | 18,812 |
| Cash and cash equivalents | 8,005 |
| Other payables and accruals | (4,322) |
| | 455,488 |
| Charge other reserves | (58,272) |
| Charge retained profits | (397,216) |
| | – |

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiary is as follows:

| | RMB'000<br>(Unaudited)<br>(Restated) |
|---|---|
| Cash and cash equivalents disposed of and net outflow of cash and cash equivalents in respect of the disposal of subsidiary | (8,005) |



**24. COMMITMENTS**

The Group had the following capital commitments at the end of the reporting period:

| | **30 June 2016** *RMB'000* **(Unaudited)** | 31 December 2015 *RMB'000* (Unaudited) (Restated) |
|---|---|---|
| Contracted, but not provided for: | | |
| Equity investment | **1,575,000** | – |
| Containers | **24,802** | 19,954 |
| Vessel under construction | **10,654,848** | 10,528,286 |
| Others | **69,325** | 69,325 |
| | **12,323,975** | 10,617,565 |

**25. SIGNIFICANT RELATED PARTY TRANSACTIONS**

| | For the six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| Interest income from immediate holding company | **16,791** | – |
| Interest expenses to immediate holding company | **133,657** | 35,437 |
| Income from fellow subsidiaries: | | |
| Liner service income | **11,908** | 55,820 |
| Finance lease income | **10,677** | 13,904 |
| Container rental income | **766,425** | 543,197 |
| Chassis rental income | **276** | – |
| Vessels rental income | **2,073,633** | – |
| House rental income | **–** | 1,601 |
| Fuel supply | **200,662** | 684,453 |
| Nomination fee income | **5,481** | 2,695 |
| Interest income | **36,059** | 51,340 |
| Commission income | **1,768** | 804 |
| Insurance income | **3,837** | 4,184 |
| Expenses to fellow subsidiaries: | | |
| Vessel construction | **71,251** | – |
| Lease of containers | **29,370** | 2,677 |
| Lease of chassis | **–** | 2,287 |
| Lease of properties | **9,788** | 33,270 |
| Cargo and liner agency services | **66,007** | 292,420 |
| Container management services | **16,696** | 49,852 |
| Vessel repair services | **17,403** | 10,463 |
| Handling, storage and maintenance expenses | **3,135** | 1,216 |
| Supply of fresh water, vessel fuel, lubricants, spare parts and other materials | **161,647** | 650,772 |
| Depot services | **3,877** | 9,036 |
| Information technology service charges | **8,021** | 18,847 |
| Provision of crew members | **360,884** | 367,711 |
| Loading and unloading services | **143** | 522,997 |
| Purchase of containers | **36,566** | 823,476 |
| Ground container transport costs | **3,732** | 3,248 |
| Interest expenses | **11,330** | 18,006 |
| Key management compensation: | | |
| Basic salaries and allowances | **3,670** | 9,235 |

## 26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**Financial assets – held-for-trading financial assets**

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Unaudited) (Restated) |
|---|---|---|
| Held-for-trading investments | **21,668** | 200,349 |

**Financial assets – loans and receivables**

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Unaudited) (Restated) |
|---|---|---|
| Cash and cash equivalents | **13,965,281** | 15,860,939 |
| Restricted cash | **864,547** | 922,268 |
| Trade and notes receivables | **1,720,328** | 2,688,106 |
| Financial assets included in prepayments and other receivables | **724,192** | 1,521,211 |
| Finance lease receivables | **11,166,685** | 7,362,985 |
| Loans and receivables | **2,038,152** | 3,501,522 |
| | **30,479,185** | 31,857,031 |

**Financial assets – available-for-sale financial assets**

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Unaudited) (Restated) |
|---|---|---|
| Available-for-sale investments | **1,557,118** | 1,349,915 |



**26. FINANCIAL INSTRUMENTS BY CATEGORY** *(Continued)*

**Financial liabilities – held-for-trading financial liabilities**

| | **30 June 2016** ***RMB'000*** **(Unaudited)** | 31 December 2015 *RMB'000* (Unaudited) (Restated) |
|---|---|---|
| Derivative financial instruments | **33,389** | 838 |

**Financial liabilities – other liabilities at amortised cost**

| | **30 June 2016** ***RMB'000*** **(Unaudited)** | 31 December 2015 *RMB'000* (Unaudited) (Restated) |
|---|---|---|
| Trade and notes payables | **2,291,539** | 4,041,654 |
| Financial liabilities included in other payables and accruals | **940,029** | 1,351,986 |
| Bank and other borrowings | **71,124,158** | 52,168,610 |
| Corporate bonds | **3,549,035** | 3,695,111 |
| Finance lease obligations | **–** | 141 |
| Deposits from customers | **7,830,788** | 4,491,558 |
| Other long term payables | **701,370** | 405,129 |
| | **86,436,919** | 66,154,189 |



**27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | Carrying amounts | | Fair values | |
|---|---|---|---|---|
| | **30 June 2016** | 31 December 2015 | **30 June 2016** | 31 December 2015 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) (Restated) | **(Unaudited)** | (Unaudited) (Restated) |
| Finance lease receivables | **9,023,724** | 5,680,658 | **9,110,646** | 5,766,412 |
| Bank and other borrowings | **41,779,529** | 25,349,767 | **41,693,197** | 25,144,797 |
| Corporate bonds | **1,506,225** | 3,449,494 | **1,428,359** | 3,336,457 |
| Other long term payables | **701,370** | 405,129 | **686,788** | 395,494 |
| | **53,010,848** | 34,885,048 | **52,918,990** | 34,643,160 |

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and notes receivables, financial assets included in prepayments and other receivables, current portion of financial lease receivables and loans and receivables, trade and notes payables, financial liabilities included in other payables and accruals, current portion of corporate bonds and finance lease obligations, deposits from customers and current portion of bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

Management has assessed that the fair values of the non-current portion of loans and receivables and non-current portion of deposits from customers of the Group approximates to their fair value due to their floating interest rates.

The 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 department reports directly to the chief financial officer. At each reporting date, 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 value of the non-current portion of financial lease receivables, non-current portion of bank and other borrowings, non-current portion of corporate bonds and other long term payables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.



**27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** *(Continued)*

**Financial assets measured at fair value**

| | **Fair value measurement categorised into** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **30 June 2016** | | | | |
| Held-for-trading investments | **21,668** | **–** | **–** | **21,668** |
| Available-for-sale investments | **744,337** | **–** | **–** | **744,337** |
| | **766,005** | **–** | **–** | **766,005** |
| **31 December 2015** | | | | |
| Held-for-trading investments | 200,349 | – | – | 200,349 |
| Available-for-sale investments | 892,134 | – | – | 892,134 |
| | 1,092,483 | – | – | 1,092,483 |

**Financial liabilities measured at fair value**

| | **Fair value measurement categorised into** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **30 June 2016** | | | | |
| Derivative financial instruments | **–** | **33,389** | **–** | **33,389** |
| **31 December 2015** | | | | |
| Derivative financial instruments | – | 838 | – | 838 |

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (six months ended 30 June 2015: Nil).



**28. EVENT AFTER THE REPORTING PERIOD**

There is no material subsequent event undertaken by the Group after 30 June 2016.

**29. COMPARATIVE AMOUNTS**

As further explained in note 2.2, due to the application of merger accounting, certain comparative amounts have been restated.

In addition, the comparative interim condensed consolidated statement of profit or loss has been re-presented as if the operation discontinued during the period had been discontinued at the beginning of the comparative period.