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**中遠海運發展股份有限公司**  
**COSCO SHIPPING Development Co., Ltd.\***

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

**(Stock Code: 02866)**

**UPDATE ANNOUNCEMENT ON**  
**(1) MAJOR AND CONNECTED TRANSACTION –**  
**PROPOSED ACQUISITION**  
**(2) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES TO**  
**RAISE ANCILLARY FUNDS**  
**(3) CONNECTED TRANSACTION – CS SUBSCRIPTION**  
**(4) APPLICATION FOR WHITEWASH WAIVER**  
**AND**  
**(5) SPECIAL DEAL**

**MAJOR AND CONNECTED TRANSACTION – PROPOSED ACQUISITION**

The Board is pleased to announce that on 29 April 2021, the Company and COSCO SHIPPING Investment entered into the Supplemental Agreement and the Compensation Agreement, pursuant to which, among other things, the final consideration for the Proposed Acquisition and the number of the Consideration Shares proposed to be issued have been determined by the parties.

**PROPOSED NON-PUBLIC ISSUANCE OF A SHARES TO RAISE ANCILLARY FUNDS**

On 29 April 2021, the Board has approved the additional terms of the Proposed Non-public Issuance of A Shares to raise ancillary funds after the determination of the final consideration for the Proposed Acquisition.

**EGM, CLASS MEETINGS AND CIRCULAR**

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of A Shares; (iii) the CS Subscription; (iv) the Specific Mandates; and (v) the Whitewash Waiver.

The A Shares Class Meeting will be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of A Shares; (iii) the CS Subscription; and (iv) the Specific Mandates.

The H Shares Class Meeting will be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of A Shares; (iii) the CS Subscription; (iv) the Specific Mandates; and (v) the Special Deal.

COSCO SHIPPING and its associates and parties acting in concert with it (including the participants of the Asset Management Plan in respect of the H Shares held thereunder) and those who are involved in or interested in the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and/or the Special Deal will be required to abstain from voting on the relevant resolutions to be proposed at the EGM, the A Shares Class Meeting and/or the H Shares Class Meeting. In the event that a Shareholder becomes a subscriber under the Proposed Non-public Issuance of A Shares, such Shareholder will be required to abstain from voting at the EGM, the A Shares Class Meeting and/or the H Shares Class Meeting. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and the Special Deal and therefore no other Shareholder is required to abstain from voting at the EGM and/or the Class Meetings.

The Circular containing, among other things, (i) further details of the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and the Special Deal; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and/or the Special Deal; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and/or the Special Deal; (iv) the financial information of the Target Companies; (v) certain other information required under the Listing Rules and the Takeovers Code; and (vi) the notice of the EGM and the Class Meetings will be despatched to the Shareholders as soon as practicable and on or before 21 May 2021.

**Completion of the Proposed Acquisition, the Proposed Non-public Issuance of A Shares and the CS Subscription are subject to the satisfaction of certain conditions, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

Reference is made to the announcements of the Company dated 27 January 2021, 10 February 2021, 9 March 2021 and 9 April 2021 in relation to, among other things, (a) the Proposed Acquisition; (b) the Proposed Non-public Issuance of A Shares; (c) the CS Subscription; (d) the Whitewash Waiver; and (e) the Special Deal.

The Board is pleased to announce that on 29 April 2021, the Company and COSCO SHIPPING Investment entered into the Supplemental Agreement and the Compensation Agreement, pursuant to which, among other things, the final consideration for the Proposed Acquisition and the number of the Consideration Shares proposed to be issued have been determined by the parties.

In addition, on 29 April 2021, the Board has approved the additional terms of the Proposed Non-public Issuance of A Shares to raise ancillary funds after the determination of the final consideration for the Proposed Acquisition.

## I. MAJOR AND CONNECTED TRANSACTION – PROPOSED ACQUISITION

### Supplemental Agreement

On 29 April 2021, the Company and COSCO SHIPPING Investment entered into the Supplemental Agreement, pursuant to which, among other things, the final consideration for the Proposed Acquisition and the number of the Consideration Shares proposed to be issued have been determined by the parties.

The principal terms of the Supplemental Agreement are as follows:

**Date:** 29 April 2021

**Parties:** (1) the Company, as purchaser; and  
(2) COSCO SHIPPING Investment, as vendor.

**Consideration:** According to the Asset Valuation Reports issued by China Tong Cheng, which have been approved by and filed with the competent state-owned assets supervision and administrative authorities, the appraised value of the Target Assets as at the Valuation Benchmark Date, which were determined based on the asset-based approach, are as follows:

<b>Target Assets</b>	<b>Appraised value (RMB)</b>
100% of the equity interest in DFIC Qidong	1,570,740,500
100% of the equity interest in DFIC Qingdao	1,332,936,400
100% of the equity interest in DFIC Ningbo	606,372,400
100% of the equity interest in Universal Technology	51,827,800
<b>Total</b>	<b>3,561,877,100</b>

The parties have agreed that the consideration for transfer of 100% equity interest in each of the Target Companies shall be equivalent to the respective appraised value as set out above and therefore, the final consideration for the Proposed Acquisition shall be RMB3,561,877,100

Please refer to Appendices I-A, I-B, I-C and I-D to this announcement for the full text of the Asset Valuation Reports and Appendix II for the letter of confirmation issued by China Tong Cheng. Pursuant to Rule 11.1(b) of the Takeovers Code, the Independent Financial Adviser has confirmed that China Tong Cheng is suitably qualified and experienced to undertake the valuation of the Target Assets. Please refer to Appendix III to this announcement for the letter of confirmation issued by the Independent Financial Adviser.

**Issue of Consideration Shares:**

As set out in the Announcement, the issue price of the Consideration Shares shall be RMB2.51 per Consideration Share, representing 90% of the average trading prices of the A Shares for the 120 trading days prior to the Pricing Benchmark Date (rounded up to the nearest two decimal places). During the period between the Pricing Benchmark Date and the date of issue of the Consideration Shares, in case of any ex-rights or ex-dividends events of the Company including distribution of cash dividends, bonus issues, capitalization issues, rights issues, the issue price of the Consideration Shares will be adjusted (rounded up to the nearest two decimal places) in accordance with the relevant PRC laws and regulations.

The number of Consideration Shares to be issued by the Company to COSCO SHIPPING Investment shall be calculated by (i) the final consideration for the Proposed Acquisition, divided by (ii) the final issue price of the Consideration Shares. In the event of fractional shares, COSCO SHIPPING Investment shall waive such fractional shares.

Based on the final consideration for the Proposed Acquisition of RMB3,561,877,100 and the issue price of RMB2.51 per Consideration Share, the parties have determined that the number of Consideration Shares to be issued by the Company to COSCO SHIPPING Investment shall be 1,419,074,539 A Shares, further details of which are set forth below:

Target Assets	Consideration (RMB)	Number of Consideration Shares to be issued
100% of the equity interest in DFIC Qidong	1,570,740,500	625,793,027
100% of the equity interest in DFIC Qingdao	1,332,936,400	531,050,358
100% of the equity interest in DFIC Ningbo	606,372,400	241,582,629
100% of the equity interest in Universal Technology	51,827,800	20,648,525
<b>Total</b>	<b><u>3,561,877,100</u></b>	<b><u>1,419,074,539</u></b>

As disclosed in the annual results announcement of the Company dated 30 March 2021, the Board has proposed the payment of a final dividend of RMB0.056 per Share (inclusive of applicable tax), which is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company. If the aforementioned final dividend will be paid prior to the issue of the Consideration Shares, the issue price of the Consideration Shares will be adjusted to RMB2.46 per Consideration Share (rounded up to the nearest two decimal places) and therefore the number of Consideration Shares to be issued will be adjusted as follows:

Target Assets	Consideration (RMB)	Number of Consideration Shares to be issued
100% of the equity interest in DFIC Qidong	1,570,740,500	638,512,398
100% of the equity interest in DFIC Qingdao	1,332,936,400	541,844,065
100% of the equity interest in DFIC Ningbo	606,372,400	246,492,845
100% of the equity interest in Universal Technology	51,827,800	21,068,211
<b>Total</b>	<b><u>3,561,877,100</u></b>	<b><u>1,447,917,519</u></b>

**Profit or loss during the Transitional Period:** The parties agreed that the Company shall be (i) entitled to the profits or any increase in equity attributable to owners of the parent; and (ii) liable for the losses or any decrease in equity attributable to owners of the parent, of the Target Companies during the Transitional Period.

**Effectiveness of the Supplemental Agreement:** The effectiveness of the Supplemental Agreement is conditional upon the fulfilment of the following conditions:

- (i) the Supplemental Agreement having been duly executed by both parties; and
- (ii) the Acquisition Agreement having become effective.

As at the date of this announcement, the condition set out in paragraph (i) above has been fulfilled.

As disclosed in the Announcement, the effectiveness of the Acquisition Agreement is conditional upon the fulfilment of all of the following conditions:

- (i) the Acquisition Agreement having been duly executed by both parties;
- (ii) the approval of the Proposed Acquisition by the Board and the Independent Shareholders at the EGM and the Class Meetings;
- (iii) the approval of the Proposed Acquisition by the internal governing bodies of COSCO SHIPPING Investment;
- (iv) the approval of the Proposed Acquisition by the internal governing bodies of the Target Companies;
- (v) the approval of the Restructuring by the competent state-owned assets supervision and administrative authorities; and
- (vi) the approval of the Proposed Acquisition by the CSRC.

None of the above conditions may be waived by any party to the Acquisition Agreement. As at the date of this announcement, the conditions set out in paragraph (i), (ii) (in respect of the approval by the Board only), (iii) and (iv) above have been fulfilled.

Further, as disclosed in the Announcement, completion of Proposed Acquisition is conditional upon the fulfilment and/or waiver of conditions precedent including, among other things, (i) the Asset Valuation Reports having been filed and confirmed with the competent state-owned assets supervision and administrative authorities; and (ii) the obtaining of approval or waiver from onshore and offshore competent regulatory authorities in respect of the concentration of business operations involved in the Proposed Acquisition (if required). As at the date of this announcement, the Asset Valuation Reports have been filed and confirmed with the competent state-owned assets supervision and administrative authorities and it is determined that no approval or waiver from onshore and offshore competent regulatory authorities in respect of the concentration of business operations involved in the Proposed Acquisition will be required. Therefore, the aforementioned conditions precedent have been fulfilled.

**Termination:**

The Supplemental Agreement shall be automatically terminated if the Acquisition Agreement is terminated for any reason.

Save as disclosed above, all other terms and conditions under the Acquisition Agreement shall remain unchanged.

## Compensation Agreement

On 29 April 2021, the Company and COSCO SHIPPING Investment entered into the Compensation Agreement, pursuant to which, COSCO SHIPPING Investment undertakes to provide performance guarantees and related compensation in respect of certain patents of DFIC Qidong and Universal Technology.

The compensation arrangement under the Compensation Agreement is made pursuant to the requirements of the Administrative Measures for Material Asset Restructuring and other relevant PRC laws and regulations, since the appraised values of such certain patents of DFIC Qidong and Universal Technology in the relevant Asset Valuation Reports were determined based on the income approach.

The principal terms of the Compensation Agreement are as follows:

**Date:** 29 April 2021

**Parties:** (1) the Company; and  
(2) COSCO SHIPPING Investment.

**Performance Compensation Assets:** According to the relevant Asset Valuation Reports, the appraised values of the certain patents in relation to the manufacturing of containers of DFIC Qidong and Universal Technology, being the Performance Compensation Assets, were determined based on the income approach with reference to the discounted future estimated income attributable to such Performance Compensation Assets for the four years from 2021 to 2024 (being their remaining economic life).

Pursuant to the requirements of the Administrative Measures for Material Asset Restructuring and other relevant PRC laws and regulations, COSCO SHIPPING Investment undertakes to provide performance guarantees and related compensation in respect of the Performance Compensation Assets based on the abovementioned future estimated income attributable to such Performance Compensation Assets in the relevant Asset Valuation Reports.

**Performance Compensation Period:** The Performance Compensation Period shall be three consecutive financial years commencing from the year in which the Completion takes place (inclusive of such year of Completion).

If the Proposed Acquisition is completed on or before 31 December 2021, the Performance Compensation Period shall be the years of 2021, 2022 and 2023. If the Proposed Acquisition is not completed on or before 31 December 2021, the Performance Compensation Period shall be the years of 2022, 2023 and 2024.

**Compensation  
arrangements:**

*Compensation for performance guarantees*

COSCO SHIPPING Investment undertakes that the future income attributable to the Performance Compensation Assets shall not be lower than the respective future estimated income attributable to the Performance Compensation Assets as set out in the relevant Asset Valuation Reports, further details of which are set out below:

- (i) With respect to the Performance Compensation Assets of DFIC Qidong, the audited income attributable thereto shall not be lower than:
  - (a) if the Proposed Acquisition is completed on or before 31 December 2021, RMB2,021,200 for 2021, RMB1,418,000 for 2022 and RMB1,159,200 for 2023; and
  - (b) if the Proposed Acquisition is not completed on or before 31 December 2021, RMB1,418,000 for 2022, RMB1,159,200 for 2023 and RMB1,040,400 for 2024; and
- (ii) With respect to the Performance Compensation Assets of Universal Technology, the audited income attributable thereto shall not be lower than:
  - (a) if the Proposed Acquisition is completed on or before 31 December 2021, RMB7,473,200 for 2021, RMB5,104,600 for 2022 and RMB4,195,800 for 2023; and
  - (b) if the Proposed Acquisition is not completed on or before 31 December 2021, RMB5,104,600 for 2022, RMB4,195,800 for 2023 and RMB3,644,900 for 2024.

Upon the expiry of each financial year during the Performance Compensation Period, the Company shall select and engage a qualified accounting firm to conduct audit on DFIC Qidong and Universal Technology and issue a specific audit opinion. If the audited actual income attributable to the Performance Compensation Assets is lower than the corresponding guaranteed amount as set out above for the financial year, COSCO SHIPPING Investment shall compensate the Company for an amount (calculated in accordance with the formula below) through return of the Consideration Shares, being the Compensation Shares.

$$\begin{array}{r}
\text{Amount of compensation for the financial year} \\
= \\
\frac{\text{Accumulated amount of the guaranteed income attributable to the Performance Compensation Assets as of the end of the financial year} - \text{Accumulated amount of the actual income attributable to the Performance Compensation Assets as of the end of the financial year}}{\text{Total guaranteed income attributable to the Performance Compensation Assets during the Performance Compensation Period}} \\
\times \\
\text{Consideration for acquisition of Performance Compensation Assets (being the appraised value of the Performance Compensation Assets determined based on the income approach)} \\
- \\
\text{Accumulated amount of compensation made}
\end{array}$$

The number of Compensation Shares to be returned shall be determined in accordance with the below formula:

$$\begin{array}{r}
\text{Number of Compensation Shares for the financial year} \\
= \\
\frac{\text{Amount of compensation for the financial year}}{\text{Issue price per Consideration Share}}
\end{array}$$

If the return of the Compensation Shares is not sufficient for the compensation (due to, for example, the unlikely event that COSCO SHIPPING Investment ceases to hold a sufficient number of Consideration Shares), COSCO SHIPPING Investment shall pay such shortfall in cash.

*Additional compensation for impairment*

Upon the expiry of the Performance Compensation Period, the Company shall select and engage a qualified accounting firm to carry out impairment test on the Performance Compensation Assets and issue a corresponding impairment test report.

If the amount of impairment of the Performance Compensation Assets as at the end of the Performance Compensation Period is larger than the sum of (i) the total number of Compensated Shares during the Performance Compensation Period (excluding the effects of ex-rights and ex-dividends events) multiplied by the issue price per Consideration Share; and (ii) the total amount of cash compensation, COSCO SHIPPING Investment shall make additional compensation (calculated in accordance with the formula below) to the Company through return of the Compensation Shares:

$$\begin{array}{rclclcl}
 \text{Amount of} & & & & \text{Total number} & & \\
 \text{compensation} & & & & \text{of Compensation} & & \\
 \text{for impairment} & = & \text{Amount of impairment} & - & \text{Shares returned} & - & \text{Total amount of} \\
 & & \text{of the Performance} & & \text{for performance} & & \text{cash compensation} \\
 & & \text{Compensation Assets} & & \text{guarantees during} & & \text{for performance} \\
 & & & & \text{the Performance} & & \text{guarantees during} \\
 & & & & \text{Compensation} & & \text{the Performance} \\
 & & & & \text{Period} \times \text{Issue} & & \text{Compensation} \\
 & & & & \text{price per} & & \text{Period} \\
 & & & & \text{Consideration Share} & & 
 \end{array}$$

The number of Compensation Shares to be returned shall be determined in accordance with the below formula:

$$\text{Number of Compensation Shares for the impairment compensation} = \frac{\text{Amount of compensation for impairment}}{\text{Issue price per Consideration Share}}$$

If the return of the Compensation Shares is not sufficient for the compensation (due to, for example, the unlikely event that COSCO SHIPPING Investment ceases to hold a sufficient number of Consideration Shares), COSCO SHIPPING Investment shall pay such shortfall in cash.

For the avoidance of doubt, the compensation for performance guarantees and impairment in respect of (i) the Performance Compensation Assets of DFIC Qidong; and (ii) the Performance Compensation Assets of Universal Technology will be assessed and calculated separately.

In the event that during the Performance Compensation Period, the Company has conducted bonus issues or capitalization issues and/or has distributed cash dividends, the number of Compensation Shares shall be adjusted accordingly and any cash dividends associated with the Compensation Shares shall also be returned to the Company.

The Compensation Shares shall be bought back by the Company at the consideration of RMB1.00 and cancelled thereafter. In the event of such buy-back and cancellation of the Compensation Shares by the Company, the Company shall comply with all relevant requirements under the Articles of Association and the applicable laws and regulations including the Listing Rules, the Takeovers Code and the Hong Kong Code on Share Buy-backs.

**Maximum amount of compensation:**

The parties agree that the maximum amount of compensation to be made by COSCO SHIPPING Investment to the Company under the Compensation Agreement shall not exceed the consideration for the Performance Compensation Assets under the Proposed Acquisition (being RMB20,076,400, the aggregate appraised values of the Performance Compensation Assets determined based on the income approach).

**Effectiveness of the Compensation Agreement:**

The effectiveness of the Compensation Agreement is conditional upon the fulfilment of the following conditions:

- (i) the Compensation Agreement having been duly executed by both parties; and
- (ii) the Acquisition Agreement having become effective.

As at the date of this announcement, the condition set out in paragraph (i) above has been fulfilled.

The Compensation Agreement shall be automatically terminated if the Acquisition Agreement is terminated for any reason.

**Profit forecasts**

As the appraised values of the Performance Compensation Assets were determined based on the income approach and one of the valuation methods adopted by China Tong Cheng in appraising the Target Assets as set out the Asset Valuation Reports was the income approach, which involved the calculation of discounted future estimated cash flows, the aforementioned valuation of the Performance Compensation Assets and the appraised value of the Target Assets based on the income approach constitute profit forecasts (the “**Profit Forecasts**”) under Rule 14.61 of the Listing Rules and Rules 10 and 11.1(a) of the Takeovers Code, and the Company is required to comply with Rules 14.62 and 14A.68(7) of the Listing Rules and Rules 10 and 11 of the Takeovers Code.

For the purpose of complying with the requirements under Rules 14.62 and 14A.68(7) of the Listing Rules and Rules 10 and 11 of the Takeovers Code, the Profit Forecasts have been reported on in accordance with the Listing Rules and the Takeovers Code by Messis Capital, the Independent Financial Adviser, confirming that the Profit Forecasts have been made by the Directors after due care and consideration, and Ernst & Young, the auditor of the Company, reviewing the calculations of the discounted future estimated cash flows used in connection with the Profit Forecasts.

The principal assumptions upon which the valuation was based are set out below:

**1. Basic assumptions**

- (a) Transaction assumption. The transaction assumption is that all assets to be appraised are in the process of transaction (which means that the Target Assets are assumed to be the subject of a transaction as at the Valuation Benchmark Date), and the Valuer will make estimation in a simulated market according to the transaction conditions (among others) of assets to be appraised.
- (b) Open market assumption. The open market assumption is that the Target Assets may be traded freely in a highly competitive market and the price of which is determined based on the judgment of both independent trading parties over the value of assets under certain supply and demand conditions. An open market refers to a market which is highly competitive with various buyers and sellers. In the open market, both parties of a transaction are equal, which means they are given the opportunity and time to acquire sufficient market information. Buyers and sellers are supposed to be acting voluntarily and rationally rather than being coerced or confined during the transaction.
- (c) Assumption on continuing operation. Assumption on continuing operation refers to the assumption that the operating activities of the Target Companies will continue and will not be suspended or terminated in the foreseeable future.

**2. Specific assumptions**

- (a) There will be no significant changes in the relevant prevailing laws, regulations and policies as well as macro-economic situation of the country and place where the Target Companies reside, significant changes in the political, economic or social environment in the regions in which the parties to the transaction are located, or material adverse effects arising from other unforeseeable factors and force majeure.
- (b) It is assumed that the Target Companies will have balanced cash inflows and cash outflows throughout the year based on its actual operation conditions.
- (c) It is assumed that the current and future operators and managers of the Target Companies exercise due diligence, and the management of the Target Companies are competent in discharging their duties to ensure that the Target Companies are able to operate on a going concern basis, the development, production, and operation plans of which can be fulfilled as scheduled.
- (d) It is assumed that the Target Companies are in full compliance with all relevant national laws and regulations, without committing any significant violation that prejudices corporate development and realisation of revenue.
- (e) It is assumed that the accounting policies to be adopted by the Target Companies in the future are basically consistent with those adopted during the preparation of the Asset Valuation Reports in material aspects.
- (f) It is assumed that, based on its current management approaches and standards, the Target Companies' scope and model of business will remain consistent with the current direction.

- (g) It is assumed that there will be no material changes in the requirements currently implemented or determined to be implemented regarding the relevant interest rates, exchange rates, taxation bases and tax rates, and government levies according to national regulations.
- (h) It is assumed that no other force majeure and unforeseeable factors will have a material adverse effect on the Target Companies.

China Tong Cheng has confirmed that nothing has come to its attention that the abovementioned assumptions will prove to be incorrect or invalid in respect of the Target Companies.

The letters from the Independent Financial Adviser and Ernst & Young are set out in Appendices III and IV to this announcement, respectively.

The following are the qualifications of the experts who have given opinion or advice contained in this announcement:

<b>Name</b>	<b>Qualification</b>	<b>Date of opinion or advice given</b>
China Tong Cheng	Qualified PRC valuer	27 April 2021
Messis Capital	A corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO	29 April 2021
Ernst & Young	Certified Public Accountants, Hong Kong	29 April 2021

As at the date of this announcement, each of the abovementioned experts had given and had not withdrawn its written consent to the issue of this announcement with the inclusion of its letter or opinion and/or the reference to its name and opinions in the form and context in which they respectively appear. As at the date of this announcement, each of the abovementioned experts did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

### **Information on the Target Companies**

As at the date of this announcement, each of the Target Companies is a wholly-owned subsidiary of COSCO SHIPPING Investment. The audited aggregate net asset value of the Target Companies as at 31 December 2020 was RMB3,101,012,176.

Upon completion of the Proposed Acquisition, each of the Target Companies will become a wholly-owned subsidiary of the Company and the financial information of the Target Companies will be consolidated into the consolidated financial statements of the Group.

Further details of the Target Companies are set out as follows:

### ***DFIC Qidong***

DFIC Qidong is a limited liability company established in the PRC and is principally engaged in the manufacturing of dry freight, specialized and refrigerated containers.

The financial information of DFIC Qidong for the two financial years ended 31 December 2019 and 2020, prepared in accordance with Hong Kong Financial Reporting Standards, was as follows:

	<b>For the year ended 31 December 2019 (audited) RMB</b>	<b>For the year ended 31 December 2020 (audited) RMB</b>
Net profit/(loss) before taxation	(252,860,148)	167,613,169
Net profit/(loss) after taxation	(250,729,693)	167,613,212

The audited net asset value of DFIC Qidong as at 31 December 2020 was approximately RMB1,431,507,770 and the appraised value of 100% of the equity interest in DFIC Qidong as at the Valuation Benchmark Date (being 31 December 2020) as set out in the relevant Asset Valuation Report and determined based on the asset-based approach, was RMB1,570,740,500.

### ***DFIC Qingdao***

DFIC Qingdao is a limited liability company established in the PRC, and the DFIC Qingdao Group is principally engaged in the manufacturing of dry freight, specialized and refrigerated containers.

The consolidated financial information of the DFIC Qingdao Group for the two financial years ended 31 December 2019 and 2020, prepared in accordance with Hong Kong Financial Reporting Standards, was as follows:

	<b>For the year ended 31 December 2019 (audited) RMB</b>	<b>For the year ended 31 December 2020 (audited) RMB</b>
Net profit/(loss) before taxation	(86,638,500)	128,109,785
Net profit/(loss) after taxation	(86,655,165)	117,364,061

The audited consolidated net asset value of the DFIC Qingdao Group was approximately RMB1,152,084,766 and the appraised value of 100% of the equity interest in DFIC Qingdao as at the Valuation Benchmark Date (being 31 December 2020) as set out in the relevant Asset Valuation Report and determined based on the asset-based approach, was RMB1,332,936,400.

### ***DFIC Ningbo***

DFIC Ningbo is a limited liability company established in the PRC and is principally engaged in the manufacturing of dry freight and specialised containers.

The financial information of DFIC Ningbo for the two financial years ended 31 December 2019 and 2020, prepared in accordance with Hong Kong Financial Reporting Standards, was as follows:

	<b>For the year ended 31 December 2019 (audited) RMB</b>	<b>For the year ended 31 December 2020 (audited) RMB</b>
Net profit/(loss) before taxation	(55,905,472)	35,236,773
Net profit/(loss) after taxation	(58,113,275)	30,442,671

The audited net asset value of DFIC Ningbo as at 31 December 2020 was approximately RMB482,229,967 and the appraised value of 100% of the equity interest in DFIC Ningbo as at the Valuation Benchmark Date (being 31 December 2020) as set out in the relevant Asset Valuation Report and determined based on the asset-based approach, was RMB606,372,100.

### ***Universal Technology***

Universal Technology is a limited liability company established in the PRC and is principally engaged in the provision of technical and development services of container manufacturing.

The financial information of Universal Technology for the two financial years ended 31 December 2019 and 2020, prepared in accordance with Hong Kong Financial Reporting Standards, was as follows:

	<b>For the year ended 31 December 2019 (audited) RMB</b>	<b>For the year ended 31 December 2020 (audited) RMB</b>
Net profit/(loss) before taxation	240,759	8,133,608
Net profit/(loss) after taxation	240,759	6,585,506

The audited net asset value of Universal Technology as at 31 December 2020 was approximately RMB35,189,672 and the appraised value of 100% of the equity interest in Universal Technology as at the Valuation Benchmark Date (being 31 December 2020) as set out in the relevant Asset Valuation Report and determined based on the asset-based approach, was RMB51,827,800.

## II. PROPOSED NON-PUBLIC ISSUANCE OF A SHARES TO RAISE ANCILLARY FUNDS

On 29 April 2021, the Board has approved the additional terms of the Proposed Non-public Issuance of A Shares to raise ancillary funds after the determination of the final consideration for the Proposed Acquisition.

The details of the additional terms of the Proposed Non-public Issuance of A Shares are set out below:

**Amount of funds to be raised** The total amount of ancillary funds to be raised under the Proposed Non-public Issuance of A Shares shall be not more than RMB1,464,000,000 (inclusive of the CS Subscription).

**Additional lock-up obligation:** Each of China Shipping and COSCO SHIPPING undertakes that it shall not transfer any of the Shares directly or indirectly owned by it prior to the completion of the Restructuring within 18 months from the date of completion of the Restructuring.

**Use of proceeds:** The gross proceeds to be raised from the Proposed Nonpublic Issuance of A Shares will be not more than RMB1,464,000,000. The net proceeds from the Proposed Non-public Issuance of A Shares (after deducting all applicable costs and expenses incurred in connection with the Proposed Non-public Issuance of A Shares) are intended to be used in the following manner:

<b>Projects</b>	<b>Total amount of investment (RMB)</b>	<b>Intended allocation of proceeds (RMB)</b>
Production lines technology transformation project of DFIC Qidong	220,214,400	194,000,000
Container production lines technology transformation project of DFIC Qingdao	226,285,900	200,000,000
Logistics equipment transformation project of DFIC Ningbo	103,960,000	92,000,000
Information system upgrade and setup project of Universal Technology	97,422,000	88,000,000
Replenishment of the working capital of the Company	890,000,000	890,000,000
	<hr/>	<hr/>
<b>Total</b>		<b><u><u>1,464,000,000</u></u></b>

Before the receipt of the proceeds to be raised from the Proposed Non-public Issuance of A Shares, the Company will, depending on the status of the projects, finance these projects by funds raised through other means of financing, which will be substituted by the proceeds raised from the Proposed Non-public Issuance of A Shares in accordance with relevant procedures as required by applicable laws and regulations once the same becomes available.

As disclosed in the Announcement, the Proposed Non-public Issuance of A Shares is conditional upon, among other things, the approval of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares by the Board and the Independent Shareholders at the EGM and the Class Meetings. As at the date of this announcement, the approval of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares by the Board has been obtained.

### **III. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the date of this announcement, (i) the total issued share capital of the Company is 11,608,125,000 Shares, which comprises 7,932,125,000 A Shares (inclusive of 79,627,003 A Shares repurchased and held by the Company as treasury shares for implementation of the A Share Option Incentive Scheme pursuant to the Company Law of the PRC and the Articles of Association, further details of which are set out in the announcement of the Company dated 24 January 2019 and the circular of the Company dated 1 February 2019) and 3,676,000,000 H Shares; and (ii) there are 78,220,711 outstanding Share Options granted under the A Share Option Incentive Scheme, upon exercise of which, 78,220,711 A Shares will be transferred by the Company (out of the aforementioned treasury shares of the Company) to the holders of the Share Options. The exercise of the Share Options will not result in any change in the total issued share capital of the Company.

For illustration purpose, set out below is the shareholding structure of the Company:

- (i) as at the date of this announcement;
- (ii) immediately after completion of the Proposed Acquisition (assuming that (a) the final dividend of RMB0.056 per Share (inclusive of applicable tax) of the Company will not be paid prior to the issue of the Consideration Shares and there will not be any adjustments to the issue price of the Consideration Shares of RMB2.51 per Consideration Share; and (b) there will be no change in the total issued share capital of the Company and no exercise of the Share Options since the date of this announcement save for the issue of the A Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement)); and

- (iii) immediately after completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares (assuming that (a) the final dividend of RMB0.056 per Share (inclusive of applicable tax) of the Company will not be paid prior to the issue of the Consideration Shares and there will not be any adjustments to the issue price of the Consideration Shares of RMB2.51 per Consideration Share; (b) the issue price of the Proposed Non-public Issuance of A Shares is the same as the issue price of the Consideration Shares; (c) the total amount of ancillary funds to be raised under the Proposed Non-public Issuance of A Shares will be RMB1,464,000,000, of which, RMB600,000,000 will be subscribed by China Shipping and the remaining RMB864,000,000 will be subscribed by other independent third parties; and (d) there will be no change in the total issued share capital of the Company and no exercise of the Share Options since the date of this announcement save for the issue of the A Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement) and under the Proposed Non-public Issuance of A Shares):

Name of Shareholder	Class of Shares	Shareholding as at the date of this announcement			Shareholding immediately after completion of the Proposed Acquisition			Shareholding immediately after completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares		
		Approximate percentage of the issued of the		Approximate percentage of the total issued share capital (%)	Approximate percentage of the issued of the		Approximate percentage of the total issued share capital (%)	Approximate percentage of the issued of the		Approximate percentage of the total issued share capital (%)
		Number of Shares	A Share capital (%)		Number of Shares	A Share capital (%)		Number of Shares	A Share capital (%)	
<b>COSCO SHIPPING, its associates and parties acting in concert with it (Note 1)</b>										
COSCO SHIPPING	A	47,570,789	0.60	0.41	47,570,789	0.51	0.37	47,570,789	0.48	0.35
China Shipping	A	4,410,624,386	55.60	38.00	4,410,624,386	47.17	33.86	4,649,668,210	46.80	34.16
COSCO SHIPPING Investment	A	-	-	-	1,419,074,539	15.18	10.89	1,419,074,539	14.28	10.43
Ocean Fortune Investment Limited	H	100,944,000	-	0.87	100,944,000	-	0.77	100,944,000	-	0.74
Asset Management Plan (Note 2)	H	6,900,000	-	0.06	6,900,000	-	0.05	6,900,000	-	0.05
<b>Sub-total (Note 3)</b>		<b>4,566,039,175</b>	<b>-</b>	<b>39.33</b>	<b>5,985,113,714</b>	<b>-</b>	<b>45.94</b>	<b>6,224,157,538</b>	<b>-</b>	<b>45.73</b>
Treasury shares held by the Company	A	79,627,003	1.00	0.69	79,627,003	0.85	0.61	79,627,003	0.80	0.59
Public A Shareholders	A	3,394,302,822	42.80	29.25	3,394,302,822	36.30	26.06	3,738,525,930	37.63	27.47
Public H Shareholders	H	3,568,156,000	-	30.74	3,568,156,000	-	27.39	3,568,156,000	-	26.22
<b>Total (Note 3)</b>		<b>11,608,125,000</b>	<b>-</b>	<b>100.00</b>	<b>13,027,199,539</b>	<b>-</b>	<b>100.00</b>	<b>13,610,466,471</b>	<b>-</b>	<b>100.00</b>

Notes:

1. *As at the date of this announcement, 47,570,789 A Shares, representing approximately 0.41% of the total issued share capital of the Company, are held by COSCO SHIPPING, 4,410,624,386 A Shares, representing approximately 38.00% of the total issued share capital of the Company, are held by China Shipping, and 100,944,000 H Shares, representing approximately 0.87% of the total issued share capital of the Company, are held by Ocean Fortune Investment Limited, an indirect wholly-owned subsidiary of COSCO SHIPPING.*
2. *As at the date of this announcement, 6,900,000 H Shares, representing approximately 0.06% of the total issued share capital of the Company, are held under the Asset Management Plan voluntarily invested by Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui (each of whom is an executive Director) and certain other existing and former supervisor, senior management and employees of the Company, who are considered to be acting in concert with COSCO SHIPPING.*
3. *The approximate percentage figures are rounded to the nearest two decimal places and therefore, may not add up to 100% due to rounding.*

As set out in the section headed “MAJOR AND CONNECTED TRANSACTION – PROPOSED ACQUISITION – Issue of Consideration Shares” in this announcement, if the final dividend of RMB0.056 per Share (inclusive of applicable tax) of the Company will be paid prior to the issue of the Consideration Shares, the issue price of the Consideration Shares will be adjusted to RMB2.46 per Consideration Share and the total number of Consideration Shares to be issued will be adjusted to 1,447,917,519 A Shares. In such circumstances, for illustration purpose, set out below is the shareholding structure of the Company:

- (iv) as at the date of this announcement;
- (v) immediately after completion of the Proposed Acquisition (assuming that (a) the final dividend of RMB0.056 per Share (inclusive of applicable tax) of the Company will be paid prior to the issue of the Consideration Shares and there will not be any further adjustments to the issue price of the Consideration Shares of RMB2.46 per Consideration Share; and (b) there will be no change in the total issued share capital of the Company and no exercise of the Share Options since the date of this announcement save for the issue of the A Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement)); and
- (vi) immediately after completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares (assuming that (a) the final dividend of RMB0.056 per Share (inclusive of applicable tax) of the Company will be paid prior to the issue of the Consideration Shares and there will not be any further adjustments to the issue price of the Consideration Shares of RMB2.46 per Consideration Share; (b) the issue price of the Proposed Non-public Issuance of A Shares is the same as the issue price of the Consideration Shares; (c) the total amount of ancillary funds to be raised under the Proposed Non-public Issuance of A Shares will be RMB1,464,000,000, of which, RMB600,000,000 will be subscribed by China Shipping and the remaining RMB864,000,000 will be subscribed by other independent third parties; and (d) there will be no change in the total issued share capital of the Company and no exercise of the Share Options since the date of this announcement save for the issue of the A Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement) and under the Proposed Non-public Issuance of A Shares):

Name of Shareholder	Class of Shares	Shareholding as at the date of this announcement			Shareholding immediately after completion of the Proposed Acquisition			Shareholding immediately after completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares		
		Approximate percentage of the issued	Approximate percentage of the total issued share capital (%)	Approximate percentage of the total issued share capital (%)	Approximate percentage of the issued	Approximate percentage of the total issued share capital (%)	Approximate percentage of the issued	Approximate percentage of the total issued share capital (%)	Approximate percentage of the issued	Approximate percentage of the total issued share capital (%)
		Number of Shares	A Share capital (%)	issued share capital (%)	Number of Shares	A Share capital (%)	issued share capital (%)	Number of Shares	A Share capital (%)	issued share capital (%)
<b>COSCO SHIPPING, its associates and parties acting in concert with it (Note 1)</b>										
COSCO SHIPPING	A	47,570,789	0.60	0.41	47,570,789	0.51	0.36	47,570,789	0.48	0.35
China Shipping	A	4,410,624,386	55.60	38.00	4,410,624,386	47.02	33.78	4,654,526,825	46.66	34.10
COSCO SHIPPING Investment	A	-	-	-	1,447,917,519	15.44	11.09	1,447,917,519	14.52	10.61
Ocean Fortune Investment Limited	H	100,944,000	-	0.87	100,944,000	-	0.77	100,944,000	-	0.74
Asset Management Plan (Note 2)	H	6,900,000	-	0.06	6,900,000	-	0.05	6,900,000	-	0.05
<b>Sub-total (Note 3)</b>		<b>4,566,039,175</b>	<b>-</b>	<b>39.33</b>	<b>6,013,956,694</b>	<b>-</b>	<b>46.06</b>	<b>6,257,859,133</b>	<b>-</b>	<b>45.84</b>
Treasury shares held by the Company	A	79,627,003	1.00	0.69	79,627,003	0.85	0.61	79,627,003	0.80	0.58
Public A Shareholders	A	3,394,302,822	42.80	29.25	3,394,302,822	36.19	26.00	3,745,522,334	37.55	27.44
Public H Shareholders	H	3,568,156,000	-	30.74	3,568,156,000	-	27.33	3,568,156,000	-	26.14
<b>Total (Note 3)</b>		<b>11,608,125,000</b>	<b>-</b>	<b>100.00</b>	<b>13,056,042,519</b>	<b>-</b>	<b>100.00</b>	<b>13,651,164,470</b>	<b>-</b>	<b>100.00</b>

**Notes:**

- As at the date of this announcement, 47,570,789 A Shares, representing approximately 0.41% of the total issued share capital of the Company, are held by COSCO SHIPPING, 4,410,624,386 A Shares, representing approximately 38.00% of the total issued share capital of the Company, are held by China Shipping, and 100,944,000 H Shares, representing approximately 0.87% of the total issued share capital of the Company, are held by Ocean Fortune Investment Limited, an indirect wholly-owned subsidiary of COSCO SHIPPING.
- As at the date of this announcement, 6,900,000 H Shares, representing approximately 0.06% of the total issued share capital of the Company, are held under the Asset Management Plan voluntarily invested by Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui (each of whom is an executive Director) and certain other existing and former supervisor, senior management and employees of the Company, who are considered to be acting in concert with COSCO SHIPPING.
- The approximate percentage figures are rounded to the nearest two decimal places and therefore, may not add up to 100% due to rounding.

#### IV. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising exercises during the 12 months immediately preceding the date of this announcement.

## V. IMPLICATIONS UNDER THE LISTING RULES

### **Proposed Acquisition**

As one or more of the applicable percentage ratios in respect of the Proposed Acquisition in accordance with the Listing Rules exceed 25% but are less than 75%, the Proposed Acquisition constitutes a major transaction of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, 47,570,789 A Shares, representing approximately 0.41% of the total issued share capital of the Company, are held by COSCO SHIPPING, 4,410,624,386 A Shares, representing approximately 38.00% of the total issued share capital of the Company, are held by China Shipping, and 100,944,000 H Shares, representing approximately 0.87% of the total issued share capital of the Company, are held by Ocean Fortune Investment Limited, a wholly-owned subsidiary of COSCO SHIPPING Investment. Therefore, COSCO SHIPPING and its associates control or are entitled to exercise control over the voting rights in respect of 4,458,195,175 A Shares and 100,944,000 H Shares, representing approximately 39.28% of the total issued share capital of the Company. COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company. COSCO SHIPPING Investment is an indirect wholly-owned subsidiary of COSCO SHIPPING and therefore an associate of COSCO SHIPPING. Accordingly, COSCO SHIPPING Investment is a connected person of the Company. Therefore, the Proposed Acquisition also constitutes a connected transaction of the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **CS Subscription**

China Shipping is a controlling shareholder of the Company and therefore a connected person of the Company.

The CS Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, all being executive Directors, and Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi, all being non-executive Directors, hold directorship(s) or act as senior management in COSCO SHIPPING and/or its associates, and were nominated by China Shipping to the Board. Mr. Cai Hongping, an independent non-executive Director, also serves as an external director of COSCO SHIPPING Investment. Accordingly, Mr. Wang Daxiong, Mr. Liu Chong, Mr. Xu Hui, Mr. Huang Jian, Mr. Liang Yanfeng, Mr. Ip Sing Chi and Mr. Cai Hongping have therefore abstained from voting on the relevant Board resolutions approving the Proposed Acquisition, the Proposed Non-public Issuance of A Shares and the CS Subscription. Save as aforementioned, none of the other Directors has a material interest in the Proposed Acquisition, the Proposed Non-public Issuance of A Shares and the CS Subscription. Therefore, no other Director has abstained from voting on such Board resolutions.

## VI. IMPLICATIONS UNDER THE TAKEOVERS CODE

### Application for Whitewash Waiver

As at the date of this announcement, COSCO SHIPPING (i) directly holds 47,570,789 A Shares, representing approximately 0.41% of the total issued share capital of the Company; and (ii) indirectly holds (a) through China Shipping (which is a wholly-owned subsidiary of COSCO SHIPPING), 4,410,624,386 A Shares, representing approximately 38.00% of the total issued share capital of the Company; and (b) through Ocean Fortune Investment Limited, a wholly-owned subsidiary of COSCO SHIPPING Investment (which is in turn an indirect wholly-owned subsidiary of COSCO SHIPPING) 100,944,000 H Shares, representing approximately 0.87% of the total issued share capital of the Company. 6,900,000 H Shares, representing approximately 0.06% of the total issued share capital of the Company, are held under the Asset Management Plan voluntarily invested by Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui (each of whom is an executive Director) and certain other existing and former supervisor, senior management and employees of the Company, who are considered to be acting in concert with COSCO SHIPPING. Therefore, COSCO SHIPPING and parties acting in concert with it control or are entitled to exercise control over the voting rights in respect of 4,458,195,175 A Shares and 107,844,000 H Shares, representing approximately 39.33% of the total issued share capital of the Company. Pursuant to the relevant PRC laws and regulations, the 79,627,003 A Shares, representing approximately 0.69% of the total issued share capital of the Company, repurchased and held by the Company as treasury shares for implementation of the A Share Option Incentive Scheme do not carry any voting rights, and therefore, as at the date of this announcement, COSCO SHIPPING and parties acting in concert with it control or are entitled to exercise control 39.61% of the voting rights in the Company.

Immediately following completion of the Proposed Acquisition, assuming that:

- (i) the final dividend of RMB0.056 per Share (inclusive of applicable tax) of the Company will not be paid prior to the issue of the Consideration Shares and there will not be any adjustments to the issue price of the Consideration Shares of RMB2.51 per Consideration Share; and (b) there will be no change in the total issued share capital of the Company and no exercise of the Share Options since the date of this announcement save for the issue of the A Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement), the aggregate shareholding of and the aggregate voting rights held by COSCO SHIPPING and the parties acting in concert with it in the Company will increase to approximately 45.94% and approximately 46.23%, respectively, representing the maximum shareholding and voting rights held by COSCO SHIPPING and the parties acting in concert with it in the Company immediately following completion of the Proposed Acquisition based on the foregoing assumptions; and

- (ii) (a) the final dividend of RMB0.056 per Share (inclusive of applicable tax) of the Company will be paid prior to the issue of the Consideration Shares and there will not be any further adjustments to the issue price of the Consideration Shares of RMB2.46 per Consideration Share; and (b) there will be no change in the total issued share capital of the Company and no exercise of the Share Options since the date of this announcement save for the issue of the A Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement), the aggregate shareholding of and the aggregate voting rights held by COSCO SHIPPING and the parties acting in concert with it in the Company will increase to approximately 46.06% and approximately 46.35%, respectively, representing the maximum shareholding and voting rights held by COSCO SHIPPING and the parties acting in concert with it in the Company immediately following completion of the Proposed Acquisition based on the foregoing assumptions.

The difference between the percentage of shareholding and the percentage of the voting rights is due to the 79,627,003 A Shares repurchased and held by the Company as treasury shares, which do not carry any voting rights, for implementation of the A Share Option Incentive Scheme

Accordingly, upon completion of the Proposed Acquisition, pursuant to Rule 26.1 of the Takeovers Code, COSCO SHIPPING will be required to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by COSCO SHIPPING and parties acting in concert with it, unless the Whitewash Waiver from strict compliance with Rule 26.1 of the Takeovers Code is obtained from the Executive.

Accordingly, completion of the Proposed Acquisition is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. An application will be made by COSCO SHIPPING to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to (i) the approval of the Whitewash Waiver by at least 75% of the independent votes that are cast either in person or by proxy at the EGM; and (ii) the approval of the Proposed Acquisition by more than 50% of the independent votes that are cast either in person or by proxy at the EGM as required under the Takeovers Code. The Proposed Acquisition will not proceed if the Whitewash Waiver is not obtained or if the Whitewash Waiver is not approved by the Independent Shareholders.

As at the date of this announcement, the Company does not believe that the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription and the Special Deal give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavor to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription and the Special Deal do not comply with other applicable rules and regulations.

As at the date of this announcement, other than the 39.61% voting rights in the Company controlled by COSCO SHIPPING and parties acting in concert with it, an aggregate of 4,480,200 Share Options held by Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, the executive Directors, the Proposed Acquisition, the CS Subscription, neither COSCO SHIPPING nor parties acting in concert with it:

- (i) holds, owns, controls or directs any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company;
- (ii) has secured an irrevocable commitment to vote in favour of or against the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Whitewash Waiver and/or the Special Deal;
- (iii) has any arrangement (whether by way of option, indemnity or otherwise) or contracts in relation to the Shares or the shares of COSCO SHIPPING which might be material to the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Whitewash Waiver and/or the Special Deal;
- (iv) has any agreement or arrangement to which COSCO SHIPPING or parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Whitewash Waiver and/or the Special Deal;
- (v) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (vi) save for the consideration for the issue of A Shares under the Proposed Non-public Issuance of A Shares, there is no other consideration or benefit in whatever form paid or to be paid by COSCO SHIPPING and parties acting in concert with it to the Company or any party acting in concert with it in connection with the Proposed Non-public Issuance of A Shares;
- (vii) save for the Consideration Shares to be issued by the Company to COSCO SHIPPING Investment under the Proposed Acquisition, there is no other consideration or benefit in whatever form paid or to be paid by the Company and parties acting in concert with it to COSCO SHIPPING or any party acting in concert with it in connection with the Proposed Acquisition;
- (viii) save for the Proposed Non-public Issuance of A Shares, there is no understanding, arrangement, agreement or special deal between COSCO SHIPPING or parties acting in concert with it on the one hand, and the Company and any parties acting in concert with it on the other hand; and
- (ix) save for the Proposed Non-public Issuance of A Shares, there is no understanding, arrangement, agreement or special deal between (1) any Shareholder; and (2)(a) COSCO SHIPPING and parties acting in concert with it; or (b) the Company, its subsidiaries or associated companies.

On 9 November 2020, 47,570,789 A Shares, representing approximately 0.41% of the total issued share capital of the Company, were transferred from China Shipping (a wholly-owned subsidiary of COSCO SHIPPING) to COSCO SHIPPING. Save for the entering into of the Agreement of Intent, the Acquisition Agreement, the Supplemental Agreement, the Compensation Agreement and the CS Subscription Agreement, neither COSCO SHIPPING nor any parties acting in concert with it has acquired or disposed of any voting rights of the Company or has dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company in the six-month period prior to and including 13 January 2021, being the date on which the Company first made an announcement in respect of the Proposed Acquisition, and up to and including the date of this announcement. COSCO SHIPPING and parties acting in concert with it will not acquire or dispose of any voting rights of the Company after the date of this announcement until the completion of the Proposed Acquisition and the CS Subscription and for six months after the date of the EGM and the Class Meetings.

### **Special Deal in relation to the Proposed Non-public Issuance of A Shares**

As set out in the announcement of the Company dated 27 January 2021, the Proposed Non-public Issuance of A Shares will constitute a Special Deal under Rule 25 of the Takeovers Code which is not capable of being extended to all Shareholders and requires the consent of the Executive.

An application will be made by the Company to the Executive for its consent to the Special Deal pursuant to Rule 25 of the Takeovers Code. Such consent, if granted by the Executive, will be subject to, among other things, the approval of the Special Deal by the Independent Shareholders by way of poll at the H Shares Class Meeting. If such consent is not obtained or if the Special Deal is not approved by the Independent Shareholders, the Proposed Acquisition, the Proposed Non-public Issuance of A Shares and the CS Subscription will not proceed.

## **VII. EGM, CLASS MEETINGS AND CIRCULAR**

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of A Shares; (iii) the CS Subscription; (iv) the Specific Mandates; and (v) the Whitewash Waiver.

The A Shares Class Meeting will be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of A Shares; (iii) the CS Subscription; and (iv) the Specific Mandates.

The H Shares Class Meeting will be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of A Shares; (iii) the CS Subscription; (iv) the Specific Mandates; and (v) the Special Deal.

The Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and the Special Deal will be proposed by way of special resolutions at the EGM, the A Shares Class Meeting and/or the H Shares Class Meeting to be approved by the Independent Shareholders.

The voting in relation to the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and the Special Deal at the EGM and/or the Class Meetings will be conducted by way of poll.

COSCO SHIPPING and its associates and parties acting in concert with it (including the participants of the Asset Management Plan in respect of the H Shares held thereunder) and those who are involved in or interested in the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and/or the Special Deal will be required to abstain from voting on the relevant resolutions to be proposed at the EGM, the A Shares Class Meeting and/or the H Shares Class Meeting. In the event that a Shareholder becomes a subscriber under the Proposed Non-public Issuance of A Shares, such Shareholder will be required to abstain from voting at the EGM, the A Shares Class Meeting and/or the H Shares Class Meeting. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and the Special Deal and therefore no other Shareholder is required to abstain from voting at the EGM and/or the Class Meetings.

The Circular containing, among other things, (i) further details of the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and the Special Deal; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and/or the Special Deal; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and/or the Special Deal; (iv) the financial information of the Target Companies; (v) certain other information required under the Listing Rules and the Takeovers Code; and (vi) the notice of the EGM and the Class Meetings will be despatched to the Shareholders as soon as practicable and on or before 21 May 2021.

**Completion of the Proposed Acquisition, the Proposed Non-public Issuance of A Shares and the CS Subscription are subject to the satisfaction of certain conditions, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

“A Share(s)”	the domestic share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“A Shares Class Meeting”	the class meeting of the A Shareholders
“A Shareholder(s)”	holder(s) of A Share(s)
“A Share Option Incentive Scheme”	the A Share option incentive scheme of the Company adopted at the extraordinary general meeting and the class meetings of the Company held on 5 March 2020
“Acquisition Agreement”	the agreement dated 27 January 2021 entered into between the Company and COSCO SHIPPING Investment in relation to the Proposed Acquisition
“Administrative Measures for Material Asset Restructuring”	Administrative Measures for the Material Asset Restructuring of Listed Companies (《上市公司重大資產重組管理辦法》) promulgated by the CSRC
“Agreement of Intent”	the agreement of intent dated 13 January 2021 entered into between the Company and COSCO SHIPPING Investment in relation to the Proposed Acquisition
“Announcement”	the announcement of the Company dated 27 January 2021 in relation to, among other things, (a) the Proposed Acquisition; (b) the Proposed Non-public Issuance of A Shares; (c) the CS Subscription; (d) the Whitewash Waiver; and (e) the Special Deal
“Articles of Association”	the articles of association of the Company
“Asset Management Plan”	the asset management plan voluntarily invested by Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui (each of whom is an executive Director) and certain other existing and former supervisor, senior management and employees of the Company, further details of which are set out in the announcement of the Company dated 24 November 2016
“Asset Valuation Reports”	the asset valuation reports dated 27 April 2021 in respect of 100% equity interests in each of the Target Companies issued by China Tong Cheng, the full text of which are set out in Appendices I-A, I-B, I-C and I-D to this announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company

“China Shipping”	China Shipping Group Company Limited# (中國海運集團有限公司), a PRC state-owned enterprise, the controlling shareholder of the Company and a wholly-owned subsidiary of COSCO SHIPPING
“China Tong Cheng”	China Tong Cheng Assets Appraisal Co., Ltd. (中通誠資產評估有限公司), a qualified asset appraisal agency in the PRC
“Circular”	the circular to be issued by the Company in relation to, among other things, the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and the Special Deal
“Class Meetings”	the A Shares Class Meeting and the H Shares Class Meeting
“Company”	COSCO SHIPPING Development Co., Ltd.# (中遠海運發展股份有限公司), a joint stock limited company established in the PRC, the H shares and A shares of which are listed on Main Board of the Hong Kong Stock Exchange (Stock Code: 02866) and the Shanghai Stock Exchange (Stock Code: 601866), respectively
“Compensation Agreement”	the performance compensation agreement dated 29 April 2021 entered into between the Company and COSCO SHIPPING Investment in relation to the performance guarantees and related compensation provided by COSCO SHIPPING Investment in respect of the Performance Compensation Assets
“Compensation Share(s)”	the Consideration Share(s) to be returned by COSCO SHIPPING Investment to the Company under the Compensation Agreement
“Completion”	completion of the Proposed Acquisition
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Share(s)”	the new A Share(s) to be allotted and issued by the Company to COSCO SHIPPING Investment pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement) as consideration payable to COSCO SHIPPING Investment for the Proposed Acquisition
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“COSCO SHIPPING”	China COSCO SHIPPING Corporation Limited# (中國遠洋海運集團有限公司), a PRC state-owned enterprise and an indirect controlling shareholder of the Company

“COSCO SHIPPING Investment”	COSCO SHIPPING Investment Holdings Co., Ltd. (中遠海運投資控股有限公司), formerly known as COSCO SHIPPING Financial Holdings Co., Ltd. (中遠海運金融控股有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of COSCO SHIPPING
“CS Subscription”	the proposed subscription of A Shares by China Shipping pursuant to the CS Subscription Agreement
“CS Subscription Agreement”	the subscription agreement dated 27 January 2021 entered into between the Company and China Shipping, pursuant to which China Shipping has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, such number of A Shares for an amount of RMB600 million and not more than the limit of the proceeds to be raised under the Proposed Non-public Issuance of A Shares as approved by the CSRC
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“DFIC Ningbo”	Dong Fang International Container (Ningbo) Co., Ltd.# (寰宇東方國際集裝箱(寧波)有限公司) (formerly known as Ningbo Pacific Container Co., Ltd.# (寧波太平貨櫃有限公司)), a company established in the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING Investment as at the date of this announcement
“DFIC Qidong”	Dong Fang International Container (Qidong) Co., Ltd.# (寰宇東方國際集裝箱(啟東)有限公司) (formerly known as Qidong Singamas Energy Equipment Co., Ltd.# (啟東勝獅能源裝備有限公司)), a company established in the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING Investment as at the date of this announcement
“DFIC Qingdao”	Dong Fang International Container (Qingdao) Co., Ltd. (寰宇東方國際集裝箱(青島)有限公司) (formerly known as Qingdao Pacific Container Co., Ltd.# (青島太平貨櫃有限公司)), a company established in the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING Investment as at the date of this announcement
“DFIC Qingdao Group”	DFIC Qingdao and its wholly-owned subsidiary

“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of A Shares; (iii) the CS Subscription; (iv) the Specific Mandates; and (v) the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign shares in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on Main Board of the Hong Kong Stock Exchange
“H Shares Class Meeting”	the class meeting of the H Shareholders
“H Shareholder(s)”	holder(s) of H Share(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee of the Company comprising Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua, each being an independent non-executive Director, which is formed to advise the Independent Shareholders on the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and the Special Deal in accordance with the Listing Rules and the Takeovers Code
“Independent Financial Adviser” or “Mesis Capital”	Mesis Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company, with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and the Special Deal

“Independent Shareholders”	Shareholders other than (i) COSCO SHIPPING and parties acting in concert with it; (ii) Shareholders who have become a subscriber under the Proposed Non-public Issuance of A Shares; and (iii) all other parties (if any) who are interested in or involved in the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and the Special Deal, and in the context of the Special Deal, Independent Shareholders refer to all H Shareholders (other than (a) COSCO SHIPPING and its associates and parties acting in concert with it (including the participants of the Asset Management Plan in respect of the H Shares held thereunder); and (b) those who are involved in or interested in the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the CS Subscription, the Specific Mandates, the Whitewash Waiver and/or the Special Deal)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Offering Period”	the period commencing the Proposed Non-public Issuance of A Shares as determined by the Company
“Performance Compensation Assets”	certain patents of DFIC Qidong and Universal Technology for which COSCO SHIPPING Investment undertakes to provide performance guarantees and related compensation under the Compensation Agreement
“Performance Compensation Period”	three financial years commencing from the year in which Completion takes place, being (i) 2021, 2022 and 2023 if the Proposed Acquisition is completed on or before 31 December 2020; and (ii) 2022, 2023 and 2024 if the Proposed Acquisition is completed after 31 December 2020
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Advisers”	Grandall Law Firm (Shanghai), the PRC legal advisers to the Company
“Pricing Benchmark Date”	28 January 2021
“Profit Forecasts”	has the meaning ascribed to it in the section headed “I. MAJOR AND CONNECTED TRANSACTION – PROPOSED ACQUISITION – Profit Forecasts” of this announcement
“Proposed Acquisition”	the proposed acquisition of the Target Assets from COSCO SHIPPING Investment pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement and the Compensation Agreement)

“Proposed Non-public Issuance of A Shares”	the proposed non-public issuance of A shares to not more than 35 specific target subscribers (including China Shipping)
“Restructuring”	the overall restructuring proposal of the Company involving the Proposed Acquisition and the Proposed Non-public Issuance of A Shares
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	A Share(s) and H Share(s)
“Share Option(s)”	the share option(s) granted under the A Share Option Incentive Scheme
“Shareholder(s)”	holder(s) of Share(s)
“Special Deal”	the Proposed Non-public Issuance of A Shares which constitutes a special deal under Rule 25 of the Takeovers Code
“Specific Mandate(s)”	the specific mandates to be sought from the Independent Shareholders at the EGM and the Class Meetings to issue (i) the Consideration Shares pursuant to the Acquisition Agreement; and (ii) the A Shares under the Proposed Non-public Issuance of A Shares
“Supplemental Agreement”	the supplemental agreement to the Acquisition Agreement dated 29 April 2021 entered into between the Company and COSCO SHIPPING Investment
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Assets”	100% of the equity interests in the Target Companies
“Target Companies”	collectively, DFIC Qidong, DFIC Qingdao, DFIC Ningbo and Universal Technology
“Transitional Period”	the period commencing from the date immediately after the Valuation Benchmark Date to the month end date of the month in which Completion has taken place

“Universal Technology”	Shanghai Universal Logistics Technology Co., Ltd.# (上海寰宇物流科技有限公司) (formerly known as Singamas Container Holdings (Shanghai) Limited# (勝獅貨櫃管理(上海)有限公司)), a company established in the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING Investment as at the date of this announcement
“Valuation Benchmark Date”	31 December 2020
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of COSCO SHIPPING to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by COSCO SHIPPING and parties acting in concert with it which would otherwise arise as a result of the issue of the Consideration Shares under the Proposed Acquisition
“%”	per cent

By order of the Board  
**COSCO SHIPPING Development Co., Ltd.\***  
**Cai Lei**  
*Joint Company Secretary*

Shanghai, the People’s Republic of China  
29 April 2021

*As at the date of this announcement, the Board comprises Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive Directors, Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi, being non-executive Directors, and Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua, being independent non-executive Directors.*

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

\* *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 “COSCO SHIPPING Development Co., Ltd.”.*

# *For identification purpose only.*

## **APPENDIX I-A**

### **ASSET VALUATION REPORT IN RESPECT OF 100% EQUITY INTEREST IN DFIC QIDONG**

*The Asset Valuation Report was prepared in Chinese and the English translation is for reference only. In the event of any discrepancy between the English translation of the Asset Valuation Report and the Chinese version, the Chinese version shall prevail*

This Report is prepared in accordance with PRC Asset Valuation Standards

#### **Asset Valuation Report**

on Value of All Shareholders' Equity Interests in

Dong Fang International Container (Qidong) Co., Ltd.

Involved in the Proposed Acquisition of 100% of the Equity Interests in Four Companies Held by

COSCO SHIPPING Investment Holdings Co., Ltd.

through the Issuance of Shares by COSCO SHIPPING Development Co., Ltd.

Zhong Tong Ping Bao Zi [2021] No. 12085

**1 of 1**

**Disclaimer, Summary, Text and Annexes**

China Tong Cheng Assets Appraisal Co., Ltd.

27 April 2021

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**中通诚资产评估有限公司**  
China Tong Cheng Assets Appraisal Co., Ltd.

Address : 6/F, Sinotrans Building Tower A, Building 8, No. 5  
Anding Road, Chaoyang District, Beijing, China  
Telephone : (86-010)64411177

Website : <http://www.tccpv.com>

## DISCLAIMER

- I. This Asset Valuation Report is prepared in accordance with the Basic Asset Valuation Standards issued by the Ministry of Finance and the Practice Guidelines for Asset Valuation and the Professional Code of Ethics for the Valuation of Assets issued by the China Appraisal Society.
- II. The clients or other users of the Asset Valuation Report shall use the Asset Valuation Report in accordance with the laws and administrative rules and regulations and within the scope of use set out in this Asset Valuation Report. We and the asset appraisers take no responsibility for any non-compliance with the above-mentioned requirements for the use of the Asset Valuation Report by the clients or other users of the Asset Valuation Report.

This Asset Valuation Report shall only be used by the clients, other users of the Asset Valuation Report as agreed in the Asset Valuation Engagement Contract and users of the Asset Valuation Report as required by laws and administrative regulations. Save for the above, no other institution or individual shall be the user of this report.

We and the asset appraisers advise that users of the Asset Valuation Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.

- III. We and the asset appraisers have abided by the principles of independence, objectivity and impartiality, complied with the laws, administrative regulations and asset valuation standards, and have assumed responsibilities for the Asset Valuation Report issued in accordance with laws.
- IV. The list of assets and liabilities and other relevant materials of the valuation target involved should be declared by the clients and the appraised entity and certified by signature, seal or other means permitted by laws. The clients and other relevant parties shall be responsible for the truthfulness, completeness and legality of the materials provided by them in accordance with laws.
- V. We and the asset appraisers have no existing or expected relationship of interests with the valuation target set out in the Asset Valuation Report or with the relevant parties, and have no prejudice against the relevant parties.
- VI. The asset appraisers have conducted on-site inspection on the valuation target and the assets involved in the Asset Valuation Report, and given necessary consideration to the legal ownership status of the valuation target and the assets involved, conducted verification on the relevant information regarding the legal ownership of the relevant assets, and made proper disclosure in respect of the issues identified and required the clients and other relevant parties to consummate the titles to meet the requirements on issuing the Asset Valuation Report.
- VII. The analyses, judgments, and conclusions in the Asset Valuation Report issued are subject to the assumptions and restrictions in the Asset Valuation Report. The users of the Asset Valuation Report shall take into full account the assumptions, restrictions and special notes specified in the Asset Valuation Report and their impact on the valuation conclusion.
- VIII. China Tong Cheng Assets Appraisal Co., Ltd. possesses the Securities and Futures Related Businesses Valuation Qualification Certificate (證券期貨相關業務評估資格證書) issued by the Ministry of Finance of the People's Republic of China and the China Securities Regulatory Commission.

## **SUMMARY**

### **I. CORRESPONDING ECONOMIC ACTIVITY UNDER THE VALUATION**

The corresponding economic activity under the valuation is the proposed acquisition of 100% of the equity interests in four companies, including Dong Fang International Container (Qidong) Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares by COSCO SHIPPING Development Co., Ltd., which requires appraisal of the value of all shareholders' equity interests in Dong Fang International Container (Qidong) Co., Ltd. involved in the economic activity.

The economic activity has been approved by China COSCO SHIPPING Corporation Limited and the Resolution at the 46th Meeting of the First Session of the Board of Directors of China COSCO SHIPPING Corporation Limited was issued (20 January 2021).

### **II. PURPOSE OF VALUATION**

COSCO SHIPPING Development Co., Ltd. proposes to acquire 100% of the equity interests in four companies, including Dong Fang International Container (Qidong) Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares. An appraisal shall be conducted on the value of all shareholders' equity interests in Dong Fang International Container (Qidong) Co., Ltd. involved in the economic activity to determine its market value on the Valuation Benchmark Date, being 31 December 2020, and provide value reference for the clients.

### **III. VALUATION TARGET AND SCOPE**

The valuation target is the value of all shareholders' equity interests in Dong Fang International Container (Qidong) Co., Ltd.

The valuation scope covers all assets and relevant liabilities of Dong Fang International Container (Qidong) Co., Ltd.

### **IV. TYPE OF VALUE**

Market value.

### **V. VALUATION BENCHMARK DATE**

31 December 2020.

### **VI. VALUATION METHODOLOGY**

The asset-based approach and the income approach were adopted in this valuation. The result derived by using the asset-based approach was adopted as the final valuation conclusion.

## VII. VALUATION CONCLUSION AND ITS VALIDITY

Based on the specific circumstances of the valuation, the result derived by using the asset-based approach was adopted as the valuation conclusion.

On the Valuation Benchmark Date, being 31 December 2020, the book value of the assets, liabilities and net assets of Dong Fang International Container (Qidong) Co., Ltd. was RMB3,452,658,300, RMB2,021,150,500 and RMB1,431,507,800, respectively. The total assets, liabilities and net assets were RMB3,591,891,000, RMB2,021,150,500 and RMB1,570,740,500, respectively, after the valuation. The appraised value of total assets represented an appreciation of RMB139,232,700 over the book value with an appreciation rate of 4.03%. The appraised value of net assets represented an appreciation of RMB139,232,700 over the book value with an appreciation rate of 9.73%. Please refer to the table below for details:

Item	Book Value A	Appraised Value B	Appreciation/ Depreciation C=B-A	Change D=C/A×100%
1 Current assets	245,017.68	247,651.36	2,633.68	1.07%
2 Non-current assets	100,248.15	111,537.74	11,289.59	11.26%
3 Including: Fixed assets	74,883.68	84,136.69	9,253.01	12.36%
4     Construction-in-progress	2,346.86	2,048.11	-298.75	-12.73%
5     Right-of-use assets	810.63	810.63	0.00	0.00%
6     Intangible assets	17,659.27	19,995.15	2,335.88	13.23%
7     Long-term prepaid expenses	31.15	30.60	-0.55	-1.77%
8     Other non-current assets	4,516.56	4,516.56	0.00	0.00%
9 <b>Total assets</b>	<b>345,265.83</b>	<b>359,189.10</b>	<b>13,923.27</b>	<b>4.03%</b>
10 Current liabilities	201,836.31	201,836.31	0.00	0.00%
11 Non-current liabilities	278.74	278.74	0.00	0.00%
12 <b>Total liabilities</b>	<b>202,115.05</b>	<b>202,115.05</b>	<b>0.00</b>	<b>0.00%</b>
13 <b>Net assets (Owner's equity)</b>	<b>143,150.78</b>	<b>157,074.05</b>	<b>13,923.27</b>	<b>9.73%</b>

In summary, the valuation result of all shareholders' equity interests in Dong Fang International Container (Qidong) Co., Ltd. derived by using the asset-based approach was RMB1,570,740,500 (in word: ONE BILLION FIVE HUNDRED SEVENTY MILLION SEVEN HUNDRED FORTY THOUSAND FIVE HUNDRED ONLY, rounding to the nearest hundred), representing an appreciation of RMB139,232,700 over the book value of owner's equity, being RMB1,431,507,800, with an appreciation rate of 9.73%.

The validity of the valuation conclusion revealed in the valuation report shall be one year from the Valuation Benchmark Date, being 31 December 2020, to 30 December 2021.

## VIII. SPECIAL MATTERS WITH IMPACTS ON THE VALUATION CONCLUSION

### (I) Significant use of expert work and relevant reports;

The unqualified audit report issued by Ernst & Young Hua Ming LLP for the years 2019 and 2020 were used in this valuation and the audited book values were adopted as the book values for valuation.

### (II) Incomplete or defective ownership information;

- (1) As of the Valuation Benchmark Date, the owners registered in the driving permit of vehicles under the valuation scope are inconsistent with the name of the enterprise, details of which are as follows:

License plate no.	Name and model of vehicle	Manufacturer	Unit	Commencement date	Net book value (RMB)	Owner registered in the driving permit
Hu NK6813	Volkswagen sedan SVW71810HJ	SAIC Volkswagen	Vehicle	2013.05	16,608.75	Shanghai Baoshan Pacific Container Co., Ltd. (上海寶山太平貨櫃有限公司)
Hu ACT985	Buick MPV SGM6531UAAB	SAIC General Motors	Vehicle	2014.05	28,386.27	Shanghai Pacific International Container Co., Ltd. (上海太平國際貨櫃有限公司)
Hu B98J80	Toyota Camry GTM7251GE	GAC Toyota	Vehicle	2014.07	25,298.00	Shanghai Baoshan Pacific Container Co., Ltd. (上海寶山太平貨櫃有限公司)

According to the enterprise and due to the traffic restriction on vehicles with other cities' license plates in urban areas of Shanghai, the company registered the three vehicles under the name of other companies to facilitate customers' commute and work convenience, but the ownership of such vehicles solely belongs to Dong Fang International Container (Qidong) Co., Ltd. The valuation has not considered the fees on the change of the driving permit and the impacts of contingent ownership disputes.

- (2) As of the Valuation Benchmark Date, Dong Fang International Container (Qidong) Co., Ltd. had properties and building of 9,715.31 sq.m. on its book, but it has not applied for the housing ownership certificate and has not obtained permits on listing, approval and construction works planning permits, construction works commencement permits, construction works completion and acceptance filing documents and other approvals. For buildings without ownership certificates, appraisers determined the legal property ownership and the floor area based on relevant materials provided by the valuation target without considering subsequent fees on the application for permits and the impacts of possible fines on incomplete approval procedures. A breakdown of buildings without ownership certificates is set out below:

No.	Ownership certificate no.	Name of buildings	Structure	Date of completion	Floor area (m <sup>2</sup> )	Book value (RMB)	
						Original value	Net value
10	Nil	West gate booth	Brick concrete	2016-01-31	48.00	140,679.83	113,922.56
11	Nil	North gate booth	Brick concrete	2016-01-31	82.45	246,694.91	199,773.60
15	Nil	Gate booth	Brick concrete	2014-10-27	51.00	192,756.67	146,626.52
17	Nil	South gate booth-Phase II	Brick concrete	2018-11-29	78.50	389,220.76	363,946.17
18	Nil	North gate booth-Phase II	Brick concrete	2018-11-29	76.00	374,340.10	350,031.84
19	Nil	Thermal test room	Steel structure	2016-01-22	181.00	1,123,896.53	910,131.74
23	Nil	Rigid test room	Steel structure	2016-01-31	306.00	947,803.77	767,531.69
24	Nil	Carpentry yard	Steel structure	2016-01-31	215.00	613,713.74	496,985.49
26	Nil	Forklift repairing room	Steel structure	2014-05-28	345.00	492,254.31	368,597.73
28	Nil	35KV power distribution room	Reinforced concrete	2015-11-30	587.76	988,262.00	793,023.57
30	Nil	Line-B equipment repairing room	Steel structure	2017-08-31	161.50	65,765.77	57,858.00
31	Nil	Line-A equipment repairing room	Steel structure	2017-08-31	105.30	65,765.76	57,857.99
32	Nil	Toilet	Brick concrete	2014-10-20	15.40	80,000.00	60,372.10
33	Nil	Toilet 1	Brick concrete	2015-07-30	29.80	165,854.67	130,648.86
34	Nil	Toilet 2	Brick concrete	2015-07-30	29.80	165,854.67	130,648.86
35	Nil	Toilet 3	Brick concrete	2015-07-30	29.80	90,988.00	71,674.06
36	Nil	Toilet 4	Brick concrete	2015-07-30	29.80	206,499.50	162,666.15
41	Nil	Gate booth in living areas	Reinforced concrete	2015-02-25	46.20	176,422.08	137,151.31
42	Nil	Container room in living areas	Steel structure	2015-03-12	6,016.00	15,316,806.45	11,841,294.15
46	Nil	Warehouse for reefer container accessories	Steel structure	2015-07-21	513.00	859,704.14	682,220.80
48	Nil	Ironware warehouse	Steel structure	2015-01-14	288.00	253,500.00	195,041.54
49	Nil	Warehouse for dry container plates	Steel structure	2015-07-21	480.00	1,267,559.95	1,000,492.14

- (3) As of the Valuation Benchmark Date, the name of owners registered in the patent certificates for certain intangible assets under the valuation scope are inconsistent with the name of the valuation target, but the ownership of the patents belongs to Dong Fang International Container (Qidong) Co., Ltd. It has completed the procedures on the change of names with the China National Intellectual Property Administration. The valuation has not considered the fees on the change of the owners registered in the patent certificates and the impacts of contingent ownership disputes. Details are set out below:

No.	Name and content	Type of patent	Registered owner	Actual owner	Patent no. or application no.	Patent application date	Date of obtaining patent
1	Manufacturing methods for containers	Invention	Singamas Container Holdings (Shanghai) Limited	Dong Fang International Container (Qidong) Co., Ltd.	200710031865.4	2007/11/28	2013/6/5
2	Open-top containers with top locking devices	Invention	Singamas Container Holdings (Shanghai) Limited	Dong Fang International Container (Qidong) Co., Ltd.	200810068149.8	2008/6/27	2013/6/26
3	A kind of plywood for the bottom of containers	Invention	Singamas Container Technical R&D (Shanghai) Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	200910104903.3	2009/1/4	2012/7/4
4	A kind of welding and positioning process for lining plates of containers	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721025167.9	2017/8/16	2018/5/1
5	A kind of adsorptive dry box for containers	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721029662.7	2017/8/16	2018/5/1
6	A kind of dry box for containers	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721027654.9	2017/8/16	2018/5/1
7	A kind of ventilation system for containers	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721029751.1	2017/8/16	2018/5/1
8	A kind of multi-purpose container	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721027776.8	2017/8/16	2018/5/1

No.	Name and content	Type of patent	Registered owner	Actual owner	Patent no. or application no.	Patent application date	Date of obtaining patent
9	A kind of anti-collision device for container corners	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721025787.2	2017/8/16	2018/5/4
10	A kind of tank container	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721025414.5	2017/8/16	2018/5/8
11	A kind of thermal insulation container	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721025125.5	2017/8/16	2018/5/8
12	A kind of container	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721025395.6	2017/8/16	2018/5/8
13	A kind of ventilation and heat dissipation devices for containers	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721025205.0	2017/8/16	2018/5/8
14	A kind of fire prevention device for containers	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721027778.7	2017/8/16	2018/5/15
15	A kind of thermal insulation container	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721025977.4	2017/8/16	2018/5/18
16	A kind of polyurethane bubbles generation system	Utility model	Shanghai Universal Logistics Technology Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201921683631.2	2019/9/29	2020/7/3

**(III) Restrictions on valuation procedures;**

Nil.

**(IV) Incomplete valuation materials;**

Nil.

**(V) Pending legal and economic matters on the Valuation Benchmark Date;**

Nil.

**(VI) The nature and amount of guarantees, leases and its contingent liabilities (contingent assets) and the relationship with the valuation target;**

Nil.

**(VII) Significant subsequent matters;**

Nil.

**(VIII) Deficiencies in the economic activity corresponding to the asset valuation that may have a material effect on the valuation conclusion.**

- (1) As of the Valuation Benchmark Date, the land demolition funds advanced and the land prepayment actually paid in excess of the agreed price by Dong Fang International Container (Qidong) Co., Ltd. totaled RMB87,101,600.00, which was accounted for as other receivables and other non-current assets of RMB41,936,000.00 and RMB45,165,600.00, respectively. The debtors of the above amounts are the Qidong Municipal Bureau of Finance of Jiangsu Province and the Administration Committee of the Qidong Marine Shipbuilding Industrial Park. Based on the information provided by the enterprise, relevant governments have undertaken that all amounts except for the land prepayment actually carried forward will be repaid in the form of tax refunds. There was no evidence showing the above amounts cannot be recovered on the Valuation Benchmark Date. The appraised value was determined based on the book value of the above receivables in the valuation.
- (2) Based on the explanations provided by the enterprise and as of the Valuation Benchmark Date, the items No. 7 customs bonded yard and No. 20 wharf project in the breakdown of the buildings valuation of the enterprise and the item No. 2 wharf project in the breakdown of the buildings valuation of Dong Fang International Container (Qidong) Co., Ltd. belong to the same building. As the project of Dong Fang International Container (Qidong) Co., Ltd. was first approved for construction, and as the shoreline is under the berth of a public wharf under planning, the self-constructed wharf was stripped off from Dong Fang International Container (Qidong) Co., Ltd.. Dong Fang International Port (Qidong) Co., Ltd. was established to promote the project. As the construction funds preliminarily provided by Dong Fang International Container (Qidong) Co., Ltd. have not been transferred to Dong Fang International Port (Qidong) Co., Ltd., the book value of the wharf was accounted for by the two companies. Upon the confirmation by Dong Fang International Container (Qidong) Co., Ltd. and Dong Fang International Port (Qidong) Co., Ltd., the buildings applied shown as the items No. 7 customs bonded yard and No. 20 wharf project in the breakdown of the buildings valuation of Dong Fang International Container (Qidong) Co., Ltd. belong to Dong Fang International Port (Qidong) Co., Ltd.

Based on the explanations on the ownership of the buildings jointly confirmed by Dong Fang International Container (Qidong) Co., Ltd. and Dong Fang International Port (Qidong) Co., Ltd., the appraised value of the items No. 7 customs bonded yard and No. 20 wharf project in the breakdown of the buildings valuation of Dong Fang International Container (Qidong) Co., Ltd. was accounted in the books of Dong Fang International Port (Qidong) Co., Ltd. in the valuation.

This report together with the conclusion are only intended to be used for the valuation purpose as described herein and for no other purposes.

**The above contents are extracted from the text of the Valuation Report. Please read the text of the Valuation Report to understand details of the valuation and correctly comprehend the valuation conclusion.**

**Value of All Shareholders' Equity Interests in Dong Fang International Container (Qidong) Co., Ltd. Involved in the Proposed Acquisition of 100% of the Equity Interests in Four Companies Held by COSCO SHIPPING Investment Holdings Co., Ltd. through the Issuance of Shares by COSCO SHIPPING Development Co., Ltd.**

Zhong Tong Ping Bao Zi [2021] No. 12085

To: COSCO SHIPPING Development Co., Ltd. and COSCO SHIPPING Investment Holdings Co., Ltd.

Upon your engagement, we, China Tong Cheng Assets Appraisal Co., Ltd., have appraised the market value of all shareholders' equity interests in Dong Fang International Container (Qidong) Co., Ltd. involved in the proposed acquisition of 100% of the equity interests in four companies, including Dong Fang International Container (Qidong) Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares by COSCO SHIPPING Development Co., Ltd. as at 31 December 2020, by way of adopting the asset-based approach and the income approach and carrying out necessary valuation procedures in accordance with relevant laws, regulations and asset valuation standards and the principles of independence, objectivity and impartiality. We hereby report the details of the asset valuation as follows.

**I. OVERVIEW OF THE CLIENTS, THE APPRAISED ENTITY AND OTHER USERS OF THE ASSET VALUATION REPORT AS AGREED IN THE ASSET VALUATION ENGAGEMENT CONTRACT**

**(I) Overview of the Clients**

The clients of the valuation are COSCO SHIPPING Development Co., Ltd. and COSCO SHIPPING Investment Holdings Co., Ltd.

(1) Client I: COSCO SHIPPING Development Co., Ltd.

Name: COSCO SHIPPING Development Co., Ltd.

Unified social credit code: 91310000759579978L

Nature of company: Joint stock limited company (Sino-foreign joint venture, listed)

Domicile: Room A-538, International Trade Center, China (Shanghai) Pilot Free Trade Zone

Legal representative: Wang Daxiong

Date of establishment: 3 March 2004

Term of operation: 3 March 2004 to no fixed term

Registered capital: RMB11,608,125,000

Scope of business: Ordinary vessel services along domestic coastal areas and the middle and lower reaches of the Yangtze River and feeder liner services for foreign trade lanes in domestic coastal areas, international vessel services (including container liner services), container construction, repair, chartering, vessel chartering, self-owned containers, sales and purchase of vessels for self-use, marine management for domestic coastal ordinary vessels (excluding bulk cargo vessels), engineering management and vessel repair, maintenance, sales, chartering, operation, assets management and other vessel management services. [Projects that need to be approved according to laws can only be operated after being approved by relevant departments].

COSCO SHIPPING Development Co., Ltd. was formerly known as “China Shipping Container Lines Company Limited”. The predecessor of China Shipping Container Lines Company Limited is COSCO SHIPPING Lines Co., Ltd., a limited liability company jointly invested and established by China Shipping (Group) Company Limited, China Shipping Development Co. Ltd. and Guangzhou Maritime Transport (Group) Co., Ltd. on 28 August 1997. In March 2004, with China Shipping (Group) Company Limited as the initiator, China Shipping Container Lines Company Limited converted the net assets of the former COSCO SHIPPING Lines Co., Ltd. as at 31 October 2003 into shares and solely sponsored the establishment of an A-share listed company. It completed the initial offering of listed-foreign H shares to overseas investors and was listed for trading on the Hong Kong Stock Exchange in the same year.

COSCO SHIPPING Development Co., Ltd. is a subsidiary of China COSCO SHIPPING Corporation Limited specialized in supply-chain financial services. The company aims to bring into play the advantages in shipping logistics industry and serve upstream and downstream industrial chains with shipping finance as the foundation; to develop industrial cluster with shipping and leasing, container manufacturing, investment and services for the related industries as the core; and to develop into a “one-stop” shipping financial service platform by combining industry with finance, integrating various financial functions, and synergy of various businesses, featuring market mechanism, differentiated advantages and international vision.

COSCO SHIPPING Development Co., Ltd. is among the top global players in the industry with the shipping capacity of its container fleet and the scale of its container leasing business. As at 30 June 2020, the company’s container fleet had 86 container vessels, with a total capacity of 581,600 TEU; 4 bulk cargo vessels of 64,000 DWT each; over 90 LNG vessels, heavy crane vessels and oil tankers; and an inventory of containers of approximately 3.65 million TEU. In terms of other industry leasing businesses, the company focuses on the development of financial leasing businesses in the areas of medical services, education, new energy, construction and industrial equipment. In terms of container manufacturing business, Shanghai Universal Logistics Equipment Co., Ltd., a subsidiary of the company, attained an annual manufacturing capacity of 550,000 TEU. The company also focuses on the development of investment and supply-chain financial service business, takes good advantage of its experience in the shipping industry as well as the existing resources of the financial service industry to promote the integration of industry and finance, optimize its business models and achieve the synergetic development of its shipping finance business.

(2) Client II: COSCO SHIPPING Investment Holdings Co., Ltd.

Name: COSCO SHIPPING Investment Holdings Co., Ltd.

Registration No.: 21585899-000-03-18-8

Domicile: 51/F, Cosco Tower, 183 Queen's Road Central, Hong Kong

Type of enterprise: Limited company

COSCO SHIPPING Investment Holdings Co., Ltd. was established in 1998 with a registered capital of HK\$500 million. Its predecessor is China Shipping (Hong Kong) Holdings Co., Ltd., a direct wholly-owned subsidiary of the former China Shipping (Group) Company Limited (“**China Shipping Group**”). It was the “one platform” and “three centers” of the former China Shipping Group in Hong Kong, South Korea, Japan, Australia and other countries and regions, namely the unified overseas investment and financing platform and “the profit center, the regional business management center and the service center”.

In 2016, China Ocean Shipping and China Shipping were reorganized as China COSCO SHIPPING Corporation. The new group proposed the establishment of the “6+1” industrial clusters and established the financial segment as one of the pillar industries of the group to develop the financial platform of China COSCO SHIPPING. To achieve such result, COSCO SHIPPING Financial Holdings Co., Ltd. and COSCO SHIPPING Development Co., Ltd. (the former China Shipping Container Lines Co., Ltd.) developed the financial platform of the new group through major asset reorganizations.

On 1 June 2020, COSCO SHIPPING Financial Holdings Co., Ltd. officially changed its name to “COSCO SHIPPING Investment Holdings Co., Ltd.”. As the overseas investment holding platform for the shipping and logistics industry of China COSCO SHIPPING, COSCO SHIPPING Investment Holdings Co., Ltd. will be devoted to the exploration of overseas financial investment businesses in the following years. It will also provide investment management services for China COSCO SHIPPING and its subsidiaries and integrate resources on the industrial chains to promote the synergetic development of all businesses.

## **(II) Overview of the Appraised Entity**

The appraised entity under the valuation is Dong Fang International Container (Qidong) Co., Ltd.

### **(1) Registration information**

Name: Dong Fang International Container (Qidong) Co., Ltd.

Unified social credit code: 913206815668421866

Type of enterprise: Limited liability company (solely funded by Taiwan, Hong Kong or Macao corporate body)

Domicile: No. 1 Taiping Road, Huiping Town, Qidong City, Jiangsu Province

Legal representative: Bao Hua

Date of establishment: 16 December 2010

Term of operation: 16 December 2010 to 15 December 2060

Registered capital: US\$220.00 million

Scope of business: R&D, design, production, sales, installment and technical services for mobile and fixed pressure vessels and energy equipment, design, manufacturing, sales and delivery of containers, leasing of self-owned buildings, land and machinery equipment, design, manufacturing, sales and delivery of offshore containers. (Projects that need to be approved according to laws can only be operated after being approved by relevant departments). Licensed items: interior decoration for residential buildings; goods import and export; technology import and export; production of Class II medical devices; installment, renovation and repairing of special equipment (Projects that need to be approved according to laws can only be operated after being approved by relevant departments and specific licensed projects shall be subject to the results of approval). General items: leasing services on containers; R&D of machinery equipment; sales of machinery equipment; technical services, development of technology, technical consultancy, technical communications, transfer of technology and promotion of technology; sales of Class II medical devices; sales of electric equipment; manufacturing of power transmission and distribution and control equipment; sales of intelligent power transmission and distribution and control equipment; manufacturing of marine energy system and equipment; sales of marine energy system and equipment; sales of relevant equipment on offshore wind power; R&D of relevant systems on offshore wind power (except for projects that require approval in accordance with the law, carry out business activities independently with the business license in accordance with the law).

**(2) Historical development, shareholders and contributions**

The predecessor of Dong Fang International Container (Qidong) Co., Ltd. is Qidong Singamas Energy Equipment Co., Ltd., which was established with the approval of the document of Shang Zi Shen Zi (2010) No. 06130 issued by the Department of Commerce of Jiangsu Province and the Certificate for Approval of Enterprise Invested by Corporations of Hong Kong, Macau and Taiwan (《中華人民共和國港澳台僑投資企業批准證書》) of Shang Wai Zi Su Fu Zi Zi (2010) No. 89805 issued by the People's Government of Jiangsu Province on 14 December 2010 and set up by Singamas Container Enterprise Co., Ltd.

The registered capital of Qidong Singamas Energy Equipment Co., Ltd. was US\$45 million upon its establishment, all of which was invested by Singamas Container Enterprise Co., Ltd. With the approval of the document Su Shang Zi Shen Zi [2013] No. 06031 issued by the Department of Commerce of Jiangsu Province in May 2013, Qidong Singamas Energy Equipment Co., Ltd. was approved to increase its registered capital to US\$92.50 million. On 30 June 2015, its registered capital increased to US\$147.50 million after the acquisition of Qidong Pacific Logistics Co., Ltd. In December 2015, its registered capital increased to US\$220 million.

In July 2019, COSCO SHIPPING Investment Holdings Co., Ltd. acquired 100% of the equity interests in Qidong Singamas Energy Equipment Co., Ltd. owned by Singamas Container Enterprise Co., Ltd. and changed the name of the enterprise to “Dong Fang International Container (Qidong) Co., Ltd.”.

As at the Valuation Benchmark Date, the shareholders of Dong Fang International Container (Qidong) Co., Ltd. and their contributions are set out in the table below:

*Unit: US\$0'000*

<b>Name of shareholder</b>	<b>Subscribed contribution</b>	<b>Paid-in contribution</b>	<b>Contribution proportion</b>
COSCO SHIPPING Investment Holdings Co., Ltd.	<u>22,000.00</u>	<u>22,000.00</u>	<u>100%</u>
Total	<u><u>22,000.00</u></u>	<u><u>22,000.00</u></u>	<u><u>100%</u></u>

**(3) Corporate structure, organizational structure and employees**

As at the Valuation Benchmark Date, Dong Fang International Container (Qidong) Co., Ltd. has 13 functional departments, including the dry container production department, the reefer container production department, the special container production equipment department, the logistics services department (Qidong Port Company for external parties), the equipment engineering center, the safety supervision department, the quality management department, the R&D center, the marketing services department, the procurement department, the materials department, the financial department, the comprehensive management department/corporate culture department/Party-public work department.

The company currently has a total of 3,052 employees, including 218 management members and 2,834 production staff with an average age of 37. 41 employees hold medium and senior professional titles.

**(4) Principal businesses**

The principal products of Dong Fang International Container (Qidong) Co., Ltd. include dry containers and reefer containers. The specifications of products are mainly standard containers with a height of 20 feet and 40 feet and a small portion of special containers.

Designed production capacity: 2 production lines of dry containers with an annual designed capacity of 300,000 TEU and 1 production line of reefer containers with an annual designed capacity of 60,000 TEU.

**(5) Customers and suppliers**

*(a) Sales and customers*

Most of the sales orders, product pricing and sales revenue of Dong Fang International Container (Qidong) Co., Ltd. are under the unified management of the superior company and details are as follows:

Sales orders: The headquarters in Hong Kong and Shanghai negotiate with customers and the orders obtained through the headquarters account for a majority of the overall sales. The business teams of all factories are mainly responsible for undertaking orders allocated by the headquarters and coordinating with the production department, the procurement department, the R&D center and other departments in the arrangement of production. The business team of the Qidong container factory also undertakes certain orders for special containers and the Qidong container factory directly negotiates with customers on such orders.

Sales pricing: The basic prices of containers are determined by the marketing department of the headquarters based on the price of inventories provided by factories and the labor costs and manufacturing fees. The sales staff of the headquarters adjust the basic prices based on the market conditions and the negotiation results with customers to finally determine the prices.

Execution of contracts: There are two ways under which contracts are executed. Firstly, the factory and COSCO SHIPPING Investment Holdings Co., Ltd. sign sales contracts and COSCO SHIPPING Investment Holdings Co., Ltd. signs sales contracts with customers. Secondly, customers directly sign contracts with all factories.

Collection of sales amounts: For sales contracts entered into between COSCO SHIPPING Investment Holdings Co., Ltd. and customers, the sales amounts are collected by COSCO SHIPPING Investment Holdings Co., Ltd. and distributed to all factories based on the capital planning and the capital demands of all factories. For contracts entered into between factories and customers, customers directly make payment to factories.

Allocation of orders: After obtaining orders from customers, the headquarters will designate factories to conduct production based on customers' requirements and the production arrangement of all factories.

After-sale services: The business departments of all factories are mainly responsible for following up.

*(b) Suppliers*

Major materials (steel materials, stainless steel, stainless iron, wooden plates and paints) required in production are negotiated between the procurement department of Shanghai Universal Logistics Equipment Co., Ltd. and suppliers based on the demands of factories to determine the procurement price and quantity. Each factory enters into procurement contracts with suppliers based on the orders of the procurement department of Shanghai Universal Logistics Equipment Co., Ltd. and makes payment. The factories are responsible for price negotiation, execution of contracts and payment for other materials except for those under centralized procurement.

**(6) Historical operations**

Dong Fang International Container (Qidong) Co., Ltd. is principally engaged in the production of dry containers, reefer containers and special containers. The specifications of products are standard containers with a height of 20 feet and 40 feet and special containers with customized specifications based on customers' demands.

Dry containers include: standard 20', 20'HC, 40', 40'HC, 45', 48', 53' etc.

Reefer containers include: standard 20'RF, 20'RH, 40'RF, 40'RH etc.

Special containers include: containers with side opening doors, open-top containers, folding containers, sewage treatment containers, logistics containers, electric equipment containers, offshore containers, housing containers, mobile medical shelters and other special customized containers based on demands.

The designed annual capacity includes 300,000 TEU of dry containers with a daily output of 1,000 units of 20' and 20'HC and 800 units of 40' and 40'HC per shift. The designed annual capacity is 60,000 TEU of reefer containers with a daily output of 120 units of 40'RH per shift.

Major production equipment includes production equipment for dry containers: pre-processing and molding lines for side plates, pre-processing line for top plates, pre-processing line for thick plates, pre-processing line for profiles, cutting and folding lines for bottom cross beams, rolling line for bottom and side beams, punch, shearing machine for thick and thin plates, bending machine/gantry pressing machine and 2 production lines (including subassembly welding machine, general assembly welding machine, secondary sanding line, tertiary painting line and drying room, refining line, etc.); reefer containers production equipment: integrated line for top, bottom and side beams, foaming production line, press machine (punch), stainless high-speed coil feed line, integrated line for sanding, painting and drying of steel gates, shearing machine for carbon steel, shearing machine for stainless thin plates, bending machine, gantry pressing machine, coil feed line for aluminium plates and 1 production line (including sanding line for front and back frames, welding line for front and back frames, painting line for subassembly makeup, sanding line for bottom frame, general assembly welding machine, secondary sanding line, tertiary painting line and drying room, refining line, etc.).

The production and operation of Dong Fang International Container (Qidong) Co., Ltd. in historical years are set out in the table below:

*Unit: RMB0'000*

No.	Item	2018	2019	2020
1	Dry containers (TEU)	241,104.00	129,646.00	275,250.00
2	Revenue from dry containers	305,582.61	142,453.28	332,185.58
3	Reef container (TEU)	15,762.80	17,771.00	30,551.60
4	Revenue from reef containers	87,113.20	47,707.10	79,858.13
5	Special containers (TEU)		8,412.14	3,555.43
6	Revenue from special containers		10,606.35	5,190.26
7	Revenue from other businesses	4,037.31	5,213.03	2,836.53
	<b>Total revenue</b>	<b><u>396,733.12</u></b>	<b><u>205,979.77</u></b>	<b><u>420,070.46</u></b>

Major financial data and accounting statements of Dong Fang International Container (Qidong) Co., Ltd. in recent years have been audited by professional auditors and are set out in the table below:

*Unit: RMB0'000*

<b>Item</b>	<b>31 December 2018</b>	<b>31 December 2019</b>	<b>31 December 2020</b>
Total assets	272,653.00	199,745.40	345,265.83
Including: fixed assets	84,112.62	76,751.37	74,883.68
Total liabilities	120,365.29	72,689.62	202,115.06
Net assets	152,287.71	127,055.78	143,150.78
<b>Item</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Revenue	396,733.12	205,979.77	420,070.46
Total profit	8,053.48	-25,512.25	16,162.27
Net profit	6,040.10	-25,299.20	16,162.27

*Note:* The data for 2018 was from the audit report issued by Nantong Tiancheng LLP (南通天晟會計師事務所(特殊普通合夥)). The data for 2019 and 2020 was from the audit reports issued by Ernst & Young Hua Ming LLP.

### **(III) Relationship between the Clients and the Appraised Entity**

COSCO SHIPPING Development Co., Ltd., Client I, proposes to acquire 100% of the equity interests in four companies, including Dong Fang International Container (Qidong) Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd., Client II, through the issuance of shares. COSCO SHIPPING Investment Holdings Co., Ltd., Client II, is a shareholder of Dong Fang International Container (Qidong) Co., Ltd., the appraised entity, with a shareholding proportion of 100%.

### **(IV) Overview of Other Users of the Valuation Report**

Except for relevant parties in the economic activity, competent administrative review authorities and other users of the report as provided by national laws and regulations, no other users of the report were provided in the Asset Valuation Engagement Contract.

## II. PURPOSE OF VALUATION

As COSCO SHIPPING Development Co., Ltd. proposes to acquire 100% of the equity interests in four companies, including Dong Fang International Container (Qidong) Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares, the value of all shareholders' equity interests in Dong Fang International Container (Qidong) Co., Ltd. involved in the economic activity has to be appraised to determine its market value on the Valuation Benchmark Date, being 31 December 2020, and provide value reference for the clients.

The said economic activity has been approved by China COSCO SHIPPING Corporation Limited and the Resolution at the 46th Meeting of the First Session of the Board of Directors of China COSCO SHIPPING Corporation Limited was issued (20 January 2021).

## III. VALUATION TARGET AND SCOPE

### (I) Valuation Target and Scope

The appraised valuation target and scope are consistent with the valuation target and scope involved in the economic activity.

The valuation target is the value of all shareholders' equity interests in Dong Fang International Container (Qidong) Co., Ltd.

The valuation scope covers all assets and liabilities of Dong Fang International Container (Qidong) Co., Ltd. on the Valuation Benchmark Date corresponding to the valuation target. The corresponding accounting statements of the assets and liabilities declared by the enterprise have been audited by Ernst & Young Hua Ming LLP and the audit report An Yong Hua Ming (2021) Shen Zi No. 61227808\_B01 was issued on 27 April 2021 with unqualified audit opinions. Details of specific assets and liabilities are set out in the table below.

*Unit: RMB*

No.	Item	Book value
<b>1</b>	<b>I. Total current assets</b>	<b>2,450,176,831.16</b>
2	Monetary funds	337,571,951.69
3	Notes receivable	3,977,318.89
4	Trade receivable	970,073,213.34
5	Prepayment	531,931,110.85
6	Other receivables	45,352,646.28
7	Inventories	417,351,626.48
8	Other current assets	143,918,963.63
<b>9</b>	<b>II. Total non-current assets</b>	<b>1,002,481,485.31</b>
10	Fixed assets	748,836,776.72
11	Construction in progress	23,468,589.51
12	Right-of-use assets	8,106,326.56
13	Intangible assets	176,592,650.99
14	Long-term prepaid expenses	311,541.53

Unit: RMB

No.	Item	Book value
15	Other non-current assets	45,165,600.00
<b>16</b>	<b>III. Total assets</b>	<b>3,452,658,316.47</b>
<b>17</b>	<b>IV. Total current liabilities</b>	<b>2,018,363,144.92</b>
18	Short-term borrowings	1,100,000,000.00
19	Notes payable	33,533,826.79
20	Trade payable	468,561,999.48
21	Receipts in advance	18,500.00
22	Contract liabilities	5,392,612.87
23	Employee compensation payable	115,761,244.09
24	Taxes payable	8,540,537.64
25	Other payables	283,327,713.99
26	Non-current liabilities due within one year	3,226,710.06
<b>27</b>	<b>V. Total non-current liabilities</b>	<b>2,787,401.11</b>
28	Lease liabilities-long-term	2,787,401.11
<b>29</b>	<b>VI. Total liabilities</b>	<b>2,021,150,546.03</b>
<b>30</b>	<b>VII. Net assets</b>	<b>1,431,507,770.44</b>

## (II) Layout and Characteristics of Physical Assets

As at the Valuation Benchmark Date, physical assets under the scope of valuation include: inventories, fixed assets and construction in progress. Inventories mainly are raw materials and turnover materials in stock, commissioned processing materials and finished products. Fixed assets mainly include buildings and equipment. Construction in progress mainly includes civil engineering and equipment installment projects. The specific layout is as follows:

### (1) Inventories

- (a) It has a total of 1,076 items of raw materials, mainly including steel materials, profiles, paints, accessories and other raw materials for product production, and they are placed in the material warehouses of the enterprise.
- (b) It has a total of 2,756 items of turnover materials in stock, mainly including labor protection items, spare parts and instruments, and they are placed in the material warehouses of the enterprise.
- (c) It has a total of 5 items of commissioned processing materials, most of which are steel rolls and aluminium profiles processed by Qidong Baolin Container Components Co., Ltd. (啟東市寶林集裝箱零部件有限公司) and Shanghai Baoyue Steel Processing and Delivery Co., Ltd. (上海寶越鋼材加工配送有限公司) upon engagement.
- (d) It has a total of 31 finished products, mainly including various containers for sale and sample containers.

**(2) Buildings under fixed assets**

The scope of the valuation covers buildings (structures) owned by Dong Fang International Container (Qidong) Co., Ltd., including a total of 51 buildings with a total floor area of 234,389.94 sq.m. Major buildings include plants, warehouses and apartment buildings, which were completed and put into use in 2013 to 2018. It has a total of 22 structures, most of which are yards, bounding walls and roads and were completed and put into use in 2014 to 2018. Details of major buildings (structures) are as follows:

- (a) Reefer Container Plant II: With a steel structure, the building was completed and put into use in May 2015. The building has reinforced concrete independent foundation columns with a floor area of 28,734.47 sq.m. Besides the load-bearing reinforced concrete columns, it also has blockboard walls, cement mortar flooring, steelwork roof, iron gates and aluminium alloy windows. The installment projects include electric appliances, water supply and drainage and fire prevention facilities. It is in good condition with regular repairing and maintenance.
- (b) The comprehensive building: With a reinforced concrete structure, the building was completed and put into use in February 2015. The 4-storey building has reinforced concrete independent foundation columns with a floor area of 2,834.34 sq.m. With the external and internal walls painted with coatings and white coatings, the building also has face bricked ground and steelwork roof. The hall and the office area are equipped with glass gates and wooden doors and aluminium alloy windows. The installment projects include electric appliances, water supply and drainage, fire prevention and communications facilities. It is in good condition with regular repairing and maintenance.
- (c) Building No. 2 in the living area: With a reinforced concrete structure, the building was completed and put into use in February 2015. The 6-storey building has reinforced concrete independent foundation columns with a floor area of 7,741.33 sq.m. With the external and internal walls painted with coatings and white coatings, the building also has face bricked ground and steelwork roof. It is also equipped with security doors and aluminium alloy windows. The installment projects include electric appliances, water supply and drainage and fire prevention facilities. It is in good condition with regular repairing and maintenance.
- (d) The yard in Shichang area: The building has a length of 531.20 meters and a width of 138 meters. The yard project includes civil engineering, roads and water supply and drainage with a floor area of 73,305.60 sq.m. The yard was completed in May 2015 with reinforced concrete roof. It is in good condition with regular repairing and maintenance.

- (e) The bounding walls project in the living area: The building refers to bounding walls with a length of 508 meters and a height of approximately 3 meters. It was completed in July 2015 and the external wall was painted with coatings. It is in good condition with regular repairing and maintenance.

As at the Valuation Benchmark Date, a total of 51 buildings were under the scope of valuation. Dong Fang International Container (Qidong) Co., Ltd. had properties and buildings of 31,390.72 sq.m. on the book, but it has not applied for the housing ownership certificate and has not obtained permits on listing, approval and construction works planning permits, construction works commencement permits, construction works completion and acceptance filing documents and other approvals.

As at the Valuation Benchmark Date, the buildings (structures) to be appraised and the land occupied were not under mortgage or guarantee. Besides, the buildings under fixed assets under the scope of valuation were not involved in lawsuits or other matters.

### **(3) *Equipment under fixed assets***

#### **(a) *Machinery equipment***

A total of 3,702 items of machinery equipment were to be appraised, most of which are production equipment and ancillary equipment and facilities for containers. Major equipment includes the production line for containers, steel plate shearers, bending machines, welding machines and other steel processing equipment as well as ancillary craning and power transformer and distribution equipment. Some equipment has been used for a long term and is to be scrapped. Other equipment were under ordinary maintenance and normal use as at the Valuation Benchmark Date.

#### **(b) *Vehicles***

A total of 14 vehicles were to be appraised and most of them are office vehicles, mainly including Buick GL8, Passat, Toyota Camry, GAC Motor MPV and other models. As at the Valuation Benchmark Date, the vehicles were under normal maintenance and use.

#### **(c) *Electronic equipment***

A total of 1,210 electric equipment were to be appraised and most of them are computers, printers, air-conditioners and network equipment. Some computers and other equipment have been used for a long term. As at the Valuation Benchmark Date, the equipment were under normal maintenance and use.

(d) *Civil engineering*

A total of 24 items of civil engineering under construction-in-progress were under the scope of valuation and mainly include civil engineering, plants, equipment foundation, the renovation of structures as well as survey and design fees. They have a book value of RMB9,820,009.01 as at the Valuation Benchmark Date. Details are set out in the table below:

Construction-in-progress - Civil Engineering								
No.	Item	Structure	Floor area/Plot	Commencement date	Expected completion date	Visual progress	Payment proportion	Book value (RMB)
1	Gas warning devices			2019.11	2020.5	100%	100%	94,339.62
2	QSCLB1061196-SSPC underbed assembly platform – transferred to construction-in-progress	Reinforced concrete		2019.11	2020.5	100%	100%	197,835.39
3	Apartment area –No. 2, 3 and 4, activity center and marine engineering project -construction drawing design on production plants and the administration department	Reinforced concrete	35,704.98m <sup>2</sup>	2020.04	2021.01	100%	36%	920,459.34
4	Renovation of fire prevention facilities for apartment buildings and marine engineering projects	Reinforced concrete		2020.04	2021.01	100%	100%	83,156.55
5	Air-conditioners installment fees on VIP rooms for dry containers and reefer container offices	Reinforced concrete		2020.06	2020.06	100%	100%	7,194.69
6	Construction of the forklift repairing room and the temporary drying yard	Concrete	1,329.29m <sup>2</sup>	2020.03	2020.8	100%	78%	581,907.87
7	Fire prevention project in the energy equipment production base	Steel structure	35,704.98m <sup>2</sup>	2020/4/1	2021.01	74%	74%	805,448.26
8	Domestic sewage treatment project in the plant area	Reinforced concrete		2020.5	2020.10	100%	74%	730,379.54
9	Design fees on ancillary projects on containers production – expansion of the line A of beauty plant – renovation of the black painted drying room for line A of dry containers in Qidong container factory (2020)	Steel structure	374.4m <sup>2</sup>	2020.7.3	2020.12	100%	100%	2,512.89
10	Design fees on ancillary projects on containers production – additional floor for the comprehensive building	Reinforced concrete	700m <sup>2</sup>	2020.7.3	2020.12	100%	100%	7,195.85
11	Rolling doors for special containers	Steel structure	1,422m <sup>2</sup>	2020.11	2020.12	100%	88%	229,380.53

Construction-in-progress – Civil Engineering

No.	Item	Structure	Floor area/Plot	Commencement date	Expected completion date	Visual progress	Payment proportion	Book value (RMB)
12	Renovation of top, bottom and side frames of plants for dry containers and equipment foundation NO:30496477			2020.10	Completed			1,157,636.00
13	Expansion of the line A of beauty plant, general assembly and welding plant, the corridor of the additional floor of the comprehensive building and geological survey fees on stairs	Steel structure		2020.09	2020.12	100%	100%	21,698.11
14	Additional floor for the comprehensive building in Phase-I of the plant area, survey and comprehensive services for the expansion of the line-A plant	Steel structure, reinforced concrete		2020.10	2020.12	100%	100%	47,169.81
15	Dual-control system on safety production		2,122m <sup>2</sup>	2020.12	2021.01	100%	50%	21,359.22
16	Phase-II 2,500KVA power transformer substation for special containers	Reinforced concrete	2,122m <sup>2</sup>	2020.09	2020.12	100%	97%	193,685.64
17	Fire prevention project for apartment buildings and energy equipment production base NO:51702669-51702689	Steel structure	35,704.98m <sup>2</sup>	2020/4/1	2021.01	74%	74%	1,850,434.00
18	Phase-II 2,500KVA power transformer substation for special containers	Reinforced concrete	2,122m <sup>2</sup>	2020.09	2020.12	100%	97%	473,775.49
19	Machine room for roof smoke exhaust	Steel structure	147.48m <sup>2</sup>	2020.11	2020.12	100%	100%	104,320.43
20	Renovation of top, bottom and side frames of plants and equipment foundation	Steel structure	52.95m <sup>3</sup> ×6	2020.10	2020.12	100%	97%	377,523.60
21	Renovation of an open trench on the east of the steel rolls warehouse	Concrete	260m	2020.05	2020.12	100%	74%	368,235.71
22	Sheds foundation and steel structure project	Steel structure		2020.11	2020.12	100%	97%	153,705.00
23	Construction-in-progress in December 2020			2020.12	2021.2			117,637.19
24	Power transmission and distribution-Phase II			2019/8/1	2020.12	100%	100%	1,273,018.28

(e) *Equipment installment project*

It has a total of 22 items of equipment installment projects and most of them are equipment and facilities under construction, equipment renovation, repair and purchase of office equipment. As at the Valuation Benchmark Date, the book value was RMB13,648,580.50.

**(III) Intangible Assets Accounted for or Not Accounted for as Declared by the Enterprise**

**(1) Intangible assets accounted for as declared by the enterprise**

- (a) A total of 10 items of land use rights under intangible assets were under the scope of valuation with a total site area of 638,556.48 sq.m. under the land use right certificate. Its original book value was RMB197,998,971.25 and the book value on the Valuation Benchmark Date was RMB175,868,428.14. Details are set out below:

Registration of Land Ownership								
No.	Immovable property ownership certificate no.	Registered owner	Land location	Date of issuing certificate	Nature of land	Use of land	Expiry date	Area (m <sup>2</sup> )
1	Su (2020) Qidong Immovable Property Right No. 0020014	Dong Fang International Container (Qidong) Co., Ltd.	No. 1 Taiping Road, Huiping Town, Qidong City	2012/4/17	State-owned land transfer	Industrial land	2063/9/21	66,667.00
2	Su (2020) Qidong Immovable Property Right No. 0020014	Dong Fang International Container (Qidong) Co., Ltd.	No. 1 Taiping Road, Huiping Town, Qidong City	2012/12/13	State-owned land transfer	Industrial land	2062/12/13	76,972.00
3	Su (2020) Qidong Immovable Property Right No. 0020014	Dong Fang International Container (Qidong) Co., Ltd.	No. 1 Taiping Road, Huiping Town, Qidong City	2015/5/28	State-owned land transfer	Industrial land	2062/5/28	5,678.00
4	Su (2020) Qidong Immovable Property Right No. 0020014	Dong Fang International Container (Qidong) Co., Ltd.	No. 1 Taiping Road, Huiping Town, Qidong City	2016/1/8	State-owned land transfer	Industrial land	2066/1/8	14,221.00
5	Su (2020) Qidong Immovable Property Right No. 0020014	Dong Fang International Container (Qidong) Co., Ltd.	No. 1 Taiping Road, Huiping Town, Qidong City	2013/9/10	State-owned land transfer	Industrial land	2063/9/10	93,662.00

**Registration of Land Ownership**

No.	Immovable property ownership certificate no.	Registered owner	Land location	Date of issuing certificate	Nature of land	Use of land	Expiry date	Area (m <sup>2</sup> )
6	Su (2020) Qidong Immovable Property Right No. 0020014	Dong Fang International Container (Qidong) Co., Ltd.	No. 1 Taiping Road, Huiping Town, Qidong City	2017/5/1	State-owned land transfer	Industrial land	2067/5/1	32,333.00
7	Su (2020) Qidong Immovable Property Right No. 0020014	Dong Fang International Container (Qidong) Co., Ltd.	No. 1 Taiping Road, Huiping Town, Qidong City	2020/3/24	State-owned land transfer	Industrial land	2070/3/24	15,507.00
8	Su (2020) Qidong Immovable Property Right No. 0020014	Dong Fang International Container (Qidong) Co., Ltd.	No. 1 Taiping Road, Huiping Town, Qidong City	2020/3/24	State-owned land transfer	Industrial land	2070/3/24	16,851.48
9	Su (2020) Qidong Immovable Property Right No. 0034432	Dong Fang International Container (Qidong) Co., Ltd.	No. 1 Taiping Road, Huiping Town, Qidong City	2013/5/31	State-owned land transfer	Industrial land	2063/6/6	16,665.00
10	Qi Guo Yong 2016 No. 0065	Dong Fang International Container (Qidong) Co., Ltd.	No. 1 Taiping Road, Huiping Town, Qidong City	2016/5/12	State-owned land transfer	Industrial land	2066/3/9	300,000.00

(b) The book value of other intangible assets under intangible assets was RMB724,222.85 and most of them are computer software, financial software and system software. Details are set out in the table below:

No.	Name and content	Date obtained	Expected useful life	Original book value (RMB)	Book value (RMB)
1	Office software, gateway on Internet behavior management	2014/3/1	10	117,547.01	37,223.09
2	New containers management system	2015/10/1	10	76,000.00	36,100.09
3	CAD software	2015/7/1	10	55,555.56	25,000.11
4	Yonyou ERP system	2020/1/7	10	306,603.75	204,402.51
5	Power station operation and maintenance systems	2020/12/22	10	433,539.82	421,497.05
Total				989,246.14	724,222.85

**(2) Intangible assets not accounted for as declared by the enterprise**

As at the Valuation Benchmark Date, a total of 16 patented technologies were not accounted for as declared by Dong Fang International Container (Qidong) Co., Ltd., including 3 invention patents and 13 utility model patents, where all such patents are owned by Dong Fang International Container (Qidong) Co., Ltd. Incomplete or defective ownership information.

As at the Valuation Benchmark Date, 2 patented technologies were applied by Dong Fang International Container (Qidong) Co., Ltd. in the production of containers and future revenue of the enterprise under the scope of valuation. Details are set out below:

Other Intangible Assets-Table of Patent Rights

No.	Name and content	Type of patent	Registered owner	Patent no. or application no.	Patent application date	Date of obtaining patent	Note
1	Manufacturing methods for containers	Invention	Dong Fang International Container (Qidong) Co., Ltd.	200710031865.4	2007/11/28	2013/6/5	Dry containers
2	A kind of plywood for the bottom of containers	Invention	Dong Fang International Container (Qidong) Co., Ltd.	200910104903.3	2009/1/4	2012/7/4	Dry containers

As at the Valuation Benchmark Date, 14 patented technologies have not been applied by Dong Fang International Container (Qidong) Co., Ltd. in the production of containers and such patented technologies are not relevant to future annual revenue of the enterprise under the scope of valuation. Details are set out below:

**Other Intangible Assets-Table of Patent Rights**

No.	Name and content	Type of patent	Registered owner	Patent no. or application no.	Patent application date	Date of obtaining patent	Note
1	Open top containers with top locking devices	Invention	Dong Fang International Container (Qidong) Co., Ltd.	200810068149.8	2008/6/27	2013/6/26	Unrelated to product production
2	A kind of polyurethane bubbles generation system	Utility model	Dong Fang International Container (Qidong) Co., Ltd.	201921683631.2	2019/9/29	2020/7/3	Unrelated to product production
3	A kind of welding and positioning process for lining plates of containers	Utility model	Dong Fang International Container (Qidong) Co., Ltd.	201721025167.9	2017/8/16	2018/5/1	Not applied
4	A kind of adsorptive dry box for containers	Utility model	Dong Fang International Container (Qidong) Co., Ltd.	201721029662.7	2017/8/16	2018/5/1	Not applied
5	A kind of dry box for containers	Utility model	Dong Fang International Container (Qidong) Co., Ltd.	201721027654.9	2017/8/16	2018/5/1	Not applied
6	A kind of ventilation system for containers	Utility model	Dong Fang International Container (Qidong) Co., Ltd.	201721029751.1	2017/8/16	2018/5/1	Not applied
7	A kind of multi-purpose container	Utility model	Dong Fang International Container (Qidong) Co., Ltd.	201721027776.8	2017/8/16	2018/5/1	Not applied
8	A kind of anti-collision devices for container corners	Utility model	Dong Fang International Container (Qidong) Co., Ltd.	201721025787.2	2017/8/16	2018/5/4	Not applied
9	A kind of tank container	Utility model	Dong Fang International Container (Qidong) Co., Ltd.	201721025414.5	2017/8/16	2018/5/8	Not applied
10	A kind of thermal insulation container	Utility model	Dong Fang International Container (Qidong) Co., Ltd.	201721025125.5	2017/8/16	2018/5/8	Not applied

**Other Intangible Assets-Table of Patent Rights**

No.	Name and content	Type of patent	Registered owner	Patent no. or application no.	Patent application date	Date of obtaining patent	Note
11	A kind of container	Utility model	Dong Fang International Container (Qidong) Co., Ltd.	201721025395.6	2017/8/16	2018/5/8	Not applied
12	A kind of ventilation and heat dissipation devices for containers	Utility model	Dong Fang International Container (Qidong) Co., Ltd.	201721025205.0	2017/8/16	2018/5/8	Not applied
13	A kind of fire prevention devices for containers	Utility model	Dong Fang International Container (Qidong) Co., Ltd.	201721027778.7	2017/8/16	2018/5/15	Not applied
14	A kind of thermal insulation container	Utility model	Dong Fang International Container (Qidong) Co., Ltd.	201721025977.4	2017/8/16	2018/5/18	Not applied

**(IV) Type and Quantity of Off-balance-sheet Assets Declared by the Enterprise**

Except for the above 16 patented technologies, the appraised entity has not declared any other off-balance-sheet assets.

**(V) Type, Quantity and Book Value (or Appraised Value) of Assets Involved in Making Reference to the Conclusions of Reports Issued by Other Institutions**

Nil.

#### **IV. TYPE AND DEFINITION OF VALUE**

The types of valuation value include the market value and other types of value except for the market value. Other types of value except for the market value generally include (but are not limited to) the investment value, the value in use, the liquidation value and the residual value. The purpose of this valuation is to provide a value reference for normal transactions, and there are no special restrictions and requirements on market conditions and the use of valuation target, etc. Therefore, market value is selected as the type of value of this valuation according to industry practice.

Market value refers to the estimated value of the valuation target in an arm's length transaction made in the ordinary course of business on the Valuation Benchmark Date between a willing buyer and a willing seller who has each acted rationally and without compulsion.

#### **V. VALUATION BENCHMARK DATE**

The Valuation Benchmark Date for this valuation is 31 December 2020.

Major factors considered by the clients in determining the Valuation Benchmark Date include the time requirement on the implementation of the economic activity. The end of the accounting period was adopted to facilitate the defining of the scope of valuation and the accurate and efficient stocktaking of assets.

#### **VI. BASIS OF VALUATION**

##### **(I) Basis of Economic Activity**

The Resolution at the 46th Meeting of the First Session of the Board of Directors of China COSCO SHIPPING Corporation Limited (on 20 January 2021) issued by China COSCO SHIPPING Corporation Limited.

##### **(II) Legal Basis Provided by Laws and Regulations**

- (1) The Asset Appraisal Law of the People's Republic of China (passed at the 21st session of the 12th Standing Committee of the National People's Congress on 2 July 2016);
- (2) The Law of the People's Republic of China on the State-owned Assets in Enterprises (passed at the 5th session of the 11th Standing Committee of the National People's Congress on 28 October 2008);
- (3) The Measures for the Administration of State-owned Assets Appraisal (Order No. 91 of the State Council in 1991);
- (4) The Detailed Rules for the Implementation of the Administrative Measures of State-owned Assets Valuation (Guo Zi Ban Fa [1992] No. 36 issued by former National Administration for State-owned Assets);
- (5) The Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council);

- (6) The Opinions on Reforming the Administration of State-owned Assets Appraisal and Strengthening Supervision and Administration of Assets Appraisal (Guo Ban Fa [2001] No. 102);
- (7) The Interim Measures for the Administration of Valuation of State-owned Assets of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
- (8) The Regulations on Certain Issues Concerning State-owned Assets Appraisal (Order No. 14 of the Ministry of Finance);
- (9) The Measures for the Supervision and Administration of the Trading of State-owned Assets of Enterprises (Order No. 32 of the SASAC of the State Council and the Ministry of Finance);
- (10) The Notice on the Guidelines on the Publication and Distribution of the Filing of State-owned Assets Appraisal Projects for Enterprises (Guo Zi Fa Chan Quan [2013] No. 64);
- (11) The Financial Supervision and Administration Measures on the Assets Evaluation Industry (Order No. 97 of the Ministry of Finance);
- (12) The Notice on Strengthening the Administration of State-owned Assets Appraisal of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);
- (13) The Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941);
- (14) The Corporate Income Tax Law of the People's Republic of China;
- (15) The Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China (Issued under Order No. 512 of the State Council and recently amended under Order No. 714 of the State Council);
- (16) The Interim Regulations for the Value-added Tax of the People's Republic of China (Issued under Order No. 134 of the State Council and recently amended under Order No. 691 of the State Council);
- (17) The Implementation Rules to the Interim Regulations for the Value-added Tax of the People's Republic of China (Issued under Order No. 50 of the Ministry of Finance and the State Taxation Administration and recently amended under Order No. 65 of the Ministry of Finance and the State Taxation Administration);
- (18) The Notice on the Comprehensive Rollout of the Business Tax to Value Added Tax Transformation Pilot Program (Cai Shui [2016] No. 36);
- (19) The Circular Relating to Furthering Relevant Policies on Reform of Value-added Tax (Circular [2019] No. 39 jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs).

### **(III) Basis of Valuation Standards**

- (1) Basic Asset Valuation Standards (Cai Zi [2017] No. 43);
- (2) Professional Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
- (3) Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
- (4) Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
- (5) Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
- (6) Practice Guidelines for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
- (7) Practice Guidelines for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
- (8) Practice Guidelines for Asset Valuation – Enterprise Value (Zhong Ping Xie [2018] No. 38);
- (9) Practice Guidelines for Asset Valuation – Asset Valuation Methodology (Zhong Ping Xie [2019] No. 35);
- (10) Practice Guidelines for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);
- (11) Practice Guidelines for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
- (12) Practice Guidelines for Asset Valuation – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
- (13) Guiding Opinions on Professional Asset Valuation (Zhong Ping Xie [2017] No. 49);
- (14) Quality Control Guidance on the Business of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);
- (15) Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
- (16) Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
- (17) Guiding Opinions on Legal Ownership of the Asset Valuation Target (Zhong Ping Xie [2017] No. 48).

#### **(IV) Ownership Basis**

- (1) Business licenses;
- (2) Land use right certificates;
- (3) Building ownership certificates;
- (4) Patents certificates;
- (5) Driving permits for vehicles.

#### **(V) Pricing Basis and References**

- (1) The information on financial accounting and operation provided by the enterprise;
- (2) Statistical information, technical standards and policy documents issued by relevant authorities of the state;
- (3) Relevant enquiry and parameters information collected by the valuation agency;
- (4) Profit forecast information provided by the enterprise.

### **VII. VALUATION METHODOLOGY**

#### **(I) Selection of Valuation Methodology**

In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value, when performing any appraisal of enterprise value, the suitability of the three basic asset valuation methods, namely the income approach, the market approach and the cost approach (the asset-based approach) shall be analyzed based on the purpose of valuation, the valuation target, the type of value, information gathering, etc. in its selection of valuation methods.

##### ***(1) Market approach***

As there is limited access to transaction information of property ownership trading market in China and similar enterprises have significant differences in the product structure and principal businesses, it is extremely difficult to select market reference of the same type, therefore the market approach was not adopted in the valuation.

##### ***(2) Income approach***

The income approach assesses the value of an asset by its expected profitability, which is the essential basis for determining the prevailing fair market value of the asset. As such, the income approach conforms to the basic definition of an asset. The methodology adopted in the income approach is to determine the market value by capitalizing or discounting the expected revenue of the valuation target in the future. The valuation target is a container manufacturer with independent profitability and the adoption of the income approach can reflect the reasonable market value of enterprises in such type of industry, therefore the income approach was adopted in the valuation.

### **(3) *Asset-based approach***

As all assets and liabilities of the enterprise may be appraised and recognized on an individual basis with clear structure of assets and liabilities, therefore the asset-based approach was adopted in the valuation.

In conclusion, the asset-based approach and the income approach were adopted in the valuation and the asset-based approach was adopted to determine the valuation conclusion after analysis.

## **(II) *Asset-based Approach***

The asset-based approach used in the valuation of the enterprise value is a valuation method for determining the value of the appraised enterprise by appraising the value of all its assets and liabilities on the basis of its balance sheet and those which can be identified off the balance sheet at the Valuation Benchmark Date. In the case of employing the asset-based approach in valuation of the enterprise value, the value of each asset is calculated by choosing a specific applicable valuation method in accordance with its specific circumstances.

The detailed valuation methods involved in this valuation are set out as follows.

### **(1) *Current assets***

#### **(a) *Monetary funds***

For RMB monetary funds, the appraised value of monetary funds in current assets is determined as the verified book value based on the breakdown of all items provided by the enterprise. For foreign monetary funds, the appraised value is determined as the verified book value of foreign currencies multiplying the central parity of foreign currencies on the Valuation Benchmark Date.

#### **(b) *Notes receivable, trade receivable, prepayment and other receivables***

Based on the breakdown of items for valuation provided by the valuation target, which is the valuation basis, verification was conducted on accounting information and selected large amounts with analysis on the amount, time and reasons of arrears and recovery situation of each receivable, to determine the appraised value of each receivable.

#### **(c) *Interest receivable***

The appraisers reviewed and verified borrowing contracts, verified the terms and interest rates of borrowings and checked the provision and payment of interest expenses of the enterprise based on valuation procedures. It is verified that the valuation target has made no provisions for interest. The appraised value was determined as the verified book value.

(d) *Inventories*

(i) Raw materials and turnover materials in stock

Based on the breakdown of items for valuation provided by the valuation target, which is the valuation basis, the appraisers conducted spot sample checks on certain inventories and adopted the replacement procedures to determine the actual amount of raw materials and turnover materials in stock on the Valuation Benchmark Date. It is learnt that the raw materials and turnover materials in stock of the Company have a quick turnover and the materials were purchased recently with no changes in prices generally, and the verified book value was used to determine the appraised value.

(ii) Commissioned processing materials

The appraisers reviewed and verified relevant contracts, accounts and certificates and upon verification, it is found that the accounts are truthful and reasonable. The verified book value was used to determine the appraised value.

(iii) Finished products

The appraisers adopted the following methods in the valuation after determining the truthfulness and completeness of finished products through checking relevant accounts and conducting spot sample checks. For all containers for sale, the appraised value of all finished products was determined as the sales price of all finished products less taxes and surcharges, sales expenses, income taxes and appropriate net profits, that is:  $\text{appraised value} = \text{sales revenue} - \text{sales taxes and surcharges} - \text{sales expenses} - \text{income taxes} - \text{appropriate net profits}$ . As the sales of containers is an export business, no sales taxes and surcharges are incurred, the sales expenses are calculated based on the average proportion of sales expenses in revenue in the previous three years. Upon investigation, it is learnt that there are order contracts for the products for sale, hence the rate of deduction of net profits is 0%. For self-owned containers, the appraised value is determined at the book value.

**(2) *Other current assets mainly include input value added tax and the payment for supplementing the capital pool. Based on the valuation procedures, verification was conducted on the accounting evidence and corporate bills of other current assets. The verified book value was used to determine the appraised value.***

### **(3) Fixed assets – Buildings**

#### **(a) Selection of valuation methodology**

In accordance with the Practice Guidelines for Asset Valuation – Property, common valuation methods include the market comparison approach, the income approach and the replacement cost approach. An appropriate valuation approach shall be selected in accordance with standards and regulations based on the conditions of the local property market, the specific characteristics of the valuation target and the purpose of the valuation.

As the buildings (structures) are self-built industrial factories and ancillary occupancies, lease cases on similar buildings in surrounding areas cannot be obtained. It is not applicable to adopt the income approach in the valuation.

As the buildings (structures) are self-built industrial buildings, information on the transactions or trading prices of similar buildings in the same or similar areas cannot be collected. Therefore, the market comparison approach to appraise the value of the buildings (structures) to be appraised cannot be adopted.

As the buildings (structures) are self-built industrial buildings, appraisers may adopt the replacement cost approach to appraise the required budget and financial accounts materials on the project and the price information on labor, materials and the shift use of machinery on the Valuation Benchmark Date. The conditions for adopting the replacement cost approach in the valuation can be met.

Based on the above analysis, the replacement cost approach was adopted in the valuation on the buildings (structures) to be appraised.

#### **(b) Replacement cost approach**

For the valuation on principally self-built buildings, the full replacement price of a building is calculated in accordance with the amount of construction work and the current fixed standard reference price, construction fees, and loan interest rate based on the construction project data and completion settlement data, while the residual ratio is determined comprehensively in accordance with the useful life and the site survey of the building, and the net appraised value of the building is thereby calculated.

Appraised value of buildings = Full replacement price × Residual ratio

According to the Circular Cai Shui [2016] No. 36, the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (No. 39 in 2019) issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs and relevant local documents on the adjustment of pricing basis in the industry, the corresponding value-added tax shall be deducted from the full replacement price for immovable properties meeting the conditions for deduction of value-added tax.

(i) Full replacement price

Full replacement price = Construction and installation costs (excluding tax) + Preliminary construction and other costs (excluding tax) + Capital costs

A. Determination of construction and installation costs

1. Budget (final accounts) adjustment method

For the building projects with complete materials on completion and final accounts, the appraisers use the current local or industrial standard reference price to calculate the direct standard reference price based on the quantity of work of all segments and items as determined in the original completion materials. The standard construction and installation costs on the Valuation Benchmark Date are estimated based on the corresponding current standard reference price on construction and installation costs and the difference adjustment documents of the place where the project is located.

B. Determination of preliminary and other costs

Preliminary and other costs are based on the investment amount of the valuation target in project construction in accordance with the charging standards of the industry or as stipulated by national or local governments. The name, charging base, charging standards and charging basis of preliminary and other costs are set out in the table below:

Table of Preliminary and Other Costs Charged

No.	Fee	Rate	Rate (tax exclusive)	Charging basis
1	Construction unit administrative fees	0.63%	0.63%	Construction and installation costs
2	Survey and design fees	2.80%	2.64%	Construction and installation costs
3	Project construction supervision fees	1.50%	1.42%	Construction and installation costs
4	Bidding agency fees	0.060%	0.057%	Construction and installation costs
5	Environmental impact assessment fees	0.020%	0.019%	Construction and installation costs
6	Feasibility research fees	0.10%	0.09%	Construction and installation costs
7	Sub-total	5.11%	4.86%	Construction and installation costs

C. Determination of capital costs

According to the normal construction period, the loan interest rate is determined with reference to the loan market quoted interest rate announced by the National Interbank Funding Center on 20 December 2020. Based on the assumption of the average investment of funds during the construction period, the calculation formula of capital costs is as follows:

Capital costs = (Construction and installation costs + Preliminary and other costs) × Loan interest rate × Reasonable construction period ÷ 2

D. Determination of integrated residual ratio

The useful life method and the observation method are mainly used to determine the integrated residual ratio for the buildings in the valuation.

1. Theoretical residual ratio

Theoretical residual ratio is the residual rate determined based on the ratio of estimated remaining useful life of buildings to its aggregate useful life. The calculation formula is as follows:

Theoretical residual ratio = Remaining useful life ÷ Economic life × 100%

2. Residual ratio under the observation method

The observation method is applied to assess each major part of the buildings from a technical perspective, and to analyze factors such as design, manufacturing, usage, wear and tear, maintenance, improvement and physical life of the asset on a consolidated basis. Impacts of wear and tear and natural deterioration on the functionality and efficiency of the asset will be assessed by comparing the valuation target with itself in new condition. As such, the residual ratio of the buildings would be determined and the substantial depreciation would be estimated.

3. Integrated residual ratio

Integrated residual ratio = Theoretical residual ratio × 40% + Residual ratio under the observation method × 60%

4. Residual ratio would be determined by adopting a reasonable method where:
  - If the residual ratio calculated under the on-site observation method and the theoretical residual ratio differ significantly, upon analysis of the various factors by the appraisers, the relatively reasonable ratio would prevail based on their previous experience.
  - For the project which cannot be observed due to certain constraints, the theoretical residual ratio would be normally applied in determining the residual ratio.

**(4) Fixed assets – Machinery and equipment**

According to the purpose of this valuation and the characteristics of the appraised assets, and assuming the asset is continued to be used according to its current usage, the replacement cost approach would be adopted in this valuation on the basis of on-site investigation.

Basic formula: Appraised value = Full replacement price × Residual ratio

As at the Valuation Benchmark Date, the company was a VAT general taxpayer and the tax-free price was adopted to calculate the purchase costs of equipment in determining the full replacement price.

*(a) Determination of full replacement price*

*(i) Machinery and equipment*

A. Determination of full replacement price

For equipment of which current market prices are available, the full replacement price would be determined with reference to the selected prevailing market price after analyzing and taking into account the transportation and miscellaneous fees as well as installation and commissioning fees; for those equipment of which current market prices are not available, the full replacement price would be determined using the market price (to be adjusted correspondingly as the equipment purchase cost) of products with similar function, plus the transportation and miscellaneous fees, installation and commissioning fees as well as other reasonable expenses. The calculation formula is as follows:

Full replacement price = Equipment purchase cost +  
Transportation and miscellaneous fees + Installation and  
commissioning fees + Other costs

As at the Valuation Benchmark Date, the company was a VAT general taxpayer and the tax-exclusive price was adopted to calculate the purchase cost of equipment in determining the full replacement price.

## B. Determination of major price determination parameters

### 1. Equipment purchase cost

Determination of equipment purchase cost would be mainly based on quotations from the equipment manufacturer and the latest transaction price of the same type of machinery and equipment purchased by the company.

### 2. The rate of transportation and miscellaneous fees of equipment

Transportation and miscellaneous fees of equipment, consisting mainly of the transportation cost, loading and unloading expenses and insurance premium, would be determined generally based on the standard rate as stipulated by the “Manual of Data and Parameters Commonly Used in Asset Appraisal” (資產評估常用數據與參數手冊) in the valuation.

### 3. Installation and commissioning fees of equipment

It would be determined based on the standard rate as stipulated by the “Manual of Data and Parameters Commonly Used in Asset Appraisal” (資產評估常用數據與參數手冊).

### 4. Preliminary and other costs

Preliminary and other costs are based on the investment amount of the valuation target in project construction in accordance with the charging standards of the industry or as stipulated by national or local governments. Preliminary and other costs determined in the valuation of equipment are as follows:

Table of Preliminary and Other Costs Charged

No.	Fee	Rate	Rate (tax exclusive)	Charging basis
1	Construction unit administrative fees	0.63%	0.63%	Construction and installation costs
2	Survey and design fees	2.80%	2.64%	Construction and installation costs
3	Project construction supervision fees	1.50%	1.42%	Construction and installation costs
4	Bidding agency fees	0.060%	0.057%	Construction and installation costs
5	Environmental impact assessment fees	0.020%	0.019%	Construction and installation costs
6	Feasibility research fees	0.10%	0.09%	Construction and installation costs
7	Sub-total	5.11%	4.86%	Construction and installation costs

## 5. Capital costs

According to the normal construction period, the loan interest rate is determined with reference to the loan market quoted interest rate announced by the National Interbank Funding Center on 20 December 2020. Based on the assumption of the average investment of funds during the construction period, the calculation formula of capital costs is as follows:

$$\text{Capital costs} = \text{Purchase price or construction costs of equipment} \times \text{Applicable interest rate} \times \text{Reasonable construction period} \div 2$$

### (ii) Vehicles

The full replacement price is determined by adding vehicle purchase tax, license fee and other reasonable costs at the prevailing market price.

### (iii) Electronic equipment

For the electronic equipment of which prevailing market price is available, the full replacement price is directly determined based on its analyzed and selected prevailing market price; for the electronic equipment of which prevailing market price is unavailable, the full replacement price is determined by selecting the market price of the substitutes with similar function and making corresponding adjustments.

## (b) *Determination of the residual ratio*

- (i) For machinery and equipment, the observation method and the useful life method are mainly used to determine the residual ratio. The calculation formula is as follows:

$$\text{Residual ratio} = \text{Residual ratio under the observation method} \times 60\% + \text{Residual ratio under the useful life method} \times 40\%$$

- A. Observation method. The observation method is applied to assess each major part of the appraised equipment from a technical perspective, and to analyze factors such as design, manufacturing, usage, wear and tear, maintenance, repair, extensive repair, improvement and physical life of the asset on a consolidated basis. Impacts of wear and tear and natural deterioration on the functionality and efficiency of the asset will be assessed by comparing the valuation target with itself in new condition. As such, the residual ratio of the appraised equipment would be determined.

B. Useful life method. The calculation formula is as follows:

$$\text{Residual ratio under the useful life method} = (\text{Economic useful life} - \text{Used life}) / \text{Economic useful life} \times 100\%$$

Economic useful life refers to the term of asset from the date of commencing service to the date of discontinuation when it becomes uneconomical.

(ii) For vehicles, the observation method and the theoretical residual ratio are comprehensively used to determine the residual ratio. The calculation formula is as follows:

$$\text{Residual ratio} = \text{Residual ratio under the observation method} \times 60\% + \text{Theoretical residual ratio} \times 40\%$$

A. Observation method. The observation method is applied to assess each major part of vehicles from a technical perspective, and considers factors such as design, manufacturing, usage, wear and tear, maintenance, repair and physical life of the asset on a consolidated basis. Impacts of wear and tear and natural deterioration on the functionality and efficiency of the asset will be assessed by comparing the valuation target with itself in new condition. As such, the residual ratio of the appraised vehicles would be determined.

B. Theoretical residual ratio. With reference to the *Regulations on Compulsory Scrapping Standards of Motor Vehicles* (Order No. 12 of 2012 of the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection), the theoretical residual ratio is determined as the lower of the residual ratio under the useful life method and the residual ratio under the mileage method. The calculation formula for the residual ratio under the useful life method is as follows:

$$\text{Residual ratio under the useful life method} = (\text{Economic useful life} - \text{Used life}) / \text{Economic useful life} \times 100\%$$

The calculation formula for the residual ratio under the mileage method is as follows:

$$\text{Residual ratio under the mileage method} = (\text{Specified mileage} - \text{Mileage traveled}) / \text{Specified mileage} \times 100\%$$

(iii) Electronic equipment

For electronic equipment, the useful life method is mainly used to determine the residual ratio. The calculation formula is as follows:

Residual ratio under the useful life method = (Economic useful life – Used life)/Economic useful life × 100%

If the residual ratio calculated under the observation method and the residual ratio calculated under the useful life method (or the theoretical residual ratio) differ significantly, the relatively reasonable one of the two may be selected based on experience and judgment after analyzing related reasons. For the equipment which can be used normally, its residual ratio would normally be not less than 10%.

**(5) Construction-in-progress – Civil engineering**

- (a) For completed projects, the appraised value is recognized as the replacement price on the Valuation Benchmark Date using the replacement cost approach.
- (b) For project survey fees, the appraised value is recognized as the book value plus the capital costs on the basis that the book value is correct without mistakes.

**(6) Construction-in-progress – Equipment installment project**

Appraisers have inspected the project contracts and evidence of payment of the enterprise and confirmed that the payment met the contractual requirements. They learnt about the progress of projects through relevant employees of the enterprise and calculated the corresponding reasonable capital costs to determine the final appraised value based on the payment progress for the equipment under construction after verifying the above conditions. For self-developed equipment where the progress cannot be determined, the book value is recognized as the appraised value. For suspended and terminated construction in progress, the appraised value is recognized as nil.

**(7) Right-of-use assets**

There are two right-of-use assets in total. The first is the right-of-use asset from the lease agreement on the industrial waste sorting warehouse entered into between the valuation target and Qidong Jiaying Recyclable Materials Collection Co., Ltd. on 1 December 2018 with a lease term of four years from 1 December 2018 to 30 November 2022 and a total rent of RMB5,804,774.23. The second is the right-of-use asset from the lease agreement on underbed and bottom beams welding robots entered into between the valuation target and COSCO SHIPPING Development (Tianjin) Leasing Co., Limited on 23 September 2020 with a lease term of two years from 23 September 2020 to 22 September 2022 and a total rent of RMB3,390,477.40.

The appraisers verified the right-of-use assets and ensured the consistency between account certificates, statements and accounts. Therefore, the verified book value was adopted as the appraised value.

**(8) Intangible assets – Land use rights**

*(a) Selection of valuation methods*

According to the *Rules for Urban Land Valuation*, the common land valuation approaches include market comparison approach, income reduction approach, hypothetical development approach, cost approximation approach, benchmark land price coefficient correction approach, etc. The selection of valuation approaches should be based on the *Rules for Urban Land Valuation* and the development of local real estate market, combined with the specific characteristics of the valuation target and the valuation purpose, etc., to select appropriate valuation approaches.

In accordance with the technical specifications on land price appraisal and the specific conditions of the valuation target, the market approach and the cost approximation method were adopted in this valuation mainly due to the following reasons:

- (i) As relevant land acquisition compensations can be collected for the land parcel to be appraised, the cost approximation method can be adopted in the valuation.
- (ii) As sufficient market lease cases in areas surrounding the land parcel with the same use cannot be collected, the income approach was not adopted in the valuation.
- (iii) As the complete benchmark land price correction system cannot be obtained in the area where the land parcel is located, it is not appropriate to adopt the benchmark land price coefficient correction approach in the valuation.
- (iv) As there are market transaction cases in areas surrounding the land parcel to be appraised, the market approach may be adopted in the valuation.

*(b) Valuation method of the market comparison method:*

The market comparison method represents that when determining the price of the land parcel to be appraised and following the principle of replacement, it compares the transaction cases of similar land use rights in recent period with the land parcel to be appraised and determines the price of the land parcel of the valuation target on the Valuation Benchmark Date based on the known price of the latter with reference to the differences in the transaction conditions, date, region and other individual factors with the land parcel. The calculation formula is:

Comparable price = Comparable land parcel price × Correction of transaction conditions × Correction of transaction dates × Correction of regional factors × Correction of individual factors

Price of land parcel to be appraised = Comparable price × Land parcel area

(c) *Valuation method of the cost approximation method:*

Cost approximation method refers to the valuation method to determine land price by using the sum of various expenses incurred in the development of land as major reference, with a certain amount of profit, interest, tax payable and land value-added gain. The general formula of the cost approximation method is:

Land price = Land acquisition costs and relevant taxes + Land development costs + Investment interest + Investment profits + Land value-added gains

(9) ***Intangible assets – Other intangible assets – Software***

The appraisers recognize the composition of the original book value and the truthfulness and reasonableness of the incurred amortization amount through enquiring the related accounting records based on the original accounting value. For customized software and those not sold in the market but can still be used for the original purpose, the replacement cost is determined based on the book historical cost with reference to the changes in the average salary of employees in the urban information transmission, computer service and software enterprises. Meanwhile, the appraised value of all software is calculated based on the remaining economic life of software and the depreciation rate determined after considering all depreciation factors.

Appraised value = Replacement cost × (1 – Depreciation rate)

(a) *Determination of the replacement cost*

For the replacement cost of purchased intangible assets, the price index method to calculate is adopted in the calculation of its replacement cost based on the book historical cost of the intangible assets after adjustment on the price index.

Replacement cost = Book cost of intangible assets × (Price index on the Valuation Benchmark Date/Price index on purchase)

(b) *Depreciation rate*

Appraisers determine the depreciation rate of intangible assets through comparing the estimation and judgment on the remaining economic life of intangible assets. The calculation formula is as follows:

Depreciation rate = Used life/(Used life + Remaining useful life) × 100%

**(10) Intangible assets – Other intangible assets – Patents**

Pursuant to the operational standards for the valuation of intangible assets, the cost approach, income approach or market approach can be used for the valuation of patents and technologies according to the prerequisites for utilization and the actual circumstances of the valuation.

Generally speaking, for invention patents and utility model patent technologies, there is usually no correlation between the research and development costs for the technologies and the value of the technologies themselves. Since the technologies to be appraised are products of years of contribution and involve cross-sectional research, together with the reasons associated with the management, it is difficult to calculate the research and development costs and the valuation cannot be conducted by taking costs into account. The cost approach was therefore not adopted in this valuation.

In addition, due to the exclusivity of patent technologies, identifying comparables from market transactions usually proves to be difficult and hence, the market approach was not adopted as well.

Accordingly, based on the actual conditions of patent technologies of the enterprise, this valuation on invention patents and utility model patent technologies was made by taking income into account and the income approach was adopted as a result.

The ideology of the income approach is to estimate the income of products manufactured using the exclusive technologies in the upcoming years and based on a certain profit sharing ratio (which is the contribution ratio of the patent technologies to the income in the upcoming years), to calculate the appraised value by discounting and adding the estimated income using the appropriate discount ratio. The basic formula is as follows:

$$P = \sum_{t=1}^n \frac{kR_t}{(1+i)^t}$$

Wherein,

P: the value of technology commissioned to be appraised

R<sub>t</sub>: the annual income from the technology in the t year

T: the sequence number of the year for valuation

K: the profit sharing ratio of the technology for the income

I: the discount rate

N: the economic income period of the technology

**(11) Long-term prepaid expenses**

Appraisers viewed fee contracts and verified the revenue period of long-term prepaid expenses based on the valuation procedures in the valuation. For interlocking blocks and cast concrete in W4-W11 area of the steel coil warehouse under odd projects, no valuation on the long-term prepaid expenses on such items was carried out as they have been appraised under the steel coil warehouse. The appraised value of other long-term prepaid expenses is determined at the verified book value.

**(12) Other non-current assets**

Other non-current assets refer to the land prepayment from the Treasury Division of the Qidong Municipal Bureau of Finance. The appraised value is determined based on the breakdown of items under valuation provided by the valuation target in accordance with the valuation procedures after learning about the reasons of other current assets and conducting sample checks on the original and accounting evidence.

**(13) Liabilities**

The actual amount of liabilities attributable to the valuation target as at the Valuation Benchmark Date will be accounted for as the appraised value.

**(III) Income Approach**

The income approach in the appraisal of enterprise value refers to the valuation method used in determining the value of the valuation target by capitalizing or discounting the expected income. Methods frequently used under the income approach include the dividend discount method and the discounted cash flow method.

This valuation adopted the discounting model of free cash flow of firm under the discounted cash flow method. Specifically, using the Weighted Average Cost of Capital (WACC) as the discount rate, the total equity interest of shareholder is arrived at by adding the expected Free Cash Flow of Firm (FCFF) for each of the coming years to the operational asset values plus the value of the surplus assets and non-operational assets to the value of entire assets of the enterprise less the value of interest-bearing debt. The basic formula is as follows:

Total equity interest of shareholders = Operational asset value + Non-operational assets value – Non-operational liabilities value + Surplus assets value – Value of interest-bearing debt

The specific calculation formula is as follows:

$$P = P' + A' - D' - D$$

$$P' = \sum_{i=0.5}^n \frac{R_i}{(1+r)^i} + \frac{R_n}{r} \times \frac{1}{(1+r)^n}$$

Wherein,  $P$  – the total appraised value of equity interest of shareholders in the valuation target

$P'$  – the discounted value of entire revenue of firm

$D$  – the non-operational liabilities

$A'$  – the non-operational assets

$D'$  – the interest-bearing debt

$R_i$  – the expected income generated in income period No.  $i$  in the future (FCFF)

$i$ : the income period,  $i=0.5, 1.5, 2.5 \dots n$

$r$ : the discount rate.

## VIII. PROCESS AND IMPLEMENTATION OF VALUATION PROCEDURES

### (I) Acceptance of Engagement

Understand the general conditions of the appraised assets and specify the valuation purpose, the valuation target and scope, the valuation benchmark date and other basic matters in valuation after discussions and communications with the clients, accept the engagement after the comprehensive analysis on the professional capability and independence and assessment of business risks and enter into the assets valuation engagement contract. Determine the type of the appraised value, formulate the valuation plan and establish the working group on valuation based on specific circumstances.

### (II) On-site inspection and collection of materials

Guide the appraised entity to conduct asset stocktaking and prepare valuation materials and carry out on-site inspection on the valuation target on such basis to collect required information for the asset valuation, understand the asset, business and financial conditions of the valuation target, macro and regional economic factors affecting the operation of the enterprise and the current conditions and prospects of the industry and pay attention to the legal ownership of the valuation target. Verify and validate the materials used in the asset valuation in accordance with laws.

### **(III) Assessment and estimation**

Analyze, summarize and sort the materials on valuation based on the specific circumstances of the asset valuation business and form the basis for the assessment and estimation and the preparation of the valuation report. Select the valuation methodology based on the valuation purpose, the valuation target, the type of value, the collection of materials and relevant conditions as well as the Practice Guidelines for Asset Valuation. Select the corresponding formula and parameters in analysis, calculation and judgment based on the valuation methodology adopted and analyze and judge valuation assumptions and restrictions which may affect the valuation and the valuation conclusion and arrive at the estimation results. Analyze and compare the estimation results arrived at from different methodologies and form the valuation conclusion.

### **(IV) Issuance of report**

The responsible persons of the project prepare the preliminary asset valuation report based on the valuation conclusion after assessment and estimation. The firm carries out internal review on the preliminary asset valuation report in accordance with laws, administrative regulations, the standards for asset appraisal and the internal quality control system and issue the formal asset valuation report after conducting necessary communications on relevant contents of the valuation report with the clients and other relevant parties.

## **IX. VALUATION ASSUMPTIONS**

The main asset valuation assumptions adopted in this valuation report include:

### **(I) Basic Assumptions**

- (1) Transaction assumption. The transaction assumption is that all assets to be appraised are in the process of transaction, and the appraisers will make estimation in a simulated market according to the transaction conditions (among others) of assets to be appraised.
- (2) Open market assumption. The open market assumption is that assets may be traded freely in a highly competitive market and the price of which is determined based on the judgment of both independent trading parties over the value of assets under certain supply and demand conditions. An open market refers to a market which is highly competitive with various buyers and sellers. In the open market, both parties of a transaction are equal, which means they are given the opportunity and time to acquire sufficient market information. Buyers and sellers are supposed to be acting voluntarily and rationally rather than being coerced or confined during the transaction.
- (3) Assumption on continuing operation. Assumption on continuing operation refers to the assumption that the operating activities of an operating entity will continue and will not be suspended or terminated in the foreseeable future.

## **(II) Specific Assumptions**

- (1) There will be no significant changes in the relevant prevailing laws, regulations and policies as well as macro-economic situation of the country and place where the valuation target resides, significant changes in the political, economic or social environment in the regions in which the parties to the transaction are located, or material adverse effects arising from other unforeseeable factors and force majeure.
- (2) It is assumed that the enterprise will have balanced cash inflows and cash outflows throughout the year based on its actual operation conditions.
- (3) It is assumed that the current and future operators and managers of the valuation target exercise due diligence, and the management of such entity are competent in discharging their duties to ensure that the valuation target is able to operate on a going concern basis, the development, production, and operation plans of which can be fulfilled as scheduled.
- (4) It is assumed that the valuation target is in full compliance with all relevant national laws and regulations, without committing any significant violation that prejudices corporate development and realization of revenue.
- (5) It is assumed that the accounting policies to be adopted by such enterprise in the future are basically consistent with those adopted during the preparation of this report in material aspects.
- (6) It is assumed that, based on its current management approaches and standards, the enterprise's scope and model of business will remain consistent with the current orientation.
- (7) It is assumed that there will be no material changes in the requirements currently implemented or determined to be implemented regarding the relevant interest rates, exchange rates, taxation bases and tax rates, and government levies according to national regulations.
- (8) It is assumed that no other force majeure and unforeseeable factors will have a material adverse effect on the enterprise.

According to the requirements of the asset valuation, these assumptions are deemed to be valid on the Valuation Benchmark Date. We will not accept any responsibility for any different valuation conclusions resulting from any changes in these assumptions when the economic environment changes significantly in the future.

## X. VALUATION CONCLUSION

### (I) Valuation result using the asset-based approach

On the Valuation Benchmark Date, being 31 December 2020, the book value of the assets, liabilities and net assets of Dong Fang International Container (Qidong) Co., Ltd. was RMB3,452,658,300, RMB2,021,150,500 and RMB1,431,507,800, respectively. The total assets, liabilities and net assets were RMB3,591,891,000, RMB2,021,150,500 and RMB1,570,740,500, respectively, after the valuation. The appraised value of total assets represented an appreciation of RMB139,232,700 over the book value with an appreciation rate of 4.03%. The appraised value of net assets represented an appreciation of RMB139,232,700 over the book value with an appreciation rate of 9.73%. Please refer to the table below for details:

Item	Book Value A	Appraised Value B	Appreciation/ Depreciation C=B-A	Appreciation Rate D=C/A×100%
1 Current assets	245,017.68	247,651.36	2,633.68	1.07%
2 Non-current assets	100,248.15	111,537.74	11,289.59	11.26%
3 Including: Fixed assets	74,883.68	84,136.69	9,253.01	12.36%
4     Construction-in-progress	2,346.86	2,048.11	-298.75	-12.73%
5     Right-of-use assets	810.63	810.63	0.00	0.00%
6     Intangible assets	17,659.27	19,995.15	2,335.88	13.23%
7     Long-term prepaid expenses	31.15	30.60	-0.55	-1.77%
8     Other non-current assets	4,516.56	4,516.56	0.00	0.00%
<b>9 Total assets</b>	<b>345,265.83</b>	<b>359,189.10</b>	<b>13,923.27</b>	<b>4.03%</b>
10 Current liabilities	201,836.31	201,836.31	0.00	0.00%
11 Non-current liabilities	278.74	278.74	0.00	0.00%
<b>12 Total liabilities</b>	<b>202,115.05</b>	<b>202,115.05</b>	<b>0.00</b>	<b>0.00%</b>
<b>13 Net assets (Owner's equity)</b>	<b>143,150.78</b>	<b>157,074.05</b>	<b>13,923.27</b>	<b>9.73%</b>

### (II) Valuation result using the income approach

On the Valuation Benchmark Date, being 31 December 2020, the appraised value of all shareholders' equity interests in Dong Fang International Container (Qidong) Co., Ltd. was RMB1,548,577,700, representing an appreciation of RMB117,069,900 over the book value of all shareholders' equity interests of RMB1,431,507,800 with an appreciation rate of 8.18%.

**(III) Differences between the two valuation results on all shareholders' equity interests are set out in the table below:**

*Unit: RMB0'000*

<b>Valuation Approach</b>	<b>Book Value</b>	<b>Appraised Value</b>	<b>Appreciation</b>	<b>Appreciation Rate</b>
Asset-based approach	143,150.78	157,074.05	13,923.27	9.73%
Income approach		154,857.77	11,706.99	8.18%
Differences between the approaches		2,216.28		

**(IV) Analysis and explanations to the selection of the valuation conclusion**

The asset-based approach is to appraise the enterprise value through appraising value of each single asset taking into consideration the relevant liabilities from the perspective of asset replacement. The income approach is to appraise the enterprise value through capitalisation or discount of the expected revenue of the valuation target from the perspective of making judgment on the profitability of assets. It is to appraise the enterprise value based on the total revenue of the enterprise in the future through the reverse thinking of “Capital-searching with the Profit” to achieve “Profit-taking with the Capital”.

Based on specific conditions of this valuation, the valuation target is engaged in the production and sales of containers and is greatly exposed to the impacts of the global economy and the industry market with certain market periodicity. As it is difficult to accurately estimate and measure the changes and fluctuations of the industry market in the following years, the result using the asset-based approach is more practical and reasonable as compared with the result using the income approach.

Based on the above factors, the valuation result using the asset-based approach was adopted as the final valuation conclusion. The valuation conclusion is that the value of all shareholders' equity interests in Dong Fang International Container (Qidong) Co., Ltd. involved in the proposed acquisition of 100% of the equity interests in four companies held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares by COSCO SHIPPING Development Co., Ltd. was RMB1,570,740,500 (in word: ONE BILLION FIVE HUNDRED SEVENTY MILLION SEVEN HUNDRED FORTY THOUSAND FIVE HUNDRED ONLY, rounding to the nearest hundred).

The validity of the valuation conclusion revealed in the valuation report shall be one year from the Valuation Benchmark Date, being 31 December 2020, to 30 December 2021.

## XI. EXPLANATIONS TO SPECIAL MATTERS

### (I) Significant use of expert work and relevant reports;

The unqualified audit report issued by Ernst & Young Hua Ming LLP for the years 2019 and 2020 were used in this valuation and the audited book values were adopted as the book values for valuation.

### (II) Incomplete or defective ownership information:

- (1) As of the Valuation Benchmark Date, the owners registered in the driving permit of vehicles under the valuation scope are inconsistent with the name of the enterprise, details of which are as follows:

License plate no.	Name and model of vehicle	Manufacturer	Unit	Commencement date	Net book value (RMB)	Owners registered in the driving permit
Hu NK6813	Volkswagen sedan SVW71810HJ	SAIC Volkswagen	Vehicle	2013.05	16,608.75	Shanghai Baoshan Pacific Container Co., Ltd. (上海寶山太平貨櫃有限公司)
Hu ACT985	Buick MPV SGM6531UAAB	SAIC General Motors	Vehicle	2014.05	28,386.27	Shanghai Pacific International Container Co., Ltd.
Hu B98J80	Toyota Camry GTM7251GE	GAC Toyota	Vehicle	2014.07	25,298.00	Shanghai Baoshan Pacific Container Co., Ltd. (上海寶山太平貨櫃有限公司)

According to the enterprise and due to the traffic restriction on vehicles with other cities' license plates in urban areas of Shanghai, the company registered the three vehicles under the name of other companies to facilitate customers' commute and work convenience, but the ownership of such vehicles solely belongs to Dong Fang International Container (Qidong) Co., Ltd. The valuation has not considered the fees on the change of the driving permit and the impacts of contingent ownership disputes.

- (2) As of the Valuation Benchmark Date, Dong Fang International Container (Qidong) Co., Ltd. had properties and building of 9,715.31 sq.m. on its book, but it has not applied for the housing ownership certificate and has not obtained permits on listing, approval and construction works planning permits, construction works commencement permits, construction works completion and acceptance filing documents and other approvals. For buildings without ownership certificates, appraisers determine the legal property ownership and the floor area based on relevant materials provided by the valuation target without considering subsequent fees on the application for permits and the impacts of possible fines on incomplete approval procedures. A breakdown of buildings without ownership certificates is set out below:

No.	Ownership certificate no.	Names of buildings	Structure	Date of completion	Floor area (m <sup>2</sup> )	Book value (RMB)	
						Original value	Net value
10	Nil	West gate booth	Brick concrete	2016-01-31	48.00	140,679.83	113,922.56
11	Nil	North gate booth	Brick concrete	2016-01-31	82.45	246,694.91	199,773.60
15	Nil	Gate booth	Brick concrete	2014-10-27	51.00	192,756.67	146,626.52
17	Nil	South gate booth-Phase II	Brick concrete	2018-11-29	78.50	389,220.76	363,946.17
18	Nil	North gate booth-Phase II	Brick concrete	2018-11-29	76.00	374,340.10	350,031.84
19	Nil	Thermal test room	Steel structure	2016-01-22	181.00	1,123,896.53	910,131.74
23	Nil	Rigid test room	Steel structure	2016-01-31	306.00	947,803.77	767,531.69
24	Nil	Carpentry yard	Steel structure	2016-01-31	215.00	613,713.74	496,985.49
26	Nil	Forklift repairing room	Steel structure	2014-05-28	345.00	492,254.31	368,597.73
28	Nil	35KV power distribution room	Reinforced concrete	2015-11-30	587.76	988,262.00	793,023.57
30	Nil	Line-B equipment repairing room	Steel structure	2017-08-31	161.50	65,765.77	57,858.00
31	Nil	Line-A equipment repairing room	Steel structure	2017-08-31	105.30	65,765.76	57,857.99
32	Nil	Toilet	Brick concrete	2014-10-20	15.40	80,000.00	60,372.10
33	Nil	Toilet 1	Brick concrete	2015-07-30	29.80	165,854.67	130,648.86
34	Nil	Toilet 2	Brick concrete	2015-07-30	29.80	165,854.67	130,648.86
35	Nil	Toilet 3	Brick concrete	2015-07-30	29.80	90,988.00	71,674.06
36	Nil	Toilet 4	Brick concrete	2015-07-30	29.80	206,499.50	162,666.15
41	Nil	Gate booth in living areas	Reinforced concrete	2015-02-25	46.20	176,422.08	137,151.31
42	Nil	Container room in living areas	Steel structure	2015-03-12	6,016.00	15,316,806.45	11,841,294.15
46	Nil	Warehouse for reefer container accessories	Steel structure	2015-07-21	513.00	859,704.14	682,220.80
48	Nil	Ironware warehouse	Steel structure	2015-01-14	288.00	253,500.00	195,041.54
49	Nil	Warehouse for dry container plates	Steel structure	2015-07-21	480.00	1,267,559.95	1,000,492.14

- (3) As of the Valuation Benchmark Date, the names of owners registered in the patent certificates for certain intangible assets under the valuation scope are inconsistent with the name of the valuation target, but the ownership of patents belongs to Dong Fang International Container (Qidong) Co., Ltd. It has completed the procedures on the change of names with the China National Intellectual Property Administration. The valuation has not considered the fees on the change of the owners registered in the patent certificates and the impacts of contingent ownership disputes. Details are set out below:

No.	Name and content	Type of patent	Registered owner	Actual owner	Patent no. or application no.	Patent application date	Date of obtaining patent
1	Manufacturing methods for containers	Invention	Singamas Container Holdings (Shanghai) Limited	Dong Fang International Container (Qidong) Co., Ltd.	200710031865.4	2007/11/28	2013/6/5
2	Open-top containers with top locking devices	Invention	Singamas Container Holdings (Shanghai) Limited	Dong Fang International Container (Qidong) Co., Ltd.	200810068149.8	2008/6/27	2013/6/26
3	A kind of plywood for the bottom of containers	Invention	Singamas Container Technical R&D (Shanghai) Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	200910104903.3	2009/1/4	2012/7/4
4	A kind of welding and positioning process for lining plates of containers	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721025167.9	2017/8/16	2018/5/1
5	A kind of adsorptive dry box for containers	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721029662.7	2017/8/16	2018/5/1
6	A kind of dry box for containers	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721027654.9	2017/8/16	2018/5/1
7	A kind of ventilation system for containers	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721029751.1	2017/8/16	2018/5/1
8	A kind of multi-purpose container	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721027776.8	2017/8/16	2018/5/1
9	A kind of anti-collision devices for container corners	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721025787.2	2017/8/16	2018/5/4

No.	Name and content	Type of patent	Registered owner	Actual owner	Patent no. or application no.	Patent application date	Date of obtaining patent
10	A kind of tank container	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721025414.5	2017/8/16	2018/5/8
11	A kind of thermal insulation container	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721025125.5	2017/8/16	2018/5/8
12	A kind of container	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721025395.6	2017/8/16	2018/5/8
13	A kind of ventilation and heat dissipation devices for containers	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721025205.0	2017/8/16	2018/5/8
14	A kind of fire prevention devices for containers	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721027778.7	2017/8/16	2018/5/15
15	A kind of thermal insulation container	Utility model	Qidong Singamas Energy Equipment Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201721025977.4	2017/8/16	2018/5/18
16	A kind of polyurethane bubbles generation system	Utility model	Shanghai Universal Logistics Technology Co., Ltd.	Dong Fang International Container (Qidong) Co., Ltd.	201921683631.2	2019/9/29	2020/7/3

**(III) Restrictions on valuation procedures;**

Nil.

**(IV) Incomplete valuation materials;**

Nil.

**(V) Pending legal and economic matters on the Valuation Benchmark Date;**

Nil.

**(VI) The nature and amount of guarantees, leases and its contingent liabilities (contingent assets) and the relationship with the valuation target;**

Nil.

**(VII) Significant subsequent matters;**

Nil.

**(VIII) Deficiencies in the economic activity corresponding to the asset valuation that may have a material effect on the valuation conclusion.**

- (1) As of the Valuation Benchmark Date, the land demolition funds advanced and the land prepayment actually paid in excess of the agreed price by Dong Fang International Container (Qidong) Co., Ltd. totaled RMB87,101,600.00, which was accounted for as other receivables and other non-current assets of RMB41,936,000.00 and RMB45,165,600.00, respectively. The debtors of the above amounts are the Qidong Municipal Bureau of Finance of Jiangsu Province and the Administration Committee of the Qidong Marine Shipbuilding Industrial Park. Based on the information provided by the enterprise, relevant governments have undertaken that all amounts except for the land prepayment actually carried forward will be repaid in the form of tax refunds. There was no evidence showing the above amounts cannot be recovered on the Valuation Benchmark Date. The appraised value was determined based on the book value of the above receivables in the valuation.
- (2) Based on the explanations provided by the enterprise and as of the Valuation Benchmark Date, the items No. 7 customs bonded yard and No. 20 wharf project in the breakdown of the buildings valuation of the enterprise and the item No. 2 wharf project in the breakdown of the buildings valuation of Dong Fang International Container (Qidong) Co., Ltd. belong to the same building. As the project of Dong Fang International Container (Qidong) Co., Ltd. was first approved for construction, and as the shoreline is under the berth of a public wharf under planning, the self-constructed wharf was stripped off from Dong Fang International Container (Qidong) Co., Ltd.. Dong Fang International Port (Qidong) Co., Ltd. was established to promote the project. As the construction funds preliminarily provided by Dong Fang International Container (Qidong) Co., Ltd. have not been transferred to Dong Fang International Port (Qidong) Co., Ltd., the book value of the wharf was accounted for by the two companies. Upon the confirmation by Dong Fang International Container (Qidong) Co., Ltd. and Dong Fang International Port (Qidong) Co., Ltd., the buildings applied shown as the items No. 7 customs bonded yard and No. 20 wharf project in the breakdown of the buildings valuation of Dong Fang International Container (Qidong) Co., Ltd. belong to Dong Fang International Port (Qidong) Co., Ltd.

Based on the explanations on the ownership of the buildings jointly confirmed by Dong Fang International Container (Qidong) Co., Ltd. and Dong Fang International Port (Qidong) Co., Ltd., the appraised value of the items No. 7 customs bonded yard and No. 20 wharf project in the breakdown of the buildings valuation of Dong Fang International Container (Qidong) Co., Ltd. was accounted in the books of Dong Fang International Port (Qidong) Co., Ltd. in the valuation.

## **XII. RESTRICTIONS ON THE USE OF THE VALUATION REPORT**

- (I) This Valuation Report shall be used for the valuation purpose and use set out herein. For the excerpt, reference and disclosure of all or part of the contents of the Valuation Report, relevant contents shall be reviewed by the valuation agency unless it is otherwise provided by laws and regulations and agreed by relevant parties;
- (II) The valuation agency and its asset appraisers take no responsibility if the clients or other users of the Asset Valuation Report fail to use this Asset Valuation Report in accordance with the provisions of laws and administrative regulations and the scope of use set out in this Asset Valuation Report;
- (III) Except for the clients, the other users of the Asset Valuation Report as agreed in the asset valuation engagement contract and the users of the Asset Valuation Report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of this report;
- (IV) Users of the Asset Valuation Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.

## **XIII. DATE OF THE VALUATION REPORT**

The date of the valuation report is 27 April 2021.

Asset appraiser: Meng Qinghong  
Asset appraiser: Jiang Baicheng

27 April 2021

## ANNEXES

- I. The Corresponding Economic Activity Document on the Valuation Purpose
- II. The Audit Reports of the Appraised Entity
- III. Business Licenses of the Clients and the Appraised Entity
- IV. Major Ownership Proof Materials of the Valuation Target Involved
- V. Letters of Undertaking of the Clients and Other Relevant Parties
- VI. Letters of Undertaking of the Signatory Asset Appraisers
- VII. The Announcement on the Registration and Filing and the Qualification Certificates of the Valuation Agency
- VIII. Photocopy of the Business License of the Valuation Agency
- IX. Qualification Certificates of the Asset Appraisers Responsible for the Valuation Business
- X. The Asset Valuation Engagement Contract

## **APPENDIX I-B**

### **ASSET VALUATION REPORT IN RESPECT OF 100% EQUITY INTEREST IN DFIC QINGDAO**

*The Asset Valuation Report was prepared in Chinese and the English translation is for reference only. In the event of any discrepancy between the English translation of the Asset Valuation Report and the Chinese version, the Chinese version shall prevail.*

**This Report is prepared in accordance with PRC Asset Valuation Standards**

#### **Asset Valuation Report**

on Value of All Shareholders' Equity Interests in

Dong Fang International Container (Qingdao) Co., Ltd.

Involved in the Proposed Acquisition of 100% of the Equity Interests in Four Companies Held by

COSCO SHIPPING Investment Holdings Co., Ltd.

through the Issuance of Shares by COSCO SHIPPING Development Co., Ltd.

Zhong Tong Ping Bao Zi [2021] No. 12086

**1 of 1**

**Disclaimer, Summary, Text and Annexes**

China Tong Cheng Assets Appraisal Co., Ltd.

27 April 2021

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Disclaimer, Summary, Text and Annexes

Disclaimer

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Text

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**中通诚资产评估有限公司**  
China Tong Cheng Assets Appraisal Co., Ltd.

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## DISCLAIMER

- I. This Asset Valuation Report is prepared in accordance with the Basic Asset Valuation Standards issued by the Ministry of Finance and the Practice Guidelines for Asset Valuation and the Professional Code of Ethics for the Valuation of Assets issued by the China Appraisal Society.
- II. The clients or other users of the Asset Valuation Report shall use the Asset Valuation Report in accordance with the laws and administrative rules and regulations and within the scope of use set out in this Asset Valuation Report. We and the asset appraisers take no responsibility for any non-compliance with the above-mentioned requirements for the use of the Asset Valuation Report by the clients or other users of the Asset Valuation Report.

This Asset Valuation Report shall only be used by the client, other users of the Asset Valuation Report as agreed in the Asset Valuation Engagement Contract and users of the Asset Valuation Report as required by laws and administrative regulations. Save for the above, no other institution or individual shall be the user of this report.

We and the asset appraisers advise that users of the Asset Valuation Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.

- III. We and the asset appraisers have abided by the principles of independence, objectivity and impartiality, complied with the laws, administrative regulations and asset valuation standards, and assumed responsibilities for the Asset Valuation Report issued in accordance with laws.
- IV. The list of assets and liabilities and other relevant materials of the valuation target involved should be declared by the clients and the appraised entity and certified by signature, seal or other means permitted by laws. The clients and other relevant parties shall be responsible for the truthfulness, completeness and legality of the materials provided by them in accordance with laws.
- V. We and the asset appraisers have no existing or expected relationship of interests with the valuation target set out in the Asset Valuation Report or with the relevant parties, and have no prejudice against the relevant parties.
- VI. The asset appraisers have conducted on-site inspection on the valuation target and the assets involved in the Asset Valuation Report, and given necessary consideration to the legal ownership status of the valuation target and the assets involved, conducted verification on the relevant information regarding the legal ownership of the relevant assets, and made proper disclosure in respect of the issues identified and required the clients and other relevant parties to consummate the titles to meet the requirements on issuing the Asset Valuation Report.
- VII. The analyses, judgments, and conclusions in the Asset Valuation Report issued are subject to the assumptions and restrictions in the Asset Valuation Report. The users of the Asset Valuation Report shall take into full account the assumptions, restrictions and special notes specified in the Asset Valuation Report and their impact on the valuation conclusion.
- VIII. China Tong Cheng Assets Appraisal Co., Ltd. possesses the Securities and Futures Related Businesses Valuation Qualification Certificate (證券期貨相關業務評估資格證書) issued by the Ministry of Finance of the People's Republic of China and the China Securities Regulatory Commission.

## SUMMARY

### **I. CORRESPONDING ECONOMIC ACTIVITY UNDER THE VALUATION**

The corresponding economic activity under the valuation is the proposed acquisition of 100% of the equity interests in four companies, including Dong Fang International Container (Qingdao) Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares by COSCO SHIPPING Development Co., Ltd., which requires appraisal of the value of all shareholders' equity interests in Dong Fang International Container (Qingdao) Co., Ltd. involved in the economic activity.

The economic activity has been approved by China COSCO SHIPPING Corporation Limited and the Resolution at the 46th Meeting of the First Session of the Board of Directors of China COSCO SHIPPING Corporation Limited was issued (20 January 2021).

### **II. PURPOSE OF VALUATION**

COSCO SHIPPING Development Co., Ltd. proposes to acquire 100% of the equity interests in four companies, including Dong Fang International Container (Qingdao) Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares. An appraisal shall be conducted on the value of all shareholders' equity interests in Dong Fang International Container (Qingdao) Co., Ltd. involved in the economic activity to determine its market value on the Valuation Benchmark Date, being 31 December 2020, and provide value reference for the clients.

### **III. VALUATION TARGET AND SCOPE**

The valuation target is the value of all shareholders' equity interests in Dong Fang International Container (Qingdao) Co., Ltd.

The valuation scope covers all assets and relevant liabilities of Dong Fang International Container (Qingdao) Co., Ltd.

### **IV. TYPE OF VALUE**

Market value.

### **V. VALUATION BENCHMARK DATE**

31 December 2020.

### **VI. VALUATION METHODOLOGY**

The asset-based approach and the income approach were adopted in this valuation. The result derived by using the asset-based approach was adopted as the final valuation conclusion.

## VII. VALUATION CONCLUSION AND ITS VALIDITY

Based on the specific circumstances of the valuation, the result derived by using the asset-based approach was adopted as the valuation conclusion.

On the Valuation Benchmark Date, being 31 December 2020, the book value of the assets, liabilities and net assets of Dong Fang International Container (Qingdao) Co., Ltd. on an unconsolidated basis amounted to RMB2,644,227,300, RMB1,527,550,600 and RMB1,116,676,700, respectively. The total assets, liabilities and net assets were RMB2,853,888,400, RMB1,520,952,000 and RMB1,332,936,400, respectively, after the valuation. The appraised value of total assets represented an appreciation of RMB209,661,100 over the book value with an appreciation rate of 7.93%. The appraised value of net assets represented an appreciation of RMB216,259,700 over the book value with an appreciation rate of 19.37%. Please refer to the table below for details:

**Table of Summary of Asset Valuation Results**  
**Valuation Benchmark Date: 31 December 2020**

Valuation target: Dong Fang International Container (Qingdao) Co., Ltd.		<i>Unit: RMB0'000</i>			
Item	Book Value A	Appraised Value B	Appreciation/ Depreciation C=B-A	Change D=C/A×100%	
1	Current assets	180,802.69	180,539.99	-262.70	-0.15%
2	Non-current assets	83,620.04	104,848.85	21,228.81	25.39%
3	Including: Long-term equity investments	15,400.00	19,427.30	4,027.30	26.15%
4	Investment properties	1,507.67	1,719.76	212.09	14.07%
5	Fixed assets	55,426.24	67,415.99	11,989.75	21.63%
6	Construction-in-progress	653.42	656.97	3.55	0.54%
7	Intangible assets	10,529.44	15,525.56	4,996.12	47.45%
8	Right-of-use assets	103.27	103.27	0.00	0.00%
<b>9</b>	<b>Total assets</b>	<b>264,422.73</b>	<b>285,388.84</b>	<b>20,966.11</b>	<b>7.93%</b>
10	Current liabilities	151,875.25	151,875.25	0.00	0.00%
11	Non-current liabilities	879.81	219.95	-659.86	-75.00%
<b>12</b>	<b>Total liabilities</b>	<b>152,755.06</b>	<b>152,095.20</b>	<b>-659.86</b>	<b>-0.43%</b>
<b>13</b>	<b>Net assets (Owner's equity)</b>	<b>111,667.67</b>	<b>133,293.64</b>	<b>21,625.97</b>	<b>19.37%</b>

In summary, the valuation result of all shareholders' equity interests in Dong Fang International Container (Qingdao) Co., Ltd. derived by using the asset-based approach was RMB1,332,936,400 (in word: ONE BILLION THREE HUNDRED AND THIRTY-TWO MILLION NINE HUNDRED AND THIRTY-SIX THOUSAND FOUR HUNDRED ONLY), representing an appreciation of RMB216,259,700 over the book value of all shareholders' equity interests on the unconsolidated basis of RMB1,116,676,700, with an appreciation rate of 19.73%; representing an appreciation of RMB180,851,600 over the book value of all shareholders' equity interests on the consolidated basis of RMB1,152,084,800, with an appreciation rate of 15.70%.

The validity of the valuation conclusion revealed in the valuation report shall be one year from the Valuation Benchmark Date, being 31 December 2020, to 30 December 2021.

## VIII. SPECIAL MATTERS WITH IMPACTS ON THE VALUATION CONCLUSION

### (I) Significant use of expert work and relevant reports

The unqualified audit report issued by Ernst & Young Hua Ming LLP for the years 2019 and 2020 were used in this valuation and the audited book values were adopted as the book values for valuation.

### (II) Incomplete or defective ownership information

As of the date of on-site investigation, a total of 27 buildings were included in this valuation scope, except for 15 buildings, including main workshop, paint warehouse, steel warehouse, water paint workshop, office building, living building, etc., for which the housing ownership certificates have been obtained; housing ownership certificates have not yet been obtained for the other 12 buildings with floor area of 9,119.99 sq.m. as the relevant process for applying for the certificates has not yet started. This valuation is on the basis of the ownership statement provided by the valuation target, ascertaining that the owner of the title is Dong Fang International Container (Qingdao) Co., Ltd. The table below sets forth a breakdown of the buildings for which the housing ownership certificates have not yet been obtained:

Serial no.	No. of certificate	Building name	Structure	Date of completion	Floor area (m <sup>2</sup> )	Book value (RMB)	
						At cost	Net value
2	N/A	Garage and washing room	Brick-concrete structure	2004.04.26	560.00	170,000.00	50,284.47
3	N/A	Boiler room	Steel structure	2004.04.26	165.00	148,361.00	43,884.19
4	N/A	Reception room and workshop control room	Brick-concrete structure	2004.02.28	203.58	518,829.00	172,147.26
5	N/A	Second-stage main guardroom	Composite structures	2018.09.30	482.30	1,091,323.82	1,012,406.08
6	N/A	Second-stage logistics guardroom	Composite structures	2018.09.30	79.98	259,367.91	240,612.07
7	N/A	Temporary canteen	Steel structure	2018.09.30	936.10	1,630,647.49	1,512,729.08
10	N/A	ISO laboratory	Steel structure	2004.04.26	267.03	160,000.00	45,378.46
11	N/A	Workshop control room	Steel structure	2004.04.26	250.00	350,371.00	99,370.85
12	N/A	Paint warehouse	Steel structure	2007.04.14	1,300.00	464,855.59	182,374.71
13	N/A	Line-B eastward extend plant	Steel structure	2010.12.27	720.00	244,000.00	139,849.10
15	N/A	Steel warehouse	Steel structure	2017.12.29	306.00	182,363.11	160,926.03
26	N/A	Steel shed	Steel structure	2009.09.25	3,850.00	408,222.30	217,663.18

### (III) Restrictions on valuation procedures

Nil.

### (IV) Incomplete valuation materials

Nil.

### (V) Pending legal and economic matters on the Valuation Benchmark Date

Nil.

**(VI) The nature and amount of guarantees, leases and its contingent liabilities (contingent assets) and the relationship with the valuation target**

As of the Valuation Benchmark Date, the valuation target entered into a plant lease agreement with Qingdao Hongcheng Steel Products Co., Ltd. \* (青島宏程型鋼製品有限公司) in August 2016, leasing a steel-structure plant and 10 units of equipment. The total plant area is 13,437 sq.m.; the area of the steel-structure plant is 6,296.46 sq.m.; and the lease term is for a total of five years from 20 August 2016 to 19 August 2021.

Since right-of-use assets and non-current liabilities due within one year were incurred arising out of the above leases, the right-of-use assets and non-current liabilities due within one year have been considered in this valuation.

**(VII) Significant subsequent matters**

- (1) As of the Valuation Benchmark Date, the name of owner of the buildings for which the housing ownership certificates have been obtained within the valuation scope is Qingdao Pacific Container Co., Ltd. (青島太平貨櫃有限公司) (the former name of Dongfang International Container (Qingdao) Co., Ltd.); in 2019, Hong Kong Singamas Group and China COSCO Shipping Group reached an equity transfer agreement, and Hong Kong Singamas Group wholly transferred three container manufacturing companies including Dongfang International Container (Qingdao) Co., Ltd. to COSCO SHIPPING Investment Holdings Co., Ltd., a subsidiary of China COSCO Shipping Group. In July 2019, the Company changed its name to Dongfang International Container (Qingdao) Co., Ltd. (寰宇東方國際集裝箱(青島)有限公司), and the names of relevant building ownership certificate owners have not been changed. Before the issuance date of this report, the name of the owner of the above-mentioned building ownership certificate has been changed.
- (2) As of the Valuation Benchmark Date, the name of owner of property ownership certificates in the six parcels of land (with an aggregate area of 407,968.30 sq.m.) within the valuation scope is Qingdao Pacific Container Co., Ltd. (the former name of Dongfang International Container (Qingdao) Co., Ltd.). In 2019, Hong Kong Singamas Group and China COSCO Shipping Group reached an equity transfer agreement, and Hong Kong Singamas Group wholly transferred three container manufacturing companies including Dongfang International Container (Qingdao) Co., Ltd. to COSCO SHIPPING Investment Holdings Co., Ltd., a subsidiary of China COSCO Shipping Group. In July 2019, the Company changed its name to Dongfang International Container (Qingdao) Co., Ltd. (寰宇東方國際集裝箱(青島)有限公司), and the names of relevant building ownership certificate owners have not been changed. Before the issuance date of this report, the name of the owner of the building ownership certificates of land-use-right of the six parcels of land has been changed.

**(VIII) Deficiencies in the economic activity corresponding to the asset valuation that may have a material effect on the valuation conclusion**

Nil.

This report together with the conclusion are only intended to be used for the valuation purpose as described herein and for no other purposes.

**The above contents are extracted from the text of the Valuation Report. Please read the text of the Valuation Report to understand details of the valuation and correctly comprehend the valuation conclusion.**

**Value of All Shareholders' Equity Interests in Dong Fang International Container (Qingdao) Co., Ltd. Involved in the Proposed Acquisition of 100% of the Equity Interests in Four Companies Held by COSCO SHIPPING Investment Holdings Co., Ltd. through the Issuance of Shares by COSCO SHIPPING Development Co., Ltd.**

Zhong Tong Ping Bao Zi [2021] No. 12086

To: COSCO SHIPPING Development Co., Ltd. and COSCO SHIPPING Investment Holdings Co., Ltd.

Upon your engagement, we, China Tong Cheng Assets Appraisal Co., Ltd., have appraised the market value of all shareholders' equity interests in Dong Fang International Container (Qingdao) Co., Ltd. involved in the proposed acquisition of 100% of the equity interests in four companies, including Dong Fang International Container (Qingdao) Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares by COSCO SHIPPING Development Co., Ltd. as at 31 December 2020, by way of adopting the asset-based approach and the income approach and carrying out necessary valuation procedures in accordance with relevant laws, regulations and asset valuation standards and the principles of independence, objectivity and impartiality. We hereby report the details of the asset valuation as follows:

**I. OVERVIEW OF THE CLIENTS, THE APPRAISED ENTITY AND OTHER USERS OF THE ASSET VALUATION REPORT AS AGREED IN THE ASSET VALUATION ENGAGEMENT CONTRACT**

**(I) Overview of the Clients**

The clients of the valuation are COSCO SHIPPING Development Co., Ltd. and COSCO SHIPPING Investment Holdings Co., Ltd.

(1) Client I: COSCO SHIPPING Development Co., Ltd.

Name: COSCO SHIPPING Development Co., Ltd.

Unified social credit code: 91310000759579978L

Nature of company: Joint stock limited company (Sino-foreign joint venture, listed)

Domicile: Room A-538, International Trade Center, China (Shanghai) Pilot Free Trade Zone

Legal representative: Wang Daxiong

Date of establishment: 3 March 2004

Term of operation: 3 March 2004 to no fixed term

Registered capital: RMB11,608,125,000

Scope of business: Ordinary vessel services along domestic coastal areas and the middle and lower reaches of the Yangtze River and feeder liner services for foreign trade lanes in domestic coastal areas, international vessel services (including container liner services), container construction, repair, chartering, vessel chartering, self-owned containers, sales and purchase of vessels for self-use, marine management for domestic coastal ordinary vessels (excluding bulk cargo vessels), engineering management and vessel repair, maintenance, sales, chartering, operation, assets management and other vessel management services. [Projects that need to be approved according to laws can only be operated after being approved by relevant departments].

COSCO SHIPPING Development Co., Ltd. was formerly known as “China Shipping Container Lines Company Limited”. The predecessor of China Shipping Container Lines Company Limited is COSCO SHIPPING Lines Co., Ltd., a limited liability company jointly invested and established by China Shipping (Group) Company Limited, China Shipping Development Co., Ltd. and Guangzhou Maritime Transport (Group) Co., Ltd. on 28 August 1997. In March 2004, with China Shipping (Group) Company Limited as the initiator, China Shipping Container Lines Company Limited converted the net assets of the former COSCO SHIPPING Lines Co., Ltd. as at 31 October 2003 into shares and solely sponsored the establishment of an A-share listed company. It completed the initial offering of listed-foreign H shares to overseas investors and was listed for trading on the Hong Kong Stock Exchange in the same year.

COSCO SHIPPING Development Co., Ltd. is a subsidiary of China COSCO SHIPPING Corporation Limited specialized in supply-chain financial services. The company aims to bring into play the advantages in shipping logistics industry and serve upstream and downstream industrial chains with shipping finance as the foundation; to develop industrial cluster with shipping and leasing, container manufacturing, investment and services for the related industries as the core; and to develop into a “one-stop” shipping financial service platform by combining industry with finance, integrating various financial functions, and synergy of various businesses, featuring market mechanism, differentiated advantages and international vision.

COSCO SHIPPING Development Co., Ltd. is among the top global players in the industry with the shipping capacity of its container fleet and the scale of its container leasing business. As at 30 June 2020, the company’s container fleet had 86 container vessels, with a total capacity of 581,600 TEU; 4 bulk cargo vessels of 64,000 DWT each; over 90 LNG vessels, heavy crane vessels and oil tankers; and an inventory of containers of approximately 3.65 million TEU. In terms of other industry leasing businesses, the company focuses on the development of financial leasing businesses in the areas of medical services, education, new energy, construction and industrial equipment. In terms of container manufacturing business, Shanghai Universal Logistics Equipment Co., Ltd., a subsidiary of the company, attained an annual manufacturing capacity of 550,000 TEU. The company also focuses on the development of investment and supply-chain financial service business, takes good advantage of its experience in the shipping industry as well as the existing resources of the financial service industry to promote the integration of industry and finance, optimize its business models and achieve the synergetic development of its shipping finance business.

(2) Client II: COSCO SHIPPING Investment Holdings Co., Ltd.

Name: COSCO SHIPPING Investment Holdings Co., Ltd.

Registration No.: 21585899-000-03-18-8

Domicile: 51/F, Cosco Tower, 183 Queen's Road Central, Hong Kong

Type of enterprise: Limited company

COSCO SHIPPING Investment Holdings Co., Ltd. was established in 1998 with registered capital of HK\$500 million. Its predecessor is China Shipping (Hong Kong) Holdings Co., Ltd., a direct wholly-owned subsidiary of the former China Shipping (Group) Company Limited (“**China Shipping Group**”). It was the “one platform” and “three centers” of the former China Shipping Group in Hong Kong, South Korea, Japan, Australia and other countries and regions, namely the unified overseas investment and financing platform and “the profit center, the regional business management center and the service center”.

In 2016, China Ocean Shipping and China Shipping were reorganized as China COSCO SHIPPING Corporation. The new group proposed the establishment of the “6+1” industrial clusters and established the financial segment as one of the pillar industries of the group to develop the financial platform of China COSCO SHIPPING. To achieve such result, COSCO SHIPPING Financial Holdings Co., Ltd. and COSCO SHIPPING Development Co., Ltd. (the former China Shipping Container Lines Co., Ltd.) developed the financial platform of the new group through major asset reorganizations.

On 1 June 2020, COSCO SHIPPING Financial Holdings Co., Ltd. officially changed its name to “COSCO SHIPPING Investment Holdings Co., Ltd.”. As the overseas investment holding platform for the shipping and logistics industry of China COSCO SHIPPING, COSCO SHIPPING Investment Holdings Co., Ltd. will be devoted to the exploration of overseas financial investment businesses in the following years. It will also provide investment management services for China COSCO SHIPPING and its subsidiaries and integrate resources on the industrial chains to promote the synergetic development of all businesses.

## **(II) Overview of the Appraised Entity**

The appraised entity under the valuation is Dong Fang International Container (Qingdao) Co., Ltd.

### **(1) Registration information**

Name: Dong Fang International Container (Qingdao) Co., Ltd.

Unified social credit code: 91370211743979264K

Type of enterprise: Limited liability company (solely funded by Taiwan, Hong Kong or Macao corporate body)

Domicile: No.373 Maoshan Road, Qingdao Economic and Technological Development Zone

Legal representative: Wang Liang

Date of establishment: 14 January 2003

Term of operation: 14 January 2003 to 14 January 2053

Registered capital: US\$126,605,700

Scope of business: Production and manufacture of standard containers, special containers, thermal insulation container, container components and parts and wholesale and retail and import and export of the above products; container repair, storage, loading and unloading, handling. (Business activities for projects that need to be approved according to law shall be subject to the approval of relevant departments).

### **(2) Historical development, shareholders and contributions**

Dong Fang International Container (Qingdao) Co., Ltd. (previously known as Qingdao Pacific Container Co., Ltd.) was established on 13 January 2003 with a registered capital of US\$12.00 million contributed jointly by Singamas Container Enterprise Co., Ltd. and Hiking Group Co., Ltd., of which US\$5.40 million and US\$6.60 million were invested by Hiking Group Co., Ltd. and Singamas Container Enterprise Co., Ltd., respectively. After that, Hiking Group Co., Ltd. transferred its equity interests in Dong Fang International Container (Qingdao) Co., Ltd. to Singamas Container Enterprise Co., Ltd. twice, and after the undistributed profits were converted into share capital twice, the registered capital of Dong Fang International Container (Qingdao) Co., Ltd. reached US\$26,605,700, and the shareholding percentage of Singamas Container Enterprise Co., Ltd. was 100%.

On 28 May 2015, upon the decision of shareholders of Dong Fang International Container (Qingdao) Co., Ltd., it increased additional registered capital by US\$100 million for additional construction of refrigerated containers in Dong Fang International Container (Qingdao) Co., Ltd.

In 2019, Hong Kong Singamas Group and China COSCO SHIPPING reached an equity transfer agreement, and Hong Kong Singamas Group wholly transferred three container manufacturing companies including the appraised entity to COSCO SHIPPING Investment Holdings Co., Ltd. under China COSCO Shipping Group. In July 2019, the company changed its name to Dong Fang International Container (Qingdao) Co., Ltd, which was managed by Shanghai Universal Logistics Equipment Co., Ltd. under COSCO SHIPPING Development. The closing has taken place in August.

As at the Valuation Benchmark Date, the shareholders of Dong Fang International Container (Qingdao) Co., Ltd. and their contributions are set out in the table below:

*Unit: US\$0'000*

Name of shareholder	Subscribed contribution	Paid-in contribution	Contribution proportion
COSCO SHIPPING Investment Holdings Co., Ltd.	12,660.57	12,660.57	100%
Total	<u>12,660.57</u>	<u>12,660.57</u>	<u>100%</u>

**(3) Corporate structure, organizational structure and employees**

As at the Valuation Benchmark Date, Dong Fang International Container (Qingdao) Co., Ltd. comprises one chairman and general manager, one party's branch secretary general and deputy general manager and three deputy general managers. There are the procurement management department, the comprehensive management department, the financial management department, the market service department, the R&D center, the quality management department, the production department, the equipment management department, the safety design supervision department, the material management department and other departments, among which the quality management department consists of the dry container quality management department and the reefer container quality management department, and the production department consists of dry container production department, the special container production department and the reefer container production department. At present, the number of employees of the company is 2,282, of which manufacturing personnel account for more than 90%.

**(4) *Principal businesses***

The principal products of Dong Fang International Container (Qingdao) Co., Ltd. include various type of containers, covering standard dry containers, 53-foot North American inland containers, reefer containers and special containers. There are three production lines, of which production line A produces standard dry containers and 53-foot North American inland containers; production line B produces special containers; production line C produces reefer containers. Production line C was put into operation in April 2018.

Design production capacity: an annual design capacity of 160,000 TEU for dry containers production line and an annual design capacity of 60,000 TEU for reefer containers production line (two shifts).

**(5) *Customers and suppliers***

**(a) *Sales and customers***

Most of the sales orders, product pricing and sales revenue of Dong Fang International Container (Qingdao) Co., Ltd. are under the unified coordination of the superior company and details are as follows:

Sales orders: The headquarters in Hong Kong and Shanghai negotiate with customers and the orders obtained through the headquarters account for a majority of the overall sales. The business teams of all factories are mainly responsible for undertaking orders allocated by the headquarters and coordinating with the production department, the procurement department, the R&D center and other departments in the arrangement of production. The business team of Qingdao container factory also undertakes certain orders for special containers and the Qingdao container factory directly negotiates with customers on such orders.

Sales pricing: The basic prices of containers are determined by the marketing department of the headquarters based on the price of inventories provided by factories and the labor costs and manufacturing fees. The sales staff of the headquarters adjust the basic prices based on the market conditions and the negotiation results with customers to finally determine the prices.

Execution of contracts: There are two ways under which contracts are executed. Firstly, the factory and COSCO SHIPPING Investment Holdings Co., Ltd. sign sales contracts and COSCO SHIPPING Investment Holdings Co., Ltd. signs sales contracts with customers. Secondly, customers directly sign contracts with all factories.

Collection of sales amounts: For sales contracts entered into between COSCO SHIPPING Investment Holdings Co., Ltd. and customers, the sales amounts are collected by COSCO SHIPPING Investment Holdings Co., Ltd. and distributed to all factories based on the capital planning and the capital demands of all factories. For contracts entered into between factories and customers, customers directly make payment to factories.

Allocation of orders: After obtaining orders from customers, the headquarters will designate factories to conduct production based on customers' requirements and the production arrangement of all factories.

After-sale services: The business departments of all factories are mainly responsible for following up.

*(b) Suppliers*

Major materials (steel materials, stainless steel, stainless iron, wooden plates and paints) required in production are negotiated between the procurement department of Shanghai Universal Logistics Equipment Co., Ltd. and suppliers based on the demands of factories to determine the procurement price and quantity. All factories enter into procurement contracts with suppliers based on the orders of the procurement department of Shanghai Universal Logistics Equipment Co., Ltd. and make payment. The factories are responsible for price negotiation, execution of contracts and payment for other materials except for those under centralized procurement.

**(6) Historical operation**

Major production equipment of Dong Fang International Container (Qingdao) Co., Ltd. includes production equipment for dry containers: pre-processing and molding lines for side plates, pre-processing line for top plates, pre-processing line for thick plates, pre-processing line for profiles, cutting and folding lines for bottom cross beams, rolling line for bottom and side beams, punch, shearing machine for thick and thin plates, bending machine/gantry pressing machine and 2 production lines (including subassembly welding machine, general assembly welding machine, secondary sanding line, tertiary painting line and drying room, refining line, etc.); reefer containers production equipment: integrated line for top, bottom and side beams, foaming production line, press machine (punch), stainless high-speed coil feed line, integrated line for sanding, painting and drying of steel gates, shearing machine for carbon steel, shearing machine for stainless thin plates, bending machine, gantry pressing machine, coil feed line for aluminum plates and 1 production line (including sanding line for front and back frames, welding line for front and back frames, painting line for subassembly makeup, sanding line for bottom frame, general assembly welding machine, secondary sanding line, tertiary painting line and drying room, refining line, etc.).

The production and operation of Dong Fang International Container (Qingdao) Co., Ltd. in the historical years are set out in the table below:

*Unit: RMB0'000*

<b>Item</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Revenue from principal businesses	157,985.53	199,633.18	251,316.28
Dry containers (TEU)	104,475.00	70,719.3	91,600.04
Revenue from dry containers	140,595.29	101,713.11	133,904.63
Reef container (TEU)	6,331.00	38,343.00	49,037.00
Revenue from reef containers	17,390.23	97,920.04	117,411.66
Revenue from other businesses	879.85	5,306.15	3,442.65
Total revenue	158,865.38	204,939.33	254,758.93

Major financial data and accounting statements of Dong Fang International Container (Qingdao) Co., Ltd. on an unconsolidated basis in recent years have been audited by professional auditors and are set out in the table below:

*Unit: RMB0'000*

<b>Item</b>	<b>31 December 2018</b>	<b>31 December 2019</b>	<b>31 December 2020</b>
Total assets	170,262.34	202,137.88	264,422.73
Including: fixed assets	39,819.36	58,888.52	55,426.24
Total liabilities	33,168.91	70,768.88	152,755.05
Net assets	137,093.44	131,369.00	111,667.67
<b>Item</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Revenue	158,865.38	204,939.32	254,758.93
Total profit	-589.89	-5,764.93	14,338.96
Net profit	-589.89	-5,764.93	13,519.85

*Note:* The data for 2018, 2019 and 2020 was from the audit reports issued by Ernst & Young Hua Ming LLP.

### **(III) Relationship between the Clients and the Appraised Entity**

COSCO SHIPPING Development Co., Ltd., Client I, proposes to acquire 100% of the equity interests in four companies, including Dong Fang International Container (Qingdao) Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd., Client II, through the issuance of shares. COSCO SHIPPING Investment Holdings Co., Ltd., Client II, is a shareholder of Dong Fang International Container (Qingdao) Co., Ltd., the appraised entity, with a shareholding proportion of 100%.

### **(IV) Overview of Other Users of the Valuation Report**

Except for relevant parties in the economic activity, competent administrative review authorities and other users of the report as provided by national laws and regulations, no other users of the report were provided in the Asset Valuation Engagement Contract.

## **II. PURPOSE OF VALUATION**

As COSCO SHIPPING Development Co., Ltd. proposes to acquire 100% of the equity interests in four companies, including Dong Fang International Container (Qingdao) Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares, it has to appraise all shareholders' equity interests in Dong Fang International Container (Qingdao) Co., Ltd. involved in the economic activity to determine its market value on the Valuation Benchmark Date, being 31 December 2020, and provide value reference for the clients.

The said economic activity has been approved by China COSCO SHIPPING Corporation Limited and the Resolution at the 46th Meeting of the First Session of the Board of Directors of China COSCO SHIPPING Corporation Limited was issued (20 January 2021).

### III. VALUATION TARGET AND SCOPE

#### (I) Valuation Target and Scope

The appraised valuation target and scope are consistent with the valuation target and scope involved in the economic activity.

The valuation target is the value of all shareholders' equity interests in Dong Fang International Container (Qingdao) Co., Ltd.

The valuation scope covers all assets and liabilities of Dong Fang International Container (Qingdao) Co., Ltd. on the Valuation Benchmark Date corresponding to the valuation target. The corresponding accounting statements of the assets and liabilities declared by the enterprise have been audited by Ernst & Young Hua Ming LLP and the audit report An Yong Hua Ming (2021) Shen Zi No. 61227808\_B02 was issued on 27 April 2021 with standardized unqualified opinions. Details of assets and liabilities of the enterprise are set out in the table below:

*Unit: RMB*

No.	Item	Book value
<b>1</b>	<b>I. Total current assets</b>	<b>1,808,026,891.88</b>
2	Monetary funds	65,029,436.74
3	Trade receivable	860,187,613.99
4	Prepayment	287,884,482.62
5	Other receivables	1,160,602.03
6	Inventories	453,847,776.33
7	Other current assets	139,916,980.17
<b>8</b>	<b>II. Total non-current assets</b>	<b>836,200,364.18</b>
9	Long-term equity investment	154,000,000.00
10	Investment properties	15,076,658.50
11	Fixed assets	554,262,437.04
12	Construction in progress	6,534,192.38
13	Intangible assets	105,294,375.79
14	Right-of-use assets	1,032,700.47
<b>15</b>	<b>III. Total assets</b>	<b>2,644,227,256.06</b>
<b>16</b>	<b>IV. Total current liabilities</b>	<b>1,518,752,463.52</b>
17	Short-term borrowings	1,000,000,000.00
18	Notes payable	10,224,913.17
19	Trade payable	310,424,773.08
20	Contract liabilities	7,992,109.04
21	Employee compensation payable	126,787,122.41
22	Taxes payable	1,944,937.16
23	Other payables	60,259,754.87
24	Non-current liabilities due within one year	1,118,853.79
<b>25</b>	<b>V. Total non-current liabilities</b>	<b>8,798,061.08</b>
26	Other non-current liabilities	8,798,061.08
<b>27</b>	<b>VI. Total liabilities</b>	<b>1,527,550,524.60</b>
<b>28</b>	<b>VII. Net assets</b>	<b>1,116,676,731.46</b>

## **(II) Layout and Characteristics of Physical Assets**

As at the Valuation Benchmark Date, physical assets of the enterprise include: inventories, investment properties, fixed assets and construction in progress. Inventories mainly are raw materials and finished products. Fixed assets mainly include buildings and equipment. Construction in progress mainly includes civil engineering and equipment installment projects. The specific layout is as follows:

### **(1) Inventories**

- (a) It has a total of 4,693 items of raw materials, mainly including three major materials, steel materials, paints and floors, as well as other accessories and indirect materials and other raw materials for product production, and they are placed in the warehouse, rental warehouse and external processing factory warehouse of the enterprise.
- (b) It has a total of 10 finished products, mainly including various finished but unsold containers.

### **(2) Investment properties**

There is one investment property under the scope of this valuation with a gross floor area of 8,435.63 sq.m, the details of which are as follows:

The workshop is a steel structure production building with a gross floor area of 8,435.63 sq.m., which was completed and put into use in September 2018. The cornice height of the building is approximately 12 meters, and the building adopts reinforced concrete independent column foundation. The main body is made by steel column, steel beam and crane steel beam, color steel sandwich panel wall, cement mortar floor, part of self-leveling floor, steel-structure supported color steel sandwich panel roof. Factory gate is steel rolling shutter door with plastic steel window, installation engineering includes electrical, water supply and drainage, ventilation, fire protection, etc. As of the Valuation Benchmark Date, the building was leased out and in good condition with regular repairing and maintenance.

As of the date of on-site investigation, the appraised investment properties have gone through the property right certificate, real estate certificate Lu (2021) Qing Dao Shi Huang Dao Qu Bu Dong Chan Quan No. 0290847, the holder of the right is Dong Fang International Container (Qingdao) Co., Ltd. As of the Valuation Benchmark Date, no other rights setting has been found in the appraised investment properties pursuant to the information obtained.

**(3) Buildings under fixed assets**

The scope of the valuation covers buildings (structures) owned by Dong Fang International Container (Qingdao) Co., Ltd., including a total of 27 buildings with a total floor area of 141,387.38 sq.m. Major buildings include workshops, plants and supporting production buildings, which were completed and put into use in 2004 to 2019. It has a total of 73 structures, most of which are yards, bounding walls, floors and awnings and were completed and put into use in 2004 to 2019. Details of major buildings (structures) are as follows:

- (a) 3# Workshop: The building is a steel structure production building with a gross floor area of 35,267.44 sq.m, which was completed and put into use in September 2018. The cornice height of the building is approximately 12 meters, and the building adopts reinforced concrete independent column foundation. The main body is made by steel column, steel beam and crane steel beam, color steel sandwich panel wall, cement mortar floor, part of self-leveling floor, steel-structure supported color steel sandwich panel roof. Factory gate is steel rolling shutter door with plastic steel window, installation engineering includes electrical, water supply and drainage, ventilation, fire protection, etc. As of the Valuation Benchmark Date, the building was in good condition with regular repairing and maintenance.
- (b) ISO laboratory: The building is a steel structure production building with a gross floor area of 267.03 sq.m, which was completed and put into use in April 2004. The cornice height of the building is approximately 5 meters, and the building adopts reinforced concrete independent column foundation. The main body is made by steel column, steel beam, color steel sandwich panel wall, cement mortar floor, steel-structure supported color steel sandwich panel roof. Factory gate is plastic steel door with plastic steel window, installation engineering includes electrical, water supply and drainage, ventilation, fire protection, etc. As of the Valuation Benchmark Date, the building was in good condition with regular repairing and maintenance.
- (c) Main guard of Phase II: The building is a mixed structure industrial auxiliary building with a gross floor area of 482.30 sq.m, which was completed and put into use in September 2018. The cornice height of the building is approximately 4 meters. The building adopts reinforced concrete independent column foundation. The main body is made by structural column, ring beam, brick wall, external wall plastering, mortar painting, internal wall scraping, and the ground is brick floor, cast-in-place roof, aluminum alloy door with plastic steel window. Installation engineering includes electrical, communication, etc. As of the Valuation Benchmark Date, the building was in good condition with regular repairing and maintenance.
- (d) The yard: The building has a length of 414 meters and a width of 136 meters with a floor area of 56,304.00 sq.m. The yard was completed in March 2004 with reinforced concrete roof. It is under good conditions with regular repairing and maintenance.

- (e) Walls in reefer container plants: The building refers to bounding walls with a length of 1,382 meters and a height of approximately 3 meters. It was completed in June 2016. It is under good conditions with regular repairing and maintenance.

As of the date of on-site investigation, a total of 27 buildings were included in this valuation scope, except for 15 buildings including main workshop, paint warehouse, steel warehouse, water-based paint workshop, office and residential building, etc., the other 12 buildings with an area of 9,119.99 sq.m. have not obtained land use rights certificates as they have not gone through the certification procedures. This valuation is on the basis of the property right statement provided by the appraised entity and the owner of the appraised entity is confirmed as Dong Fang International Container (Qingdao) Co., Ltd. The breakdown of the unlicensed buildings is as follows:

No. of corresponding breakdown table	Ownership certificate no.	Names of buildings	Structure	Date of completion	Floor area (m <sup>2</sup> )	Book value (RMB)	
						Original value	Original value
2	Nil	Garage and toilet	Brick concrete	26 April 2004	560.00	170,000.00	50,284.47
3	Nil	Boiler room	Steel structure	26 April 2004	165.00	148,361.00	43,884.19
4	Nil	Reception room and workshop control room	Brick concrete	28 February 2004	203.58	518,829.00	172,147.26
5	Nil	Main guard of Phase II	Mixture	30 September 2018	482.30	1,091,323.82	1,012,406.08
6	Nil	Logistics guard of Phase II	Mixture	30 September 2018	79.98	259,367.91	240,612.07
7	Nil	Temporary canteen	Steel structure	30 September 2018	936.10	1,630,647.49	1,512,729.08
10	Nil	ISO laboratory	Steel structure	26 April 2004	267.03	160,000.00	45,378.46
11	Nil	Workshop control room	Steel structure	26 April 2004	250.00	350,371.00	99,370.85
12	Nil	Paint warehouse	Steel structure	14 April 2007	1,300.00	464,855.59	182,374.71
13	Nil	Line B east expansion plant	Steel structure	27 December 2010	720.00	244,000.00	139,849.10
15	Nil	Material warehouse	Steel structure	29 December 2017	306.00	182,363.11	160,926.03
26	Nil	Steel shed	Steel structure	25 September 2009	3,850.00	408,222.30	217,663.18

As at the Valuation Benchmark Date, the buildings (structures) to be appraised and the land occupied were not under mortgage or guarantee. Besides, the buildings under fixed assets under the scope of valuation were not involved in lawsuits or other matters.

**(4) *Equipment under fixed assets***

Equipment under fixed assets under the scope of valuation is as follows:

**(a) *Machinery equipment***

Most of machinery equipment to be appraised are production equipment and ancillary equipment and facilities for containers. Major equipment includes the production line for containers, steel plate shearers, bending machines, welding machines and other steel processing equipment as well as ancillary craning and power transformer and distribution equipment. Equipment were under ordinary maintenance and normal use as at the Valuation Benchmark Date.

**(b) *Vehicles***

Most of vehicles to be appraised are office vehicles, mainly including Buick GL8, Passat, Jinbei and other models. As at the Valuation Benchmark Date, the vehicles were under normal maintenance and use.

**(c) *Electronic equipment***

Most of electric equipment to be appraised are computers, printers, air-conditioners and network equipment. As at the Valuation Benchmark Date, the equipment was under normal maintenance and use.

**(5) *Construction in progress – civil engineering***

A total of one item of civil engineering under construction-in-progress were under the scope of valuation and mainly include reefer container office complex building with a book value of RMB169,056.61 as at the Valuation Benchmark Date, which represents an upfront expenses of this project.

**(6) *Construction-in-progress-equipment installation project***

Construction-progress-equipment installation project mainly refers to the renovation of equipment facilities and some equipment in the refrigerated container factory under construction. As of the Valuation Benchmark Date, the book value is RMB6,365,135.77.

**(III) Intangible Assets Accounted for or Not Accounted for as Declared by the Enterprise assets**

**(1) Intangible assets accounted for as declared by the enterprise**

- (a) A total of 7 items of land use rights under intangible assets were within the scope of valuation with a total site area of 483,472.30 sq.m. Its original book value was RMB117,650,013.70 and the book value on the Valuation Benchmark Date was RMB104,908,996.65. Details are set out below:

Summary of land registration of intangible assets

*Unit: RMB*

Real estate tile certificate no.	Date of acquisition	Nature of land	Use of land	Area (m <sup>2</sup> )	Original book value	Book value
Lu (2021) Qingdao Huangdao Immovable Property Right No. 0290844	31 January 2003	Transfer	Industrial land	186,040.00	12,419,280.00	8,155,327.20
Lu (2021) Qingdao Huangdao Immovable Property Right No. 0290851		Transfer	Industrial land			
Lu (2021) Qingdao Huangdao Immovable Property Right No. 0290854		Transfer	Industrial land			
Lu (2021) Qingdao Huangdao Immovable Property Right No. 0290855		Transfer	Industrial land			
Lu (2021) Qingdao Huangdao Immovable Property Right No. 0290850	15 January 2013	Transfer	Industrial land	22,378.30	7,475,722.90	6,285,522.18

Summary of land registration of intangible assets

Unit: RMB

Real estate tile certificate no.	Date of acquisition	Nature of land	Use of land	Area (m <sup>2</sup> )	Original book value	Book value
Lu (2021) Qingdao Huangdao Immovable Property Right No. 0290847, Lu (2021) Qingdao Huangdao Immovable Property Right No. 0290852, Lu (2021) Qingdao Huangdao Immovable Property Right No. 0290848	25 September 2015	Transfer	Industrial land	199,550.00	59,251,603.73	53,007,540.79
Lu (2021) Qingdao Huangdao Immovable Property Right No. 0067456	11 November 2019	Transfer	Industrial land	75,504.00	38,503,407.07	37,460,606.48
<b>Total</b>				<b>483,472.30</b>	<b>117,650,013.70</b>	<b>104,908,996.65</b>

- (b) The book value of other intangible assets – other intangible assets totaling 11 items within valuation scope was RMB385,379.14 and most of them are enterprise design and office software. Details are set out in the table below:

Unit: RMB

No.	Name and content	Date of acquisition	legal/expected useful life	Original book value	Book value
1	Office software and CAD drawing software	1 March 2013	10	35,008.55	7,585.11
2	GREO software	1 June 2013	10	111,111.12	26,851.66
3	Autodesk design software	1 March 2014	10	16,666.67	5,277.69
4	Autodesk design software	1 April 2014	10	38,888.89	12,639.05
5	Office software	1 June 2014	10	134,615.38	45,993.80
6	Office software	1 May 2015	10	59,829.06	25,925.79
7	Office software	1 March 2019	10	33,620.69	27,456.95
8	Office software	1 June 2019	10	44,867.26	37,763.35
9	Yongyou software	28 December 2019	3	306,603.75	195,885.74
<b>Total</b>				<b>781,211.37</b>	<b>385,379.14</b>

**(2) Intangible assets not accounted for as declared by the enterprise**

As of the Valuation Benchmark Date, the intangible assets not accounted for by the appraised entity are as follows:

Name of invention	Patent no.	Date of application	Date of announcement of authorization	Type	Owner of patent rights
A kind of new hatch covering for container	ZL 2019 2 1547100.0	17 September 2019	8 September 2020	Utility model	Dong Fang International Container (Qingdao) Co., Ltd.
A kind of new transportation carrier	ZL 2019 2 1624758.7	27 September 2019	8 September 2020	Utility model	Dong Fang International Container (Qingdao) Co., Ltd.

**(IV) Type and Quantity of Off-balance Assets Declared by the Appraised Entity**

As of the Valuation Benchmark Date, the off-balance-sheet assets of the appraised entity are as following:

Name of invention	Patent no.	Date of application	Date of announcement of authorization	Type	Owner of patent rights
A kind of new hatch covering for container	ZL 2019 2 1547100.0	17 September 2019	8 September 2020	Utility model	Dong Fang International Container (Qingdao) Co., Ltd.
A kind of new transportation carrier	ZL 2019 2 1624758.7	27 September 2019	8 September 2020	Utility model	Dong Fang International Container (Qingdao) Co., Ltd.

**(V) Type, Quantity and Book Value (or Appraised Value) of Assets Involved in Making Reference to the Conclusions of Reports Issued by Other Institutions**

Nil.

**IV. TYPE AND DEFINITION OF VALUE**

The types of valuation value include the market value and other types of value except for the market value. Other types of value except for the market value generally include (but are not limited to) the investment value, the value in use, the liquidation value and the residual value. The purpose of this valuation is to provide a value reference for normal transactions, and there are no special restrictions and requirements on market conditions and the use of valuation target, etc. Therefore, market value is selected as the type of value of this valuation according to industry practice.

Market value refers to the estimated value of the valuation target in an arm's length transaction made in the ordinary course of business on the Valuation Benchmark Date between a willing buyer and a willing seller who has each acted rationally and without compulsion.

## **V. VALUATION BENCHMARK DATE**

The Valuation Benchmark Date for this valuation is 31 December 2020.

Major factors considered by the clients in determining the Valuation Benchmark Date include the time requirement on the implementation of the economic activity. The end of the accounting period was adopted to facilitate the defining of the scope of valuation and the accurate and efficient stocktaking of assets.

## **VI. BASIS OF VALUATION**

### **(I) Basis of Economic Activity**

The Resolution at the 46th Meeting of the First Session of the Board of Directors of China COSCO SHIPPING Corporation Limited (20 January 2021) issued by China COSCO SHIPPING Corporation Limited.

### **(II) Legal Basis Provided by Laws and Regulations**

- (1) The Asset Appraisal Law of the People's Republic of China;
- (2) The Law of the People's Republic of China on the State-owned Assets in Enterprises;
- (3) The Measures for the Administration of State-owned Assets Appraisal (Order No. 91 of the State Council in 1991);
- (4) The Detailed Rules for the Implementation of the Administrative Measures of State-owned Assets Valuation (Guo Zi Ban Fa [1992] No. 36 issued by former National Administration for State-owned Assets);
- (5) The Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council);
- (6) The Opinions on Reforming the Administration of State-owned Assets Appraisal and Strengthening Supervision and Administration of Assets Appraisal (Guo Ban Fa [2001] No. 102);
- (7) The Interim Measures for the Administration of Valuation of State-owned Assets of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
- (8) The Regulations on Certain Issues Concerning State-owned Assets Appraisal (Order No. 14 of the Ministry of Finance);
- (9) The Measures for the Supervision and Administration of the Trading of State-owned Assets of Enterprises (Order No. 32 of the SASAC of the State Council and the Ministry of Finance);
- (10) The Notice on the Guidelines on the Publication and Distribution of the Filing of State-owned Assets Appraisal Projects for Enterprises (Guo Zi Fa Chan Quan [2013] No. 64).

- (11) The Financial Supervision and Administration Measures on the Assets Evaluation Industry (Order No. 97 of the Ministry of Finance);
- (12) The Notice on Strengthening the Administration of State-owned Assets Appraisal of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);
- (13) The Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941);
- (14) The Enterprise Income Tax Law of the People's Republic of China;
- (15) The Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China (Issued under Order No. 512 of the State Council and recently amended under Order No. 714 of the State Council);
- (16) The Interim Regulations for the Value-added Tax of the People's Republic of China (Issued under Order No. 134 of the State Council and recently amended under Order No. 691 of the State Council);
- (17) The Implementation Rules to the Interim Regulations for the Value-added Tax of the People's Republic of China (Issued under Order No. 50 of the Ministry of Finance and the State Taxation Administration and recently amended under Order No. 65 of the Ministry of Finance and the State Taxation Administration);
- (18) The Notice on the Comprehensive Rollout of the Business Tax to Value Added Tax Transformation Pilot Program (Cai Shui [2016] No. 36);
- (19) The Circular Relating to Furthering Relevant Policies on Reform of Value-added Tax (Circular [2019] No. 39 jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs).

### **(III) Basis of Valuation Standards**

- (1) Basic Asset Valuation Standards (Cai Zi [2017] No. 43);
- (2) Professional Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
- (3) Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
- (4) Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
- (5) Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
- (6) Practice Guidelines for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
- (7) Practice Guidelines for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);

- (8) Practice Guidelines for Asset Valuation – Enterprise Value (Zhong Ping Xie [2018] No. 38);
- (9) Practice Guidelines for Asset Valuation – Asset Valuation Methodology (Zhong Ping Xie [2019] No. 35);
- (10) Practice Guidelines for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);
- (11) Practice Guidelines for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
- (12) Practice Guidelines for Asset Valuation – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
- (13) Guiding Opinions on Professional Asset Valuation (Zhong Ping Xie [2017] No. 49);
- (14) Quality Control Guidance on the Business of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);
- (15) Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
- (16) Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
- (17) Guiding Opinions on Legal Ownership of the Asset Valuation Target (Zhong Ping Xie [2017] No. 48).

#### **(IV) Ownership Basis**

- (1) Business licenses;
- (2) Land use right certificates;
- (3) Building ownership certificates;
- (4) Patents certificates;
- (5) Driving permits for vehicles.

#### **(V) Pricing Basis and references**

- (1) The information on financial accounting and operation provided by the enterprise;
- (2) Statistical information, technical standards and policy documents issued by relevant authorities of the state;
- (3) Relevant enquiry and parameters information collected by the valuation agency;
- (4) Profit forecast information provided by the enterprise.

## VII. VALUATION METHODOLOGY

### (I) Selection of Valuation Methodology

In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value, when performing any appraisal of enterprise value, the suitability of the three basic asset valuation methods, namely the income approach, the market approach and the cost approach (the asset-based approach) shall be analyzed based on the purpose of valuation, the valuation target, the type of value, information gathering, etc. in its selection of valuation methods.

#### (1) *Market approach*

As there is limited access to transaction information of property ownership trading market in China and similar enterprises have significant differences in the product structure and principal businesses, it is extremely difficult to select market reference of the same type, therefore the market approach was not adopted in the valuation.

#### (2) *Income approach*

The income approach means a general term of various evaluation methods to determine the value of the valuation target by capitalizing or discounting its expected income. The specific methods commonly used for the income approach in enterprise valuation include the discounted cash flow method and the dividend discount method. The valuation target is a container manufacturer with independent profitability and the adoption of the income approach can reflect the reasonable market value of enterprises in such type of industry, therefore the income approach was adopted in the valuation.

#### (3) *Asset-based approach*

As all assets and liabilities of the enterprise may be appraised and recognized on an individual basis with clear structure of assets and liabilities, therefore the asset-based approach was adopted in the valuation.

In conclusion, the asset-based approach and the income approach were adopted in the valuation and the asset-based approach was adopted to determine the valuation conclusion after analysis.

## **(II) Asset-based Approach**

The asset-based approach used in the valuation of the enterprise value is a valuation method for determining the value of the appraised enterprise by appraising the value of all its assets and liabilities on the basis of its balance sheet and those which can be identified off the balance sheet at the Valuation Benchmark Date. In the case of employing the asset-based approach in valuation of the enterprise value, the value of each asset is calculated by choosing a specific applicable valuation method in accordance with its specific circumstances.

The detailed valuation methods involved in this valuation are set out as follows.

### **(1) Current assets**

#### *(a) Monetary funds*

For RMB monetary funds, the appraised value of monetary funds in current assets is determined as the verified book value based on the breakdowns of all items provided by the enterprise. For foreign monetary funds, the appraised value is determined as the verified book value of foreign currencies multiplying the central parity of foreign currencies on the Valuation Benchmark Date.

#### *(b) Account receivable, prepayment and other receivables*

Based on the breakdown of items for valuation provided by the valuation target, which is the valuation basis, verification was conducted on accounting information and selected large amounts with analysis on the amount, time and reasons of arrears and recovery situation of each receivable, to determine the appraised value of each receivable.

#### *(c) Other current assets*

The appraisers has investigated the valuation target to understand the payable VAT rate and payment system and other taxation policy, including but not limited to reviewing the tax payment certificate of the valuation target for the latest period from the Valuation Benchmark Date and evaluating the accounting voucher of the tax payable on the Valuation Benchmark Date. The appraised value of other current assets shall be determined based on the verified book value.

(d) *Inventories*

(i) Raw materials

Based on the breakdown of items for valuation provided by the valuation target, which is the valuation basis, the appraisers conducted spot sample checks on certain inventories and adopted the replacement procedures to determine the actual amount of raw materials on the Valuation Benchmark Date. It is learnt that the raw materials and turnover materials in stock of the Company have a quick turnover and the materials were purchased recently with no changes in prices generally, and the verified book value was used to determine the appraised value.

(ii) Finished products

The appraisers adopted the following methods in the valuation after determining the truthfulness and completeness of finished products through checking relevant accounts and conducting spot sample checks. For all containers for sale, the appraised value of all finished products was determined as the sales price of all finished products less taxes and surcharges, sales expenses, income taxes and appropriate net profits, that is:  $\text{appraised value} = \text{sales revenue} - \text{sales taxes and surcharges} - \text{sales expenses} - \text{income taxes} - \text{appropriate net profits}$ . As the sales of containers is an export business, no sales taxes and surcharges are incurred, the sales expenses are calculated based on the average proportion of sales expenses in revenue in the previous three years. Upon investigation, it is learnt that there are order contracts for the products for sale, hence the rate of deduction of net profits is 0%. For self-owned containers, the appraised value is determined at the book value.

## **(2) Long-term equity investment**

### *(a) Valuation process*

- (i) The valuation personnel verified the registration form of long-term equity investment valuation with the long-term equity investment subsidiary ledger, general ledger and relevant accounting records.
- (ii) Review legal documents such as investment contracts and agreements.
- (iii) Check relevant account books and vouchers, and get access to certain information such as capital verification report of the investee.
- (iv) Analyze and judge the nature of investment and the proportion of equity, check the calculation method of investment income, the treatment principle of investment income in previous years and relevant accounting methods, and judge the correctness and rationality of the calculation of the amount of investment and recovery.
- (v) According to the accounting statements and other relevant data of the investee on the Valuation Benchmark Date, the investment was evaluated by corresponding methods.

### *(b) Valuation method*

As for controlling long-term equity investment in this valuation, the assets and liabilities of each investee were checked on the spot. First, the overall appraisal is made to determine the net assets appraisal value of each investee on the Valuation Benchmark Date, and then the appraisal value is calculated and determined according to the proportion of equity investment.

### **(3) *Investment properties – Buildings***

#### *(a) Selection of valuation methodology*

In accordance with the Practice Guidelines for Asset Valuation – Property, common valuation methods include the market comparison approach, the income approach and the replacement cost approach. An appropriate valuation approach shall be selected in accordance with standards and regulations based on the conditions of the local property market, the specific characteristics of the valuation target and the purpose of the valuation.

Part of the investment properties to be appraised were leased, and rental information was available, so it was qualified to be valued with income approach;

As the investment properties to be appraised are self-built industrial buildings, information on the transactions or trading prices of similar buildings in the same or similar areas cannot be collected. Therefore, the market comparison approach to appraise the value of the investment properties to be appraised cannot be adopted.

As the investment properties to be appraised are self-built industrial buildings, appraisers may adopt the replacement cost approach to appraise the required budget and financial accounts materials on the project and the price information on labor, materials and the shift use of machinery on the Valuation Benchmark Date. The conditions for adopting the replacement cost approach in the valuation can be met.

Based on the above analysis, the replacement cost approach was adopted in the valuation on the investment properties to be appraised.

(b) *Replacement cost approach*

For the valuation on principally self-built buildings, the full replacement price of a building is calculated in accordance with the amount of construction work and the current fixed standard reference price, construction fees, and loan interest rate based on the construction project data and completion settlement data, while the residual ratio is determined comprehensively in accordance with the useful life and the site survey of the building, and the net appraised value of the building is thereby calculated.

Appraised value of buildings = Full replacement price × Residual ratio

According to the Circular Cai Shui [2016] No. 36, the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (No. 39 in 2019) issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs and relevant local documents on the adjustment of pricing basis in the industry, the corresponding value-added tax shall be deducted from the full replacement price for immovable properties meeting the conditions for deduction of value-added tax.

(i) Full replacement price

Full replacement price = Construction and installation costs (excluding tax) + Preliminary construction and other costs (excluding tax) + Capital costs

A. Determination of construction and installation costs

For the building projects with complete materials on completion and final accounts, the appraisers use the current local or industrial standard reference price to calculate the direct standard reference price based on the quantity of work of all segments and items as determined in the original completion materials. The standard construction and installation costs on the Valuation Benchmark Date are estimated based on the corresponding current standard reference price on construction and installation costs and the difference adjustment documents of the place where the project is located.

## B. Determination of preliminary and other costs

Preliminary and other costs are based on the investment amount of the valuation target in project construction in accordance with the charging standards in the industry as stipulated by national or local governments. The name, charging base, charging standards and charging basis of preliminary and other costs are set out in the table below:

Table of Preliminary and Other Costs Charged

No.	Item	Charging base	Rate		Charging basis
			(tax exclusive)	Rate	
1	Construction unit administrative fees	Construction cost	0.86%	0.86%	Cai Jian [2016] No. 504
2	Survey and design fees	Construction cost	3.00%	2.83%	Ji Wei Jian She Bu Ji Jia (2002) No. 10
3	Project supervision fees	Construction cost	1.60%	1.51%	Fa Gai Jia Ge (2007) No. 670
4	Project bidding or tendering agency fees	Construction cost	0.09%	0.08%	Ji Jia Ge (2002) No. 1980
5	Environmental assessment fees	Construction cost	0.03%	0.03%	Ji Wei Huan Bao Zong Ju Ji Jia Ge (2002) No. 125
6	Feasibility research fees	Construction cost	0.20%	0.19%	Ji Wei Ji Jia Ge (1999) No. 1283
Total			<u>5.78%</u>	<u>5.50%</u>	

*Note:* It is verified that the documents on the above items 3 to 6 have been abolished. The preliminary costs involved have transformed government-guided prices to market-regulated prices. As there is no explicit calculation basis under the background of the market-regulated price, preliminary costs are calculated with reference to the above documents in the valuation.

## C. Determination of capital costs

According to the normal construction period, the loan interest rate is determined with reference to the loan market quoted interest rate announced by the National Interbank Funding Center on 20 December 2020. Based on the assumption of the average investment of funds during the construction period, the calculation formula of capital costs is as follows:

Capital costs = (Construction and installation costs + Preliminary and other costs) × Loan interest rate × Reasonable construction period ÷ 2

#### D. Determination of integrated residual ratio

The useful life method and the observation method are mainly used to determine the integrated residual ratio for the buildings in the valuation.

##### 1. Theoretical residual ratio

Theoretical residual ratio is the residual rate determined based on the ratio of estimated remaining useful life of buildings to its aggregate useful life. The calculation formula is as follows:

$$\text{Theoretical residual ratio} = \text{Remaining useful life} \div \text{Economic life} \times 100\%$$

##### 2. Residual ratio under the observation method

The observation method is applied to assess each major part of the buildings from a technical perspective, and to analyze factors such as design, manufacturing, usage, wear and tear, maintenance, improvement and physical life of the asset on a consolidated basis. Impacts of wear and tear and natural deterioration on the functionality and efficiency of the asset will be assessed by comparing the valuation target with itself in new condition. As such, the residual ratio of the buildings would be determined and the substantial depreciation would be estimated.

##### 3. Integrated residual ratio

$$\text{Integrated residual ratio} = \text{Theoretical residual ratio} \times 40\% + \text{Residual ratio under the observation method} \times 60\%$$

##### 4. In the following circumstances, reasonable approaches were used to determine residual ratio:

- If the residual ratio calculated under the on-site observation method and the theoretical residual ratio differ significantly, upon analysis of the various factors by the appraisers, the relatively reasonable ratio would prevail based on their previous experience;
- For the project which cannot be observed due to certain constraints, the theoretical residual ratio would be normally applied in determining the residual ratio.

#### **(4) Fixed assets – Buildings**

##### *(a) Selection of valuation methodology*

In accordance with the Practice Guidelines for Asset Valuation – Property, common valuation methods include the market comparison approach, the income approach and the replacement cost approach. An appropriate valuation approach shall be selected in accordance with standards and regulations based on the conditions of the local property market, the specific characteristics of the valuation target and the purpose of the valuation.

As the buildings (structures) are self-built industrial factories and ancillary occupancies, lease cases on similar buildings in surrounding areas cannot be obtained. It is not applicable to adopt the income approach in the valuation.

As the buildings (structures) are self-built industrial buildings, information on the transactions or trading prices of similar buildings in the same or similar areas cannot be collected. Therefore, the market comparison approach to appraise the value of the buildings (structures) to be appraised cannot be adopted.

As the buildings (structures) are self-built industrial buildings, appraisers may adopt the replacement cost approach to appraise the required budget and financial accounts materials on the project and the price information on labors, materials and the shift use of machinery on the Valuation Benchmark Date. The conditions for adopting the replacement cost approach in the valuation can be met.

Based on the above analysis, the replacement cost approach was adopted in the valuation on the buildings (structures) to be appraised.

##### *(b) Replacement cost approach*

For the valuation on principally self-built buildings, the full replacement price of a building is calculated in accordance with the amount of construction work and the current fixed standard reference price, construction fees, and loan interest rate based on the construction project data and completion settlement data, while the residual ratio is determined comprehensively in accordance with the useful life and the site survey of the building, and the net appraised value of the building is thereby calculated.

Appraised value of buildings = Full replacement price × Residual ratio

According to the Circular Cai Shui [2016] No. 36, the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (No. 39 in 2019) issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs and relevant local documents on the adjustment of pricing basis in the industry, the corresponding value-added tax shall be deducted from the full replacement price for immovable properties meeting the conditions for deduction of value-added tax.

(i) Full replacement price

Full replacement price = Construction and installation costs (excluding tax) + Preliminary construction and other costs (excluding tax) + Capital costs

A. Determination of construction and installation costs

1. Budget (final accounts) adjustment method

For the building projects with complete materials on completion and final accounts, the appraisers use the current local or industrial standard reference price to calculate the direct standard reference price based on the quantity of work of all segments and items as determined in the original completion materials. The standard construction and installation costs on the Valuation Benchmark Date are estimated based on the corresponding current standard reference price on construction and installation costs and the difference adjustment documents of the place where the project is located.

2. For buildings of low value with simple structure, the single construction cost method is used to determine the comprehensive construction cost.

B. Determination of preliminary and other costs

Preliminary and other costs are based on the investment amount of the valuation target in project construction in accordance with the charging standards in the industry as stipulated by national or local governments. The name, charging base, charging standards and charging basis of preliminary and other costs are set out in the table below:

Breakdown Table of Preliminary and Other Costs Charged

No.	Cost	Rate (tax inclusive)	Rate (tax exclusive)	Charging basis
1	Construction unit administrative fees	0.86%	0.86%	Construction and installation cost
2	Survey and design fees	3.00%	2.83%	Construction and installation cost
3	Project construction supervision fees	1.60%	1.51%	Construction and installation cost
4	Bidding or tendering agency fees	0.09%	0.08%	Construction and installation cost
5	Environmental impact assessment fees	0.03%	0.03%	Construction and installation cost
6	Feasibility research fees	0.20%	0.19%	Construction and installation cost
7	Sub-total	5.78%	5.50%	Construction and installation cost

C. Determination of capital costs

According to the normal construction period, the loan interest rate is determined with reference to the loan market quoted interest rate announced by the National Interbank Funding Center on 20 December 2020. Based on the assumption of the average investment of funds during the construction period, the calculation formula of capital costs is as follow:

Capital costs = (Construction and installation costs + Preliminary and other costs) × Loan interest rate × Reasonable construction period ÷ 2

D. Determination of integrated residual ratio

The useful life method and the observation method are mainly used to determine the integrated residual ratio for the buildings in the valuation.

1. Theoretical residual ratio

Theoretical residual ratio is the residual rate determined based on the ratio of estimated remaining useful life of buildings to its aggregate useful life. The calculation formula is as follows:

Theoretical residual ratio = Remaining useful life ÷ Economic life × 100%

2. Residual ratio under the observation method

The observation method is applied to assess each major part of the buildings from a technical perspective, and to analyze factors such as design, manufacturing, usage, wear and tear, maintenance, improvement and physical life of the asset on a consolidated basis. Impacts of wear and tear and natural deterioration on the functionality and efficiency of the asset will be assessed by comparing the valuation target with itself in new condition. As such, the residual ratio of the buildings would be determined and the substantial depreciation would be estimated.

3. Integrated residual ratio

Integrated residual ratio = Theoretical residual ratio × 40% + Residual ratio under the observation method × 60%

4. Residual ratio would be determined by adopting a reasonable method where:
  - If the residual ratio calculated under the on-site observation method and the theoretical residual ratio differ significantly, upon analysis of the various factors by the appraisers, the relatively reasonable ratio would prevail based on their previous experience;
  - For the project which cannot be observed due to certain constraints, the theoretical residual ratio would be normally applied in determining the residual ratio.

**(5) Fixed assets – Machinery and equipment**

According to the purpose of this valuation and the characteristics of the appraised assets, and assuming the asset is continued to be used according to its current usage, the replacement cost approach would be adopted in this valuation on the basis of on-site investigation.

Basic formula: Appraised value = Full replacement price × Residual ratio

As at the Valuation Benchmark Date, the company was a VAT general taxpayer and the tax-free price was adopted to calculate the purchase costs of equipment in determining the full replacement price.

*(a) Determination of full replacement price*

*(i) Machinery and equipment*

A. Determination of full replacement price

For equipment of which current market prices are available, the full replacement price would be determined with reference to the selected prevailing market price after analyzing and taking into account the transportation and miscellaneous fees as well as installation and commissioning fees; for those equipment of which current market prices are not available, the full replacement price would be determined using the market price (to be adjusted correspondingly as the equipment purchase cost) of products with similar function, plus the transportation and miscellaneous fees, installation and commissioning fees as well as other reasonable expenses. The calculation formula is as follows:

Full replacement price = Equipment purchase cost + Transportation and miscellaneous fees + Installation and commissioning fees + Other costs

As at the Valuation Benchmark Date, the company was a VAT general taxpayer and the tax-free price was adopted to calculate the purchase cost of equipment in determining the full replacement price.

B. Determination of major price determination parameters

1. Equipment purchase cost

Determination of equipment purchase cost would be mainly based on quotations from the equipment manufacturer and the latest transaction price of the same type of machinery and equipment purchased by the company.

2. The rate of transportation and miscellaneous fees of equipment

Transportation and miscellaneous fees of equipment, consisting mainly of the transportation cost, loading and unloading expenses and insurance premium, would be determined generally based on the standard rate as stipulated by the “Manual of Data and Parameters Commonly Used in Asset Appraisal” (資產評估常用數據與參數手冊) in the valuation.

3. Installation and commissioning fees of equipment

It would be determined based on the standard rate as stipulated by the “Manual of Data and Parameters Commonly Used in Asset Appraisal” (資產評估常用數據與參數手冊).

#### 4. Preliminary and other costs

Preliminary and other costs are based on the investment amount of the valuation target in project construction in accordance with the charging standards in the industry as stipulated by national or local governments. Preliminary and other costs determined in the valuation of equipment are as follows:

Breakdown Table of Preliminary and Other Costs

No.	Cost	Rate (tax inclusive)	Rate (tax exclusive)	Charging basis
1	Construction unit administrative fees	0.86%	0.86%	Construction and installation costs
2	Survey and design fees	3.00%	2.83%	Construction and installation costs
3	Project construction supervision fees	1.60%	1.51%	Construction and installation costs
4	Bidding agency fees	0.09%	0.08%	Construction and installation costs
5	Environmental impact assessment fees	0.03%	0.03%	Construction and installation costs
6	Feasibility research fees	0.20%	0.19%	Construction and installation costs
7	Sub-total	5.78%	5.50%	Construction and installation costs

#### 5. Capital costs

According to the normal construction period, the loan interest rate is determined with reference to the loan market quoted interest rate announced by the National Interbank Funding Center on 20 December 2020. Based on the assumption of the average investment of funds during the construction period, the calculation formula of capital costs is as follows:

Capital costs = Purchase cost or construction costs of equipment × Applicable interest rate × Reasonable construction period ÷ 2

(ii) Vehicles

The full replacement price is determined by adding vehicle purchase tax, license fee and other reasonable costs at the prevailing market price.

(iii) Electronic equipment

For the electronic equipment of which prevailing market price is available, the full replacement price is directly determined based on its analyzed and selected prevailing market price; for the electronic equipment of which prevailing market price is unavailable, the full replacement price is determined by selecting the market price of the substitutes with similar function and making corresponding adjustments.

(b) *Determination of the residual ratio*

- (i) For machinery and equipment, the observation method and the useful life method are mainly used to determine the residual ratio. The calculation formula is as follows:

Residual ratio = Residual ratio under the observation method × 60% + Residual ratio under the useful life method × 40%

A. Observation method. The observation method is applied to assess each major part of the appraised equipment from a technical perspective, and to analyze factors such as design, manufacturing, usage, wear and tear, maintenance, repair, overhaul repair, improvement and physical life of the asset on a consolidated basis. Impacts of wear and tear and natural deterioration on the functionality and efficiency of the asset will be assessed by comparing the valuation target with itself in in new condition. As such, the residual ratio of the appraised equipment would be determined.

B. Residual ratio method. The calculation formula for it is as follows:

Residual ratio under the useful life method = (Economic useful life – Used life)/Economic useful life × 100%

Economic useful life refers to the term of asset from the date of commencing service to the date of discontinuation when it becomes uneconomical.

- (ii) Vehicle, observation method and theoretical residual ratio method are used comprehensively to determine the value. The calculation formula for it is as follows:

Residual ratio = Residual ratio under the observation method × 60% + Residual ratio under the useful life method × 40%

- A. Observation method. The observation method is applied to assess each major part of the vehicle from a technical perspective, and analyze factors such as design, manufacturing, usage, wear and tear, maintenance and repair and physical life of the asset on a consolidated basis. Impacts of wear and tear and natural deterioration on the functionality and efficiency of the asset will be assessed by comparing the valuation target with itself in new condition. As such, the residual ratio of the appraised vehicle would be determined.
- B. Theoretical residual ratio. With reference to the *Regulations on Compulsory Scrapping Standards of Motor Vehicles* (Order No. 12 of 2012 of the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection), the theoretical residual ratio is determined as the lower of the residual ratio under the useful life method and the residual ratio under the mileage method. The calculation formula for the residual ratio under the useful life method is as follows:

Residual ratio under the useful life method = (Economic useful life – Used life)/Economic useful life × 100%

The calculation formula for the residual ratio under the mileage method is as follows:

Residual ratio under the mileage method = (Specified mileage – Mileage traveled)/Specified mileage × 100%

- (iii) Electronic equipment

For electronic equipment, the useful life method is mainly used to determine the residual ratio. The calculation formula is as follows:

Residual ratio under the useful life method = (Economic useful life – Used life)/Economic useful life × 100%

If the residual ratio calculated under the observation method and the residual ratio calculated under the useful life method (or the theoretical residual ratio) differ significantly, the relatively reasonable one of the two may be selected based on experience and judgment after analyzing related reasons.

**(6) Construction-in-progress**

Appraisers have inspected the project contracts and evidence of payment of the enterprise and confirmed that the payment met the contractual requirements. They learnt about the progress of projects through relevant employees of the enterprise and calculated the corresponding reasonable capital costs to determine the final appraised value based on the payment progress for the equipment under construction after verifying the above conditions. For self-developed equipment where the progress cannot be determined, the book value is recognized as the appraised value.

**(7) Intangible assets – Land use rights**

**(a) Selection of valuation methods**

The common land valuation approaches include market comparison approach, income reduction approach, hypothetical development approach, cost approximation approach, benchmark land price coefficient correction approach, etc. The selection of valuation approaches should be based on the *Rules for Urban Land Valuation* and the development of local real estate markets, combined with the specific characteristics of the valuation target and the valuation purpose, etc., to select appropriate valuation approaches.

According to the land premium level of similar land parcels in Qingdao, survey and interviews conducted on relevant personnel of the local land administration departments, the technical regulations of land price evaluation and the specific circumstances of the valuation target, the benchmark land premium coefficient correction approach and market comparison approach were mainly used in this evaluation based on the following points:

- (i) As the parcel of land to be evaluated has been acquired for a long time and has been developed for a certain period of time, the cost approximation approach cannot be used for evaluation
- (ii) Because it is impossible to collect enough market leasing cases of land with the same purpose in the surrounding area of this parcel of land, the income approach cannot be used for evaluation.
- (iii) According to the Notice on Adjustment and Update of Urban Land Grade and Benchmark Land Premium in Huangdao District (Qing Xi Xin Guan Fa [2016] No.26) 《關於黃島區城鎮土地級別與基準地價調整更新的通知》(青西新管發[2016] 26 號) issued by the Qingdao West Coast New District Management Committee, the valuation benchmark date was 1 January 2016, and the appraised land was within the coverage of benchmark land premium, so it was suitable to adopt the revised method of benchmark land premium coefficient for this valuation.
- (iv) As the market activity of land transaction was higher at the place of this parcel of appraised land, the market transaction cases in areas surrounding this parcel of land to be appraised can be collected, the market approach may be adopted in the valuation.

(b) *Introduction of the valuation method*

(i) Benchmark land price coefficient correction method

Basic ideology: the benchmark land price coefficient correction method refers to that when calculating the price of a piece of land to be appraised, the correction coefficients are determined based on the local benchmark land price level, with reference to the land price standard of the same land grade or homogeneous area with the land to be appraised and the explanation table of various correction factors, according to the regional conditions, individual conditions, land use life, market quotation, plot ratio and micro location conditions to correct the benchmark land price so as to calculate the land price of the valuation target.

Its basic formula is as follows:

$$p = p' \times k_1 \times k_2 \times k_3 \times (1+k_4) \pm D$$

Whereas:

p – price of the land to be appraised

p' – benchmark land price of the area where the land is located

k<sub>1</sub> – date correction coefficient

k<sub>2</sub> – plot ratio correction coefficient

k<sub>3</sub> – use life correction coefficient

k<sub>4</sub> – regional and other factors correction coefficient

D – development level corrected value.

(ii) Market comparison method

Under the market comparison method, the valuation target will be compared with the similar land with recent comparable transaction at the time point of valuation to make correction on the known price of such similar land and estimate the objective and reasonable price or value of the valuation target accordingly.

The calculation formula of the market comparison method is as follows:

Land price = Actual land price in comparable transaction × Transaction correction coefficient × Transaction date correction coefficient × Land area factor correction coefficient × Individual factor correction coefficient × Equity factor correction coefficient

**(8) Intangible assets – Other intangible assets**

The appraisers recognize the composition of the original book value and the truthfulness and reasonableness of the incurred amortization amount through enquiring the related accounting records based on the original accounting value. The appraised value of software on sale on the market will be determined based on the market price, exclusive of taxation. For specifically customized version of software whose market price is not available on the market, the replacement cost is adopted in the valuation to determine the appraised value of such software taking into account the corresponding depreciation rate. For software whose market price is available, the appraised value is determined with reference to the market price of software of the same version on the Valuation Benchmark Date. For utility model patents, the appraised value is determined as nil in this valuation as the above patents are not applied in the products as at the Valuation Benchmark Date, and the enterprise expects that they will not be applied in the coming years, taking into account that the above patents cannot bring definite benefits to the enterprise in the coming years,

Appraised value = Replacement cost × (1 – Depreciation rate)

**(a) Determination of the replacement cost**

The replacement cost of purchased intangible assets is estimated based on the price of similar software sold on the market, exclusive of taxation, through market inquiry.

Replacement cost = Market selling price/(1 + 13%)

**(b) Depreciation rate**

Appraisers determine the depreciation rate of intangible assets through comparing the estimation and judgment on the remaining economic life of intangible assets. The calculation formula is as follows:

Depreciation rate = Used life/(Used life + Remaining useful life) × 100%

**(9) Right-of-use assets**

Appraisers check relevant lease contract, verify lease term and interest rate, and examine the provision for and payment of interests of the company according to the evaluation procedures. The appraised value is finally determined based on the verified book value.

**(10) Liabilities**

The actual amount of liabilities attributable to the valuation target as at the Valuation Benchmark Date will be accounted for as the appraised value.

### (III) Income Approach

The income approach collectively refers to the valuation methods used in determining the value of the valuation target by capitalizing or discounting the expected income. Methods frequently used under the income approach include the dividend discount method and the discounted cash flow method.

This valuation adopted the discounting model of free cash flow of firm under the discounted cash flow method. Specifically, using the Weighted Average Cost of Capital (WACC) as the discount rate, the total equity interest of shareholder is arrived at by adding the expected Free Cash Flow of Firm (FCFF) for each of the coming years to the operational asset values plus the value of the surplus assets and non-operational assets to the value of entire assets of the enterprise less the value of interest-bearing debt. The basic formula is as follows:

Total equity interest of shareholders = Operational asset value + Non-operational assets value – Non-operational liabilities value + Surplus assets value – Value of interest-bearing debt

The specific calculation formula is as follows:

$$P = P' + A' - D' - D$$

$$P' = \sum_{i=0.5}^n \frac{R_i}{(1+r)^i} + \frac{R_n}{r} \times \frac{1}{(1+r)^n}$$

Wherein,  $P$  – the total appraised value of equity interest of shareholders in the valuation target

$P'$  – the discounted value of entire revenue of firm

$D$  – the non-operational liabilities

$A'$  – the non-operational assets

$D'$  – the interest-bearing debt

$R_i$  – the expected income generated in income period No.  $i$  in the future (FCFF)

$i$ : the income period,  $i=0.5, 1.5, 2.5 \dots n$

$r$ : the discount rate.

## **VIII.PROCESS AND IMPLEMENTATION OF VALUATION PROCEDURES**

### **(I) Acceptance of Engagement**

Understand the general conditions of the appraised assets and specify the valuation purpose, the valuation target and scope, the valuation benchmark date and other basic matters in valuation after discussions and communications with the clients, accept the engagement after the comprehensive analysis on the professional capability and independence and assessment of business risks and enter into the asset valuation engagement contract. Determine the type of the appraised value, formulate the valuation plan and establish the working group on valuation based on specific circumstances.

### **(II) On-site inspection and collection of materials**

Guide the appraised entity to conduct asset stocktaking and prepare valuation materials and carry out on-site inspection on the valuation target on such basis to collect required information for assets valuation, understand the asset, business and financial conditions of the valuation target, macro and regional economic factors affecting the operation of the enterprise and the current conditions and prospects of the industry and pay attention to the legal ownership of the valuation target. Verify and validate the materials used in the asset valuation in accordance with laws.

### **(III) Assessment and estimation**

Analyze, summarize and sort the materials on valuation based on the specific circumstances of the appraised business and form the basis for the assessment and estimation and the preparation of the valuation report. Select the valuation methodology based on the valuation purpose, the valuation target, the type of value, the collection of materials and relevant conditions as well as the Practice Guidelines for Asset Valuation. Select the corresponding formula and parameters in analysis, calculation and judgment based on the valuation methodology adopted and analyze and judge valuation assumptions and restrictions which may affect the valuation and the valuation conclusion and arrive at the estimation results. Analyze and compare the estimation results arrived at from different methodologies and form the valuation conclusion.

### **(IV) Issuance of report**

The responsible persons of the project prepare the preliminary asset valuation report based on the valuation conclusion after assessment and estimation. The firm carries out internal review on the preliminary asset valuation report in accordance with laws, administrative regulations, the standards for asset appraisal and the internal quality control system and issue the formal asset valuation report after conducting necessary communications on relevant contents of the valuation report with the clients and other relevant parties.

## **IX. VALUATION ASSUMPTIONS**

The main asset valuation assumptions adopted in this valuation report include:

### **(I) Basic Assumptions**

- (1) Transaction assumption. The transaction assumption is that all assets to be appraised are in the process of transaction, and the appraisers will make estimation in a simulated market according to the transaction conditions (among others) of assets to be appraised.
- (2) Open market assumption. The open market assumption is that assets may be traded freely in a highly competitive market and the price of which is determined based on the judgment of both independent trading parties over the value of assets under certain supply and demand conditions. An open market refers to a market which is highly competitive with various buyers and sellers. In the open market, both parties of a transaction are equal, which means they are given the opportunity and time to acquire sufficient market information. Buyers and sellers are supposed to be acting voluntarily and rationally rather than being coerced or confined during the transaction.
- (3) Assumption on continuing operation. Assumption on continuing operation refers to the assumption that the operating activities of an operating entity will continue and will not be suspended or terminated in the foreseeable future.

### **(II) Specific Assumptions**

- (1) There will be no significant changes in the relevant prevailing laws, regulations and policies as well as macro-economic situation of the country and place where the valuation target resides, significant changes in the political, economic or social environment in the regions in which the parties to the transaction are located, or material adverse effects arising from other unforeseeable factors and force majeure.
- (2) It is assumed that the enterprise will have balanced cash inflows and cash outflows throughout the year based on its actual operation conditions.
- (3) It is assumed that the current and future operators and managers of the valuation target exercise due diligence, and the management of such entity are competent in discharging their duties to ensure that the valuation target is able to operate on a going concern basis, the development, production, and operation plans of which can be fulfilled as scheduled.

- (4) It is assumed that the valuation target is in full compliance with all relevant national laws and regulations, without committing any significant violation that prejudices corporate development and realization of revenue.
- (5) It is assumed that the accounting policies to be adopted by such enterprise in the future are basically consistent with those adopted during the preparation of this report in material aspects.
- (6) It is assumed that, based on its current management approaches and standards, the enterprise's scope and model of business will remain consistent with the current orientation.
- (7) It is assumed that there will be no material changes in the requirements currently implemented or determined to be implemented regarding the relevant interest rates, exchange rates, taxation bases and tax rates, and government levies according to national regulations.
- (8) It is assumed that no other force majeure and unforeseeable factors will have a material adverse effect on the enterprise.

According to the requirements of the asset valuation, these assumptions are deemed to be valid on the Valuation Benchmark Date. We will not accept any responsibility for any different valuation conclusions resulting from any changes in these assumptions when the economic environment changes significantly in the future.

## X. VALUATION CONCLUSION

### (I) Valuation result using the asset-based approach

On the Valuation Benchmark Date, being 31 December 2020, the book value of the assets, liabilities and net assets of Dong Fang International Container (Qingdao) Co., Ltd. on an unconsolidated basis amounted to RMB2,644,227,300, RMB1,527,550,600 and RMB1,116,676,700, respectively. The total assets, liabilities and net assets were RMB2,853,888,400, RMB1,520,952,000 and RMB1,332,936,400, respectively, after the valuation. The appraised value of total assets represented an appreciation of RMB209,661,100 over the book value with an appreciation rate of 7.93%. The appraised value of net assets represented an appreciation of RMB216,259,700 over the book value with an appreciation rate of 19.37%. Please refer to the table below for details:

Item	Book Value A	Appraised Value B	Appreciation/ Depreciation C=B-A	Change D=C/A×100%
1 Current assets	180,802.69	180,539.99	-262.70	-0.15%
2 Non-current assets	83,620.04	104,848.85	21,228.81	25.39%
3 Including: Long-term equity investments	15,400.00	19,427.30	4,027.30	26.15%
4 Investment properties	1,507.67	1,719.76	212.09	14.07%
5 Fixed assets	55,426.24	67,415.99	11,989.75	21.63%
6 Construction-in-progress	653.42	656.97	3.55	0.54%
7 Intangible assets	10,529.44	15,525.56	4,996.12	47.45%
8 Right-of-use assets	103.27	103.27	0.00	0.00%
<b>9 Total assets</b>	<b>264,422.73</b>	<b>285,388.84</b>	<b>20,966.11</b>	<b>7.93%</b>
10 Current liabilities	151,875.25	151,875.25	0.00	0.00%
11 Non-current liabilities	879.81	219.95	-659.86	-75.00%
<b>12 Total liabilities</b>	<b>152,755.06</b>	<b>152,095.20</b>	<b>-659.86</b>	<b>-0.43%</b>
<b>13 Net assets (Owner's equity)</b>	<b>111,667.67</b>	<b>133,293.64</b>	<b>21,625.97</b>	<b>19.37%</b>

In summary, the valuation result of all shareholders' equity interests in Dong Fang International Container (Qingdao) Co., Ltd. derived by using the asset-based approach was RMB1,332,936,400 (in word: ONE BILLION THREE HUNDRED AND THIRTY-TWO MILLION NINE HUNDRED AND THIRTY-SIX THOUSAND FOUR HUNDRED ONLY), representing an appreciation of RMB216,259,700 over the book value of all shareholders' equity interests on the unconsolidated basis of RMB1,116,676,700, with an appreciation rate of 19.73%; representing an appreciation of RMB180,851,600 over the book value of all shareholders' equity interests on the consolidated basis of RMB1,152,084,800, with an appreciation rate of 15.70%.

### (II) Valuation result using the income approach

On the Valuation Benchmark Date, being 31 December 2020, the appraised value of all shareholders' equity interests in Dong Fang International Container (Qingdao) Co., Ltd. was RMB1,281,336,600, representing an appreciation of RMB164,659,900 over the book value of all shareholders' equity interests on the unconsolidated basis of RMB1,116,676,700 with an appreciation rate of 14.75%; representing an appreciation of RMB129,251,800 over the book value of all shareholders' equity interests on the consolidated basis of RMB1,152,084,800 with an appreciation rate of 11.22%.

### (III) Differences between the two valuation results and their reasons

Differences between the two valuation results on all shareholders' equity interests (on the unconsolidated basis) of Dong Fang International Container (Qingdao) Co., Ltd. are set out in the table below:

*Unit: RMB0'000*

<b>Valuation Approach</b>	<b>Book Value</b>	<b>Appraised Value</b>	<b>Appreciation</b>	<b>Appreciation Rate</b>
Asset-based approach	111,667.67	133,293.64	21,625.97	19.37%
Income approach		128,133.66	16,465.99	14.75%
Differences between the approaches		5,159.98		

Differences between the two valuation results on all shareholders' equity interests (on the consolidated basis) of Dong Fang International Container (Qingdao) Co., Ltd. are set out in the table below:

*Unit: RMB0'000*

<b>Valuation Approach</b>	<b>Book Value</b>	<b>Appraised Value</b>	<b>Appreciation</b>	<b>Appreciation Rate</b>
Asset-based approach	115,208.48	133,293.64	18,085.16	15.70%
Income approach		128,133.66	12,925.18	11.22%
Differences between the approaches		5,159.98		

### (IV) Valuation conclusion

The asset-based approach is to appraise the enterprise value through appraising value of each single asset taking into consideration the relevant liabilities from the perspective of asset replacement. The income approach is to appraise the enterprise value through capitalisation or discount of the expected revenue of the valuation target from the perspective of making judgment on the profitability of assets. It is to appraise the enterprise value based on the total revenue of the enterprise in the future through the reverse thinking of "Capital-searching with the Profit" to achieve "Profit-taking with the Capital".

Based on specific conditions of this valuation, the valuation target is engaged in the production and sales of containers and is greatly exposed to the impacts of the global economy and the industry market with certain market periodicity. As it is difficult to accurately estimate and measure the changes and fluctuations of the industry market in the following years, the result using the asset-based approach is more practical and reasonable as compared with the result using the income approach.

Based on the above factors, the valuation result using the asset-based approach was adopted as the final valuation conclusion. The valuation conclusion is that the value of all shareholders' equity interests in Dong Fang International Container (Qingdao) Co., Ltd. involved in the proposed purchase of the equity interests in four companies (including Dong Fang International Container (Qingdao) Co., Ltd.) held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares by COSCO SHIPPING Development Co., Ltd. was RMB1,332,936,400 (in word: ONE BILLION THREE HUNDRED AND THIRTY-TWO MILLION NINE HUNDRED AND THIRTY-SIX THOUSAND FOUR HUNDRED ONLY).

The validity of the valuation conclusion revealed in the valuation report shall be one year from the Valuation Benchmark Date, being 31 December 2020, to 30 December 2021.

## **XI. EXPLANATIONS TO SPECIAL MATTERS**

### **(I) Significant use of expert work and relevant reports**

The unqualified audit report issued by Ernst & Young Hua Ming LLP for the years 2019 and 2020 were used in this valuation and the audited book values were adopted as the book values for valuation.

### **(II) Incomplete or defective ownership information:**

As of the date of on-site investigation, a total of 27 buildings were included in this valuation scope, except for 15 buildings, including main workshop, paint warehouse, steel warehouse, water paint workshop, office building, living building, etc., for which the housing ownership certificates have been obtained, housing ownership certificates have not yet been obtained for the other 12 building with floor area of 9,119.99 sq.m. as the relevant process for applying for the certificates has not yet started. This valuation is on the basis of the ownership statement provided by the valuation target, ascertaining that the owner of title is Dong Fang International Container (Qingdao) Co., Ltd. The table below sets forth a breakdown of the buildings for which the housing ownership certificates have not yet been obtained:

Serial no.	No. of certificate	Building name	Structure	Time of completion	Floor area (m <sup>2</sup> )	Book Value (RMB)	
						At cost	Net value
2	N/A	Garage and washing room	Brick-concrete structure	2004.04.26	560.00	170,000.00	50,284.47
3	N/A	Boiler room	Steel structure	2004.04.26	165.00	148,361.00	43,884.19
4	N/A	Reception room and workshop control room	Brick-concrete structure	2004.02.28	203.58	518,829.00	172,147.26
5	N/A	Second-stage main guardroom	Composite structures	2018.09.30	482.30	1,091,323.82	1,012,406.08
6	N/A	Second-stage logistics guardroom	Composite structures	2018.09.30	79.98	259,367.91	240,612.07
7	N/A	Temporary canteen	Steel structure	2018.09.30	936.10	1,630,647.49	1,512,729.08
10	N/A	ISO laboratory	Steel structure	2004.04.26	267.03	160,000.00	45,378.46
11	N/A	Workshop control room	Steel structure	2004.04.26	250.00	350,371.00	99,370.85
12	N/A	Paint warehouse	Steel structure	2007.04.14	1,300.00	464,855.59	182,374.71
13	N/A	Line-B eastward extend plant	Steel structure	2010.12.27	720.00	244,000.00	139,849.10
15	N/A	Steel warehouse	Steel structure	2017.12.29	306.00	182,363.11	160,926.03
26	N/A	Steel shed	Steel structure	2009.09.25	3,850.00	408,222.30	217,663.18

### **(III) Restrictions on valuation procedures**

Nil.

### **(IV) Incomplete valuation materials**

Nil.

**(V) Pending legal and economic matters on the Valuation Benchmark Date**

Nil.

**(VI) The nature and amount of guarantees, leases and its contingent liabilities (contingent assets) and the relationship with the valuation target**

As of the Valuation Benchmark Date, the valuation target entered into a plant lease agreement with Qingdao Hongcheng Steel Products Co., Ltd. \* (青島宏程型鋼製品有限公司) in August 2016, leasing a steel-structure plant and 10 units of equipment. The total plant area is 13,437 sq.m.; the area of the steel-structure plant is 6,296.46 sq.m.; and the lease term is for a total of five years from 20 August 2016 to 19 August 2021.

Since right-of-use assets and non-current liabilities due within one year were incurred arising out of the above leases, the right-of-use assets and non-current liabilities due within one year have been considered in this valuation.

**(VII) Significant subsequent matters**

- (1) As of the Valuation Benchmark Date, the name of owner of the buildings for which the housing ownership certificates have been obtained within the valuation scope is Qingdao Pacific Container Co., Ltd. \* (青島太平貨櫃有限公司)(the former name of Dongfang International Container (Qingdao) Co., Ltd.; in 2019, Hong Kong Singamas Group and China COSCO Shipping Group reached an equity transfer agreement, and Hong Kong Singamas Group wholly transferred three container manufacturing companies including Dongfang International Container (Qingdao) Co., Ltd. to COSCO SHIPPING Investment Holdings Co., Ltd., a subsidiary of China COSCO Shipping Group. In July 2019, the company changed its name to Dongfang International Container (Qingdao) Co., Ltd. (寰宇東方國際集裝箱(青島)有限公司), and the names of relevant building ownership certificate owners have not been changed. Before the issuance date of this report, the name of the owner of the above-mentioned building ownership certificate has been changed.
- (2) As of the Valuation Benchmark Date, the name of owner of property ownership certificates in the six parcels of land (with an aggregate area of 407,968.30 sq.m.) within the valuation scope is Qingdao Pacific Container Co., Ltd. (the former name of Dongfang International Container (Qingdao) Co., Ltd.). In 2019, Hong Kong Singamas Group and China COSCO Shipping Group reached an equity transfer agreement, and Hong Kong Singamas Group wholly transferred three container manufacturing companies including Dongfang International Container (Qingdao) Co., Ltd. to COSCO SHIPPING Investment Holdings Co., Ltd., a subsidiary of China COSCO Shipping Group. In July 2019, the Company changed its name to Dongfang International Container (Qingdao) Co., Ltd. (寰宇東方國際集裝箱(青島)有限公司), and the names of relevant building ownership certificate owners have not been changed. Before the issuance date of this report, the name of the owner of the building ownership certificate of the land-use-rights of six parcels of lands has been changed.

**(VIII) Deficiencies in the economic activity corresponding to the asset valuation that may have a material effect on the valuation conclusion.**

Nil.

## **XII. RESTRICTIONS ON THE USE OF THE VALUATION REPORT**

- (I) This Valuation Report shall be used for the valuation purpose and use set out herein. For the excerpt, reference and disclosure of all or part of the contents of the Valuation Report, relevant contents shall be reviewed by the valuation agency unless it is otherwise provided by laws and regulations and agreed by relevant parties;
- (II) The valuation agency and its asset appraisers take no responsibility if the client or other users of the Asset Valuation Report fail to use this Asset Valuation Report in accordance with the provisions of laws and administrative regulations and the scope of use set out in this Asset Valuation Report;
- (III) Except for the client, the other users of the Asset Valuation Report as agreed in the asset valuation engagement contract and the users of the Asset Valuation Report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of this report;
- (IV) Users of the Asset Valuation Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.

## **XIII. DATE OF THE VALUATION REPORT**

The date of the valuation report is 27 April 2021.

Asset appraiser: Meng Qinghong  
Asset appraiser: Fang Wei

27 April 2021

## ANNEXES

- I. The Corresponding Economic Activity Document on the Valuation Purpose
- II. The Audit Reports of the Appraised Entity
- III. Business Licenses of the Clients and the Appraised Entity
- IV. Major Ownership Proof Materials of the Valuation Target Involved
- V. Letters of Undertaking of the Clients and Other Relevant Parties
- VI. Letters of Undertaking of the Signatory Asset Appraisers
- VII. The Announcement on the Registration and Filing and the Qualification Certificates of the Valuation Agency
- VIII. Photocopy of the Business License of the Valuation Agency
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- X. The Asset Valuation Engagement Contract

**APPENDIX I-C**

**ASSET VALUATION REPORT IN RESPECT OF 100% EQUITY INTEREST IN DFIC  
NINGBO**

*The Asset Valuation Report was prepared in Chinese and the English translation is for reference only. In the event of any discrepancy between the English translation of the Asset Valuation Report and the Chinese version, the Chinese version shall prevail.*

**This Report is prepared in accordance with PRC Asset Valuation Standards**

**Asset Valuation Report**

on Value of All Shareholders' Equity Interests in

Dong Fang International Container (Ningbo) Co., Ltd.

Involved in the Proposed Acquisition of 100% of the Equity Interests in Four Companies Held by  
COSCO SHIPPING Investment Holdings Co., Ltd.

through the Issuance of Shares by COSCO SHIPPING Development Co., Ltd.

Zhong Tong Ping Bao Zi [2021] No. 12087

**1 of 1**

**Disclaimer, Summary, Text and Annexes**

China Tong Cheng Assets Appraisal Co., Ltd.  
27 April 2021

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Disclaimer, Summary, Text and Annexes

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**中通诚资产评估有限公司**  
China Tong Cheng Assets Appraisal Co., Ltd.

Address : 6/F, Sinotrans Building Tower A, Building 8, No. 5  
Anding Road, Chaoyang District, Beijing, China  
Telephone : (86-010)64411177

Website : <http://www.tccpv.com>

## DISCLAIMER

- I. This Asset Valuation Report is prepared in accordance with the Basic Asset Valuation Standards issued by the Ministry of Finance and the Practice Guidelines for Asset Valuation and the Professional Code of Ethics for the Valuation of Assets issued by the China Appraisal Society.
- II. The clients or other users of the Asset Valuation Report shall use the Asset Valuation Report in accordance with the laws and administrative rules and regulations and within the scope of use set out in this Asset Valuation Report. We and the asset appraisers take no responsibility for any non-compliance with the above-mentioned requirements for the use of the Asset Valuation Report by the clients or other users of the Asset Valuation Report.

This Asset Valuation Report shall only be used by the clients, other users of the Asset Valuation Report as agreed in the Asset Valuation Engagement Contract and users of the Asset Valuation Report as required by laws and administrative regulations. Save for the above, no other institution or individual shall be the user of this report.

We and the asset appraisers advise that users of the Asset Valuation Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.

- III. We and the asset appraisers have abided by the principles of independence, objectivity and impartiality, complied with the laws, administrative regulations and asset valuation standards, and have assumed responsibilities for the Asset Valuation Report issued in accordance with laws.
- IV. The list of assets and liabilities and other relevant materials of the valuation target involved should be declared by the clients and the appraised entity and certified by signature, seal or other means permitted by laws. The clients and other relevant parties shall be responsible for the truthfulness, completeness and legality of the materials provided by them in accordance with laws.
- V. We and the asset appraisers have no existing or expected relationship of interests with the valuation target set out in the Asset Valuation Report or with the relevant parties, and have no prejudice against the relevant parties.
- VI. The asset appraisers have conducted on-site inspection on the valuation target and the assets involved in the Asset Valuation Report, and given necessary consideration to the legal ownership status of the valuation target and the assets involved, conducted verification on the relevant information regarding the legal ownership of the relevant assets, and made proper disclosure in respect of the issues identified and required the clients and other relevant parties to consummate the titles to meet the requirements on issuing the Asset Valuation Report.
- VII. The analyses, judgments, and conclusions in the Asset Valuation Report issued are subject to the assumptions and restrictions in the Asset Valuation Report. The users of the Asset Valuation Report shall take into full account the assumptions, restrictions and special notes specified in the Asset Valuation Report and their impact on the valuation conclusion.
- VIII. China Tong Cheng Assets Appraisal Co., Ltd. possesses the Securities and Futures Related Businesses Valuation Qualification Certificate (證券期貨相關業務評估資格證書) issued by the Ministry of Finance of the People's Republic of China and the China Securities Regulatory Commission.

## SUMMARY

### **I. CORRESPONDING ECONOMIC ACTIVITY UNDER THE VALUATION**

The corresponding economic activity under the valuation is the proposed acquisition of 100% of the equity interests in four companies, including Dong Fang International Container (Ningbo) Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares by COSCO SHIPPING Development Co., Ltd., which requires appraisal of the value of all shareholders' equity interests in Dong Fang International Container (Ningbo) Co., Ltd. involved in the economic activity.

The economic activity has been approved by China COSCO SHIPPING Corporation Limited and the Resolution at the 46th Meeting of the First Session of the Board of Directors of China COSCO SHIPPING Corporation Limited was issued (20 January 2021).

### **II. PURPOSE OF VALUATION**

COSCO SHIPPING Development Co., Ltd. proposes to acquire 100% of the equity interests in four companies, including Dong Fang International Container (Ningbo) Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares. An appraisal shall be conducted on the value of all shareholders' equity interests in Dong Fang International Container (Ningbo) Co., Ltd. involved in the economic activity to determine its market value on the Valuation Benchmark Date, being 31 December 2020, and provide value reference for the clients.

### **III. VALUATION TARGET AND SCOPE**

The valuation target is the value of all shareholders' equity interests in Dong Fang International Container (Ningbo) Co., Ltd.

The valuation scope covers all assets and relevant liabilities of Dong Fang International Container (Ningbo) Co., Ltd.

### **IV. TYPE OF VALUE**

Market value.

### **V. VALUATION BENCHMARK DATE**

31 December 2020.

### **VI. VALUATION METHODOLOGY**

The asset-based approach and the income approach were adopted in this valuation. The result derived by using the asset-based approach was adopted as the final valuation conclusion.

## VII. VALUATION CONCLUSION AND ITS VALIDITY

Based on the specific circumstances of the valuation, the result derived by using the asset-based approach was adopted as the valuation conclusion.

On the Valuation Benchmark Date, being 31 December 2020, the book value of the assets, liabilities and net assets of Dong Fang International Container (Ningbo) Co., Ltd. was RMB1,351,784,800, RMB869,554,800 and RMB482,230,000, respectively. The total assets, liabilities and net assets were RMB1,474,696,600, RMB868,324,200 and RMB606,372,400, respectively, after the valuation. The appraised value of total assets represented an appreciation of RMB122,911,800 over the book value with an appreciation rate of 9.09%. The appraised value of net assets represented an appreciation of RMB124,142,400 over the book value with an appreciation rate of 25.74%. Please refer to the table below for details:

**Table of Summary of Asset Valuation Results**  
**Valuation Benchmark Date: 31 December 2020**

**Valuation target: Dong Fang International Container (Ningbo) Co., Ltd.** *Unit: RMB0'000*

Item	Book Value A	Appraised Value B	Appreciation/ Depreciation C=B-A	Change D=C/A×100%	
1	Current assets	113,549.85	113,701.61	151.76	0.13%
2	Non-current assets	21,628.63	33,768.05	12,139.42	56.13%
3	Including: Fixed assets	16,278.56	18,313.06	2,034.50	12.50%
4	Construction-in-progress	1,854.66	1,701.79	-152.87	-8.24%
5	Intangible assets	3,495.40	13,753.20	10,257.80	293.47%
<b>6</b>	<b>Total assets</b>	<b>135,178.48</b>	<b>147,469.66</b>	<b>12,291.18</b>	<b>9.09%</b>
7	Current liabilities	86,791.40	86,791.40	0.00	0.00%
8	Non-current liabilities	164.08	41.02	-123.06	-75.00%
<b>9</b>	<b>Total liabilities</b>	<b>86,955.48</b>	<b>86,832.42</b>	<b>-123.06</b>	<b>-0.14%</b>
<b>10</b>	<b>Net assets (Owner's equity)</b>	<b>48,223.00</b>	<b>60,637.24</b>	<b>12,414.24</b>	<b>25.74%</b>

In summary, the valuation result of all shareholders' equity interests in Dong Fang International Container (Ningbo) Co., Ltd. derived by using the asset-based approach was RMB606,372,400 (in word: SIX HUNDRED AND SIX MILLION THREE HUNDRED SEVENTY-TWO THOUSAND FOUR HUNDRED ONLY).

The validity of the valuation conclusion revealed in the valuation report shall be one year from the Valuation Benchmark Date, being 31 December 2020, to 30 December 2021.

## **VIII. SPECIAL MATTERS WITH IMPACTS ON THE VALUATION CONCLUSION**

### **(I) Significant use of expert work and relevant reports;**

The unqualified audit report issued by Ernst & Young Hua Ming LLP for the years 2019 and 2020 were used in this valuation and the audited book values were adopted as the book values for valuation.

### **(II) Incomplete or defective ownership information;**

As of the Valuation Benchmark Date, a total of 12 buildings were under the valuation scope, apart from three buildings, namely the main plant, workshop office, warehouse for steels, which have obtained housing ownership certificates; the remaining nine buildings have not obtained housing ownership certificates, among which the office building and complex building have obtained construction works planning permits, construction works commencement permits and the remaining seven buildings have not obtained listing permits, approval permits, construction works planning permits, construction works commencement permits, construction works completion and acceptance filing documents and other approvals, hence not all ownership certificates have been obtained as of the Valuation Benchmark Date. This valuation is based on the property right statement provided by the valuation target, which confirmed that Dong Fang International Container (Ningbo) Co., Ltd. is the property owner and no subsequent fees on the application for permits and the impacts of possible fines on incomplete approval procedures have been considered.

### **(III) Restrictions on valuation procedures**

Nil.

### **(IV) Incomplete valuation materials**

Nil.

### **(V) Pending legal and economic matters on the Valuation Benchmark Date**

Nil.

### **(VI) The nature and amount of guarantees, leases and its contingent liabilities (contingent assets) and the relationship with the valuation target**

Nil.

### **(VII) Significant subsequent matters**

Nil.

**(VIII) Deficiencies in the economic activity corresponding to the asset valuation that may have a material effect on the valuation conclusion.**

As of the Valuation Benchmark Date, the restricted balance of the bank deposit of the valuation target for Electronic Toll Collection business amounted to RMB120,000.00 (Bank account: Gulou sub-branch in Ningbo of Industrial and Commercial Bank of China Limited 3901110019200154032).

This report together with the conclusion is only intended to be used for the valuation purpose as described herein and for no other purposes.

**The above contents are extracted from the text of the Valuation Report. Please read the text of the Valuation Report to understand details of the valuation and correctly comprehend the valuation conclusion.**

**Value of All Shareholders' Equity Interests in Dong Fang International Container (Ningbo) Co., Ltd. Involved in the Proposed Acquisition of 100% of the Equity Interests in Four Companies Held by COSCO SHIPPING Investment Holdings Co., Ltd. through the Issuance of Shares by COSCO SHIPPING Development Co., Ltd.**

Zhong Tong Ping Bao Zi [2021] No. 12087

To: COSCO SHIPPING Development Co., Ltd. and COSCO SHIPPING Investment Holdings Co., Ltd.

Upon your engagement, we, China Tong Cheng Assets Appraisal Co., Ltd., have appraised the market value of all shareholders' equity interests in Dong Fang International Container (Ningbo) Co., Ltd. involved in the proposed acquisition of 100% of the equity interests in four companies, including Dong Fang International Container (Ningbo) Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares by COSCO SHIPPING Development Co., Ltd. as at 31 December 2020, by way of adopting the asset-based approach and the income approach and carrying out necessary valuation procedures in accordance with relevant laws, regulations and asset valuation standards and the principles of independence, objectivity and impartiality. We hereby report the details of the asset valuation as follows:

**I. OVERVIEW OF THE CLIENTS, THE APPRAISED ENTITY AND OTHER USERS OF THE ASSET VALUATION REPORT AS AGREED IN THE ASSET VALUATION ENGAGEMENT CONTRACT**

**(I) Overview of the Clients**

The clients of the valuation are COSCO SHIPPING Development Co., Ltd. and COSCO SHIPPING Investment Holdings Co., Ltd.

(1) Client I: COSCO SHIPPING Development Co., Ltd.

Name: COSCO SHIPPING Development Co., Ltd.

Unified social credit code: 91310000759579978L

Nature of company: Joint stock limited company (Sino-foreign joint venture, listed)

Domicile: Room A-538, International Trade Center, China (Shanghai) Pilot Free Trade Zone

Legal representative: Wang Daxiong

Date of establishment: 3 March 2004

Term of operation: 3 March 2004 to no fixed term

Registered capital: RMB11,608,125,000

Scope of business: Ordinary vessel services along domestic coastal areas and the middle and lower reaches of the Yangtze River and feeder liner services for foreign trade lanes in domestic coastal areas, international vessel services (including container liner services), container construction, repair, chartering, vessel chartering, self-owned containers, sales and purchase of vessels for self-use, marine management for domestic coastal ordinary vessels (excluding bulk cargo vessels), engineering management and vessel repair, maintenance, sales, chartering, operation, assets management and other vessel management services. [Projects that need to be approved according to laws can only be operated after being approved by relevant departments].

COSCO SHIPPING Development Co., Ltd. was formerly known as “China Shipping Container Lines Company Limited”. The predecessor of China Shipping Container Lines Company Limited is COSCO SHIPPING Lines Co., Ltd., a limited liability company jointly invested and established by China Shipping (Group) Company Limited, China Shipping Development Co. Ltd. and Guangzhou Maritime Transport (Group) Co., Ltd. on 28 August 1997. In March 2004, with China Shipping (Group) Company Limited as the initiator, China Shipping Container Lines Company Limited converted the net assets of the former COSCO SHIPPING Lines Co., Ltd. as at 31 October 2003 into shares and solely sponsored the establishment of an A-share listed company. It completed the initial offering of listed-foreign H shares to overseas investors and was listed for trading on the Hong Kong Stock Exchange in the same year.

COSCO SHIPPING Development Co., Ltd. is a subsidiary of China COSCO SHIPPING Corporation Limited specialized in supply-chain financial services. The company aims to bring into play the advantages in shipping logistics industry and serve upstream and downstream industrial chains with shipping finance as the foundation; to develop industrial cluster with shipping and leasing, container manufacturing, investment and services for the related industries as the core; and to develop into a “one-stop” shipping financial service platform by combining industry with finance, integrating various financial functions, and synergy of various businesses, featuring market mechanism, differentiated advantages and international vision.

COSCO SHIPPING Development Co., Ltd. is among the top global players in the industry with the shipping capacity of its container fleet and the scale of its container leasing business. As of 30 June 2020, the company’s container fleet had 86 container vessels, with a total capacity of 581,600 TEU; 4 bulk cargo vessels of 64,000 DWT each; over 90 LNG vessels, heavy crane vessels and oil tankers; and an inventory of containers of approximately 3.65 million TEU. In terms of other industry leasing businesses, the company focuses on the development of financial leasing businesses in the areas of medical services, education, new energy, construction and industrial equipment. In terms of container manufacturing business, Shanghai Universal Logistics Equipment Co., Ltd., a subsidiary of the company, attained an annual manufacturing capacity of 550,000 TEU. The company also focuses on the development of investment and supply-chain financial service business, takes good advantage of its experience in the shipping industry as well as the existing resources of the financial service industry to promote the integration of industry and finance, optimize its business models and achieve the synergetic development of its shipping finance business.

(2) Client II: COSCO SHIPPING Investment Holdings Co., Ltd.

Name: COSCO SHIPPING Investment Holdings Co., Ltd.

Registration No.: 21585899-000-03-18-8

Domicile: 51/F, Cosco Tower, 183 Queen's Road Central, Hong Kong

Type of enterprise: Limited company

COSCO SHIPPING Investment Holdings Co., Ltd. was established in 1998 with a registered capital of HK\$500 million. Its predecessor is China Shipping (Hong Kong) Holdings Co., Ltd., a direct wholly-owned subsidiary of the former China Shipping (Group) Company Limited (“**China Shipping Group**”). It was the “one platform” and “three centers” of the former China Shipping Group in Hong Kong, South Korea, Japan, Australia and other countries and regions, namely the unified overseas investment and financing platform and “the profit center, the regional business management center and the service center”.

In 2016, China Ocean Shipping and China Shipping were reorganized as China COSCO SHIPPING Group Corporation. The new group proposed the establishment of the “6+1” industrial clusters and established the financial segment as one of the pillar industries of the group to develop the financial platform of China COSCO SHIPPING. To achieve such result, COSCO SHIPPING Financial Holdings Co., Ltd. and COSCO SHIPPING Development Co., Ltd. (the former China Shipping Container Lines Co., Ltd.) developed the financial platform of the new group through major asset reorganizations.

On 1 June 2020, COSCO SHIPPING Financial Holdings Co., Ltd. officially changed its name to “COSCO SHIPPING Investment Holdings Co., Ltd.”. As the overseas investment holding platform for the shipping and logistics industry of China COSCO SHIPPING Group Corporation, COSCO SHIPPING Investment Holdings Co., Ltd. will be devoted to the exploration of overseas financial investment businesses in the following years. It will also provide investment management services for China COSCO SHIPPING Group Corporation and its subsidiaries and integrate resources on the industrial chains to promote the synergetic development of all businesses.

## **(II) Overview of the Appraised Entity**

The appraised entity under the valuation is Dong Fang International Container (Ningbo) Co., Ltd.

### **(1) Registration information**

Name: Dong Fang International Container (Ningbo) Co., Ltd.

Unified social credit code: 913302127756477151

Type of enterprise: Limited liability company (solely funded by Taiwan, Hong Kong or Macao corporate body)

Domicile: No.101 Qihang North Road, Zhanqi Town, Yinzhou District, Ningbo City, Zhejiang Province

Legal representative: Wang Jianmin

Date of establishment: 26 July 2005

Term of operation: 26 July 2005 to 25 July 2055

Registered capital: US\$20.00 million

Scope of business: Manufacturing of steel containers and special containers, container spare parts and steel structural components; container repair and refurbishment; container warehousing; self-operated and commissioned import and export business for various commodities and technologies except for distribution business for imported commodities (not involve business involving state-operated and managed trading of products; for business involving products subject to quota and license management, an application shall be made in accordance with the relevant national regulations).

**(2) *Historical development, shareholders and contributions***

Dong Fang International Container (Ningbo) Co., Ltd. (formerly known as Ningbo Taiping Container Co., Ltd.) was established with the approval of the Ningbo Foreign Trade and Economic Cooperation Bureau by issuing the document of Yong Foreign Trade Asset Management Letter [2005] No. 244 on 19 July 2005, obtained the Certificate for Approval of Enterprise Invested by Corporations of Hong Kong, Macau and Taiwan (《中華人民共和國港澳台僑投資企業批准證書》) with approval number of Shang Wai Zi Yong Zi Zi [2005] No. 0288 issued by the People's Government of Ningbo on 19 July 2005 and was contributed by Singamas Container Holdings Limited.

The registered capital of Dong Fang International Container (Ningbo) Co., Ltd. was US\$20.00 million, all of which was invested by Singamas Container Holdings Limited. According to the capital verification reports numbered Zheng Kuai Yan [2005] No. 1141, Zheng Kuai Yan [2005] No. 6121, Zheng Kuai Yan [2006] No. 2012 and Zheng Kuai Yan [2006] No. 2019 issued by Ningbo Zhengyuan Certified Public Accountants Co. Ltd. on 1 September 2005, 10 October 2005, 11 January 2006 and 24 January 2006, respectively, Singamas Container Holdings Limited has paid the registered capital of US\$20.00 million in four installments.

In April 2006, Singamas Container Holdings Limited transferred 20% equity interests (i.e. US\$4 million) held by it in Dong Fang International Container (Ningbo) Co., Ltd. to China Shipping Investment Co., Ltd. for a consideration of RMB33,039,900; in May 2008, China Shipping Investment Co., Ltd. transferred its 20% equity interests (i.e. US\$4 million) in Dong Fang International Container (Ningbo) Co., Ltd. to Shanghai Universal Logistics Equipment Co., Ltd. for a consideration of RMB26,628,420.42; on 14 May 2009, Shanghai Universal Logistics Equipment Co., Ltd. transferred 20% equity interests (i.e. US\$4 million) held by it in Dong Fang International Container (Ningbo) Co., Ltd. to Singamas Container Holdings Limited through Shanghai United Assets and Equity Exchange for a consideration of RMB29,918,200.

In May 2019, Singamas Container Holdings Limited entered into an equity transfer agreement with COSCO SHIPPING Investment Holdings Co., Ltd. (formerly known as COSCO SHIPPING Financial Holdings Co., Limited), transferring 100% equity interests in Dong Fang International Container (Ningbo) Co., Ltd., and entrusting Shanghai Universal Logistics Equipment Co., Ltd., a wholly-owned subsidiary of COSCO SHIPPING Development Co., Ltd., to manage such transfer. The equity transfer was completed in August 2019, and as the registration for industrial and commercial change was completed at the same time, the company was renamed as Dong Fang International Container (Ningbo) Co., Ltd.

As at the Valuation Benchmark Date, the shareholders of Dong Fang International Container (Ningbo) Co., Ltd. and their contributions are set out in the table below:

*Unit: US\$0'000*

Name of shareholder	Subscribed contribution	Paid-in contribution	Contribution proportion
COSCO SHIPPING Investment Holdings Co., Ltd.	2000	2000	100%
Total	2000	2000	100%

**(3) Corporate structure, organizational structure and employees**

As at the Valuation Benchmark Date, Dong Fang International Container (Ningbo) Co., Ltd. had one general manager, one general Party branch secretary and two deputy general managers. It established the financial management department, the procurement management department, the marketing service department, the material management department, the comprehensive management department/the corporate culture department, the safety and environmental protection prevention and design supervision department, the quality management department, the equipment department and the production department.

The company currently has a total of 1,192 employees, of which employees directly engaged in production account for approximately 90% and management and other personnel account for approximately 10%; the proportion of contract employees is approximately 41%, and the remaining approximately 59% is the proportion of outsourced employees.

**(4) Principal businesses**

The principal products of Dong Fang International Container (Ningbo) Co., Ltd. are dry containers, which are mainly 20-foot and 40-foot containers and 40-foot high-cube containers.

Designed production capacity: the company has one production line of dry containers, whose annual designed capacity is expected to reach 250,000 TEU with the capacity upgraded.

## **(5) Customers and suppliers**

### **(a) Sales and customers**

Most of the sales orders, product pricing and sales revenue of Dong Fang International Container (Ningbo) Co., Ltd. are under the unified management of Shanghai Universal Logistics Equipment Co., Ltd. and details are as follows:

**Sales orders:** Negotiations with customers are mainly conducted by Shanghai Universal Logistics Equipment Co., Ltd. and the orders obtained through the headquarters accounted for 95% of the overall sales in 2020. The business teams of various factories are mainly responsible for undertaking orders allocated by the headquarters and coordinating with the production department, the procurement management department, the material management department and other departments in the arrangement of production.

**Sales pricing:** The basic prices of containers are determined by the marketing department of Shanghai Universal Logistics Equipment Co., Ltd. based on material prices, labor costs and manufacturing expenses. The sales staff of Shanghai Universal Logistics Equipment Co., Ltd. adjust the basic prices based on the market conditions and the negotiation results with customers to finally determine the prices.

**Execution of contracts:** There are two ways under which contracts are executed. Firstly, customers and COSCO SHIPPING Investment Holdings Co., Ltd. sign sales contracts and COSCO SHIPPING Investment Holdings Co., Ltd. signs sales contracts with each factory. Secondly, customers directly sign contracts with each factory.

**Collection of sales amounts:** over 95% of sales amounts are collected by COSCO SHIPPING Investment Holdings Co., Ltd. and distributed to each factory based on the capital planning and the capital demands of all factories.

**Allocation of orders:** After obtaining orders from customers, the marketing department will designate a specific factory for production based on customers' preference.

**After-sale services:** The marketing service department of each factory is mainly responsible for following up.

### **(b) Suppliers**

The group's procurement center provides a list of suppliers of main materials (steel, wooden flooring and paint, etc.) for Dong Fang International Container (Ningbo) Co., Ltd., negotiates with suppliers for procurement price and quantity based on the purchase volume in a centralized manner, and updates the market quotation of each main material to the factories at any time. Each factory enters into procurement contracts with suppliers at its sole discretion and makes payments. The factories are responsible for price negotiation, execution of contracts and payment for non-main materials.

**(6) Historical operations**

Dong Fang International Container (Ningbo) Co., Ltd. mainly has one production line of dry containers, which only manufacture standard dry containers with a height of 20 feet and 40 feet and 40-foot high-cube containers, and its designed annual capacity will reach 250,000 TEU with the capacity upgraded.

Major production equipment includes production equipment for dry containers: pre-processing and molding lines for side plates, pre-processing line for top plates, pre-processing line for thick plates, pre-processing line for profiles, cutting and folding lines for bottom cross beams, rolling line for bottom and side beams, punch, shearing machine for thick and thin plates, bending machine/gantry pressing machine and production lines (including subassembly welding machine, general assembly welding machine, secondary sanding line, tertiary painting line and drying room, refining line, etc.).

The table below sets forth the historical annual production and operation:

*Unit: RMB0'000*

No.	Item	2018	2019	2020
1	Dry containers (TEU)	170,728.00	102,505.00	110,625.00
2	Revenue from dry containers	212,476.38	114,874.84	131,406.91
3	Revenue from other businesses	1,031.36	3,939.87	804.83
	<b>Total revenue</b>	<b><u>213,507.74</u></b>	<b><u>118,814.71</u></b>	<b><u>132,211.73</u></b>

Major financial data and accounting statements of Dong Fang International Container (Ningbo) Co., Ltd. in recent years have been audited by professional auditors and are set out in the table below:

*Unit: RMB0'000*

Item	31 December 2018	31 December 2019	31 December 2020
Total assets	104,952.94	102,761.92	135,178.48
Including: fixed assets	15,705.51	16,556.26	16,278.56
Total liabilities	53,962.88	57,583.19	86,955.48
Net assets	50,990.06	45,178.73	48,223.00
<b>Item</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Revenue	213,507.74	118,814.71	132,211.73
Total profit	13,746.92	-5,590.55	3,523.68
Net profit	10,255.98	-5,811.33	3,044.27

*Note:* The data for 2018, 2019 and 2020 were from the audit reports issued by Ernst & Young Hua Ming LLP.

### **(III) Relationship Between the Clients and the Appraised Entity**

COSCO SHIPPING Development Co., Ltd., Client I, proposes to acquire 100% of the equity interests in four companies, including Dong Fang International Container (Ningbo) Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd., Client II, through the issuance of shares. COSCO SHIPPING Investment Holdings Co., Ltd., Client II, is a shareholder of Dong Fang International Container (Ningbo) Co., Ltd., the appraised entity, with a shareholding proportion of 100%.

### **(IV) Overview of Other Users of the Valuation Report**

Except for relevant parties in the economic activity, competent administrative review authorities and other users of the report as provided by national laws and regulations, no other users of the report were provided in the Asset Valuation Engagement Contract.

## **II. PURPOSE OF VALUATION**

As COSCO SHIPPING Development Co., Ltd. proposes to acquire 100% of the equity interests in four companies, including Dong Fang International Container (Ningbo) Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares, the value of all shareholders' equity interests in Dong Fang International Container (Ningbo) Co., Ltd. involved in the economic activity has to be appraised to determine its market value on the Valuation Benchmark Date, being 31 December 2020, and provide value reference for the clients.

The said economic activity has been approved by China COSCO SHIPPING Corporation Limited and the Resolution at the 46th Meeting of the First Session of the Board of Directors of China COSCO SHIPPING Corporation Limited was issued (20 January 2021).

### III. VALUATION TARGET AND SCOPE

#### (I) Valuation Target and Scope

The appraised valuation target and scope are consistent with the valuation target and scope involved in the economic activity.

The valuation target is the value of all shareholders' equity interests in Dong Fang International Container (Ningbo) Co., Ltd.

The valuation scope covers all assets and liabilities of Dong Fang International Container (Ningbo) Co., Ltd. on the Valuation Benchmark Date corresponding to the valuation target. The corresponding accounting statements of the assets and liabilities declared by the enterprise have been audited by Ernst & Young Hua Ming LLP and the audit report numbered An Yong Hua Ming (2021) Shen Zi No. 61227808\_B03 was issued on 27 April 2021 with unqualified audit opinions. Details of the appraised unit's assets and liabilities are set out in the table below:

*Unit: RMB*

No.	Item	Book value
<b>1</b>	<b>I. Total current assets</b>	<b>1,135,498,538.41</b>
2	Monetary funds	42,248,912.84
3	Trade receivable	352,509,363.28
4	Prepayment	166,220,617.80
5	Other receivables	210,357,619.98
6	Inventories	130,598,933.96
7	Other current assets	233,563,090.55
<b>8</b>	<b>II. Total non-current assets</b>	<b>216,286,262.26</b>
9	Fixed assets	162,785,601.27
10	Construction in progress	18,546,623.18
11	Intangible assets	34,954,037.81
<b>12</b>	<b>III. Total assets</b>	<b>1,351,784,800.67</b>
<b>13</b>	<b>IV. Total current liabilities</b>	<b>867,914,033.52</b>
14	Short-term borrowings	600,000,000.00
15	Notes payable	20,032,889.77
16	Trade payable	142,847,314.52
17	Contract liabilities	46,237.50
18	Employee compensation payable	75,871,574.03
19	Taxes payable	7,700,186.24
20	Other payables	21,415,831.46
<b>21</b>	<b>V. Total non-current liabilities</b>	<b>1,640,800.00</b>
22	Other non-current liabilities	1,640,800.00
<b>23</b>	<b>VI. Total liabilities</b>	<b>869,554,833.52</b>
<b>24</b>	<b>VII. Net assets</b>	<b>482,229,967.15</b>

## **(II) Layout and Characteristics of Physical Assets**

As at the Valuation Benchmark Date, physical assets under the scope of valuation include: inventories, fixed assets and construction in progress. Inventories mainly are raw materials and finished products. Fixed assets mainly include buildings and equipment. Construction in progress mainly includes civil engineering and equipment installment projects. The specific layout is as follows:

### **(1) Inventories**

- (a) It has a total of 522 items of raw materials, mainly including steel materials, paints, three main materials and other auxiliary materials for wooden flooring as well as the relevant spare parts, stored in steel warehouse, paint warehouse, flooring warehouse, auxiliary materials warehouse, hardware warehouse and other warehouses of the enterprise.
- (b) It has a total of 2 finished products, mainly including 40HC containers and self-owned containers that have been completed but not received by customers.

### **(2) Buildings under fixed assets**

The scope of the valuation covers buildings (structures) owned by Dong Fang International Container (Ningbo) Co., Ltd., including a total of 12 buildings with an aggregate floor area of 50,499.35 sq.m. Major buildings include plants, office buildings and warehouses, which were completed and put into use in 2004 to 2019, and a total of 17 structures, most of which are yards, fences and grounds and were completed and put into use in 2006 to 2015. Details of major buildings (structures) are as follows:

- (a) Main plant: With a steel structure, the building was completed and put into use in July 2006, and has obtained the ownership certificate Zhe (2020) Ningbo Yinzhou Immovable Property Right No. 0189171. The building has reinforced concrete independent foundation columns with a gross floor area of 27,750.79 sq.m. Besides the load-bearing reinforced concrete columns, it also has blockboard walls, cement mortar flooring, steelwork roof, roller shutter doors and aluminum alloy windows. The installment projects include electric appliances, water supply and drainage and fire prevention facilities. As at the Valuation Benchmark Date, the building to be appraised was in good condition with regular maintenance.
- (b) The comprehensive building: With a reinforced concrete structure, the building was completed and put into use in July 2006. The building has reinforced concrete independent foundation columns with a gross floor area of 2,628.00 sq.m. With the external walls covered with tiles, the building also has facing brick grounds, steelwork roof, burglar-proof doors and plastic steel windows. The installment projects include electric appliances, water supply and drainage and fire protection facilities. As at the Valuation Benchmark Date, the building to be appraised was in good condition with regular maintenance.

- (c) Steel coil warehouse: With a steel structure, the building was completed and put into use in September 2013, and has obtained the ownership certificate Zhe (2020) Ningbo Yinzhou Immovable Property Right No. 0189171. The building has reinforced concrete independent foundation columns with a gross floor area of 3,644.97 sq.m. Besides the load-bearing reinforced concrete columns, it also has blockboard walls, cement mortar flooring, steelwork roof, iron doors and aluminum alloy windows. It is also equipped with security doors and aluminium alloy windows. The installment projects include electric appliances, water supply and drainage and fire prevention facilities. It is in good condition with regular maintenance.
- (d) The yard: The structure was completed and put into use in July 2007, with a length of 650 meters, a width of 180 meters and a gross floor area of 117,000.00 sq.m. The yard was completed in July 2006 with a structural steel surface. It is in good condition with regular repairing and maintenance.
- (e) PVC coated chain link fence: The structure was completed and put into use in July 2006, referring to a brick-concrete fence with a length of 1,200.00 meters and a height of approximately 2.5 meters. It was completed in July 2006. It is in good condition with regular maintenance.

As at the Valuation Benchmark Date, a total of 12 buildings were included in this valuation scope. Except for three buildings for which housing ownership certificates have been obtained, housing ownership certificates have not been obtained for the remaining nine buildings, of which a construction works planning permit and construction works commencement license have been obtained for the office building and comprehensive building, and such approval documents as permits on listing, approval and construction works planning permits, construction works commencement permits, construction works completion and acceptance filing documents have not been obtained for the remaining seven buildings. This valuation is on the basis of the ownership statement provided by the valuation target, ascertaining that the owner of title is Dong Fang International Container (Ningbo) Co., Ltd.

As at the Valuation Benchmark Date, the buildings (structures) to be appraised and the land occupied were not under mortgage or guarantee. Besides, the buildings under fixed assets under the scope of valuation were not involved in lawsuits or other matters.

**(3) *Equipment under fixed assets***

**(a) *Machinery equipment***

Machinery equipment to be appraised is mainly production equipment and ancillary equipment and facilities for containers. Major equipment includes the production line for containers, steel plate shearers, bending machines, welding machines and other steel processing equipment as well as ancillary craning and power transformer and distribution equipment. Other equipment was under ordinary maintenance and normal use as at the Valuation Benchmark Date. As at the Valuation Benchmark Date, some of the equipment were obsolete and not regularly maintained, but all of them can be used.

**(b) *Vehicles***

Vehicles to be appraised are 17 vehicles used for office and plant purposes, mainly including 12 vehicles used for office purposes such as Buick GL8, Passat, Odyssey and other models, and 5 vehicles used for plant purposes such as flatbed trucks, tractors, etc. As at the Valuation Benchmark Date, the vehicles were under normal maintenance and use.

**(c) *Electronic equipment***

Electric equipment to be appraised are computers, printers, air-conditioners and network equipment. As at the Valuation Benchmark Date, the equipment was under normal maintenance and use.

**(4) *Civil engineering and equipment installment engineering***

Equipment installment engineering refers to the upgrading and transformation of production lines under construction and the additions to other auxiliary equipment.

**(III) Intangible Assets Accounted for or Not Accounted for as Declared by the Enterprise**

**(1) Intangible assets accounted for as declared by the enterprise**

- (a) A total of one item of land use rights under intangible assets was under the scope of valuation with a total site area of 221,485.00 sq.m. under the land use right certificate. Its original book value was RMB49,836,825.00 and the book value on the Valuation Benchmark Date was RMB34,636,591.29. Details are set out below:

Table of Summary on Registration of Intangible Assets-Land

Unit: RMB

Immovable property ownership certificate no.	Date of obtaining asset	Nature of land	Use of land	Area (m <sup>2</sup> )	Original book value	Book value
Zhe (2020) Yinzhou Ningbo Immovable Property Right No. 0189171	2005/10/08	Transfer	Industrial land	221,439.40	49,836,825.00	34,636,591.29
<b>Total</b>				<b>221,439.40</b>	<b>49,836,825.00</b>	<b>34,636,591.29</b>

- (b) The book value of other intangible assets under intangible assets was RMB317,446.52 and most of them are Oracle software, Aotu software, Yonyou office software and Yonyou U8 software. Details are set out in the table below:

Unit: RMB0'000

No.	Name and content	Date of obtaining asset	Statutory/expected useful life	Original book value	Book value
1	Oracle software	2010-07-01	10 years	500,000.00	0.00
2	Aotu software	2014-04-01	10 years	55,555.56	18,055.63
3	Yonyou office software	2019-12-30	10 years	306,603.75	273,388.36
4	Yonyou U8 software	2020-08-27	10 years	27,133.08	26,002.53

**(2) Intangible assets not accounted for as declared by the enterprise**

Nil.

**(IV) Type and Quantity of Off-balance-sheet Assets Declared by the Enterprise**

Nil.

**(V) Type, Quantity and Book Value (or Appraised Value) of Assets Involved in Making Reference to the Conclusions of Reports Issued by Other Institutions**

Nil.

#### **IV. TYPE AND DEFINITION OF VALUE**

The types of the valuation value include the market value and other types of value except for the market value. Other types of value except for the market value generally include (but not limited to) the investment value, the value in use, the liquidation value and the residual value. The purpose of this valuation is to provide a value reference for normal transactions, and there are no special restrictions and requirements on market conditions and the use of valuation target, etc. Therefore, market value is selected as the type of value of this valuation according to industry practices.

Market value refers to the estimated value of the valuation target in an arm's length transaction made in the ordinary course of business on the Valuation Benchmark Date between a willing buyer and a willing seller who has each acted rationally and without compulsion.

#### **V. VALUATION BENCHMARK DATE**

The Valuation Benchmark Date for this valuation is 31 December 2020.

Major factors considered by the clients in determining the Valuation Benchmark Date include the time requirement on the implementation of the economic activity. The end of the accounting period was adopted to facilitate the defining of the scope of valuation and the accurate and efficient stocktaking of assets.

#### **VI. BASIS OF VALUATION**

##### **(I) Basis of Economic Activity**

The Resolution at the 46th Meeting of the First Session of the Board of Directors of China COSCO SHIPPING Corporation Limited (on 20 January 2021) issued by China COSCO SHIPPING Corporation Limited.

##### **(II) Legal Basis Provided by Laws and Regulations**

- (1) The Asset Appraisal Law of the People's Republic of China;
- (2) The Law of the People's Republic of China on the State-owned Assets in Enterprises;
- (3) The Measures for the Administration of State-owned Assets Appraisal (Order No. 91 of the State Council in 1991);
- (4) The Detailed Rules for the Implementation of the Administrative Measures of State-owned Assets Valuation (Guo Zi Ban Fa [1992] No. 36 issued by former National Administration for State-owned Assets);
- (5) The Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council);

- (6) The Opinions on Reforming the Administration of State-owned Assets Appraisal and Strengthening Supervision and Administration of Assets Appraisal (Guo Ban Fa [2001] No. 102);
- (7) The Interim Measures for the Administration of Valuation of State-owned Assets of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
- (8) The Regulations on Certain Issues Concerning State-owned Assets Appraisal (Order No. 14 of the Ministry of Finance);
- (9) The Measures for the Supervision and Administration of the Trading of State-owned Assets of Enterprises (Order No. 32 of the SASAC of the State Council and the Ministry of Finance);
- (10) The Notice on the Guidelines on the Publication and Distribution of the Filing of State-owned Assets Appraisal Projects for Enterprises (Guo Zi Fa Chan Quan [2013] No. 64).
- (11) The Financial Supervision and Administration Measures on the Assets Evaluation Industry (Order No. 97 of the Ministry of Finance);
- (12) The Notice on Strengthening the Administration of State-owned Assets Appraisal of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);
- (13) The Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941);
- (14) The Corporate Income Tax Law of the People's Republic of China;
- (15) The Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China (Issued under Order No. 512 of the State Council and recently amended under Order No. 714 of the State Council);
- (16) The Interim Regulations for the Value-added Tax of the People's Republic of China (Issued under Order No. 134 of the State Council and recently amended under Order No. 691 of the State Council);
- (17) The Implementation Rules to the Interim Regulations for the Value-added Tax of the People's Republic of China (Issued under Order No. 50 of the Ministry of Finance and the State Taxation Administration and recently amended under Order No. 65 of the Ministry of Finance and the State Taxation Administration);
- (18) The Notice on the Comprehensive Rollout of the Business Tax to Value Added Tax Transformation Pilot Program (Cai Shui [2016] No. 36);
- (19) The Circular Relating to Furthering Relevant Policies on Reform of Value-added Tax (Circular [2019] No. 39 jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs).

### **(III) Basis of Valuation Standards**

- (1) Basic Asset Valuation Standards (Cai Zi [2017] No. 43);
- (2) Professional Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
- (3) Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
- (4) Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
- (5) Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
- (6) Practice Guidelines for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
- (7) Practice Guidelines for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
- (8) Practice Guidelines for Asset Valuation – Enterprise Value (Zhong Ping Xie [2018] No. 38);
- (9) Practice Guidelines for Asset Valuation – Asset Valuation Methodology (Zhong Ping Xie [2019] No. 35);
- (10) Practice Guidelines for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);
- (11) Practice Guidelines for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
- (12) Practice Guidelines for Asset Valuation – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
- (13) Guiding Opinions on Professional Asset Valuation (Zhong Ping Xie [2017] No. 49);
- (14) Quality Control Guidance on the Business of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);
- (15) Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
- (16) Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
- (17) Guiding Opinions on Legal Ownership of the Asset Valuation Target (Zhong Ping Xie [2017] No. 48).

#### **(IV) Ownership Basis**

- (1) Business licenses;
- (2) Land use right certificates;
- (3) Building ownership certificates;
- (4) Patents certificates;
- (5) Driving permits for vehicles.

#### **(V) Pricing Basis and References**

- (1) The information on financial accounting and operation provided by the enterprise;
- (2) Statistical information, technical standards and policy documents issued by relevant authorities of the state;
- (3) Relevant enquiry and parameters information collected by the valuation agency;
- (4) Profit forecast information provided by the enterprise.

### **VII. VALUATION METHODOLOGY**

#### **(I) Selection of Valuation Methodology**

In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value, when performing any appraisal of enterprise value, the suitability of the three basic asset valuation methods, namely the income approach, the market approach and the cost approach (the asset-based approach) shall be analyzed based on the purpose of valuation, the valuation target, the type of value, information gathering, etc. in its selection of valuation methods.

##### ***(1) Market approach***

As there is limited access to transaction information of property ownership trading market in China and similar enterprises have significant differences in the product structure and principal businesses, it is extremely difficult to select market reference of the same type, therefore the market approach was not adopted in the valuation.

**(2) *Income approach***

The income approach means a general term of various evaluation methods to determine the value of the valuation target by capitalizing or discounting its expected income. The specific methods commonly used for the income approach in enterprise valuation include the discounted cash flow method and the dividend discount method. The valuation target is a container manufacturer with independent profitability and the adoption of the income approach can reflect the reasonable market value of enterprises in such type of industry, therefore the income approach was adopted in the valuation.

**(3) *Asset-based approach***

As all assets and liabilities of the enterprise may be appraised and recognized on an individual basis with clear structure of assets and liabilities, therefore the asset-based approach was adopted in the valuation.

In conclusion, the asset-based approach and the income approach were adopted in the valuation and the asset-based approach was adopted to determine the valuation conclusion after analysis.

**(II) *Asset-based Approach***

The asset-based approach used in the valuation of the enterprise value is a valuation method for determining the value of the appraised enterprise by appraising the value of all its assets and liabilities on the basis of its balance sheet and those which can be identified off the balance sheet at the Valuation Benchmark Date. In the case of employing the asset-based approach in valuation of the enterprise value, the value of each asset is calculated by choosing a specific applicable valuation method in accordance with its specific circumstances.

The detailed valuation methods involved in this valuation are set out as follows.

**(1) *Current assets***

**(a) *Monetary funds***

For RMB monetary funds, the appraised value of monetary funds in current assets is determined as the verified book value based on the breakdown of all items provided by the enterprise. For foreign monetary funds, the appraised value is determined as the verified book value of foreign currencies multiplying the central parity of foreign currencies on the Valuation Benchmark Date.

**(b) *Trade receivable, prepayment and other receivables***

Based on the breakdown of items for valuation provided by the valuation target, which is the valuation basis, verification was conducted on accounting information and selected large amounts, with analysis on the amount, time and reasons of arrears and recovery situation of each receivable, to determine the appraised value of each receivable.

(c) *Other current assets*

The appraisers has investigated the valuation target to understand the payable VAT rate and payment system and other taxation policy, including but not limited to reviewing the tax payment certificate of the valuation target for the latest period from the Valuation Benchmark Date and evaluating the accounting voucher of the tax payable on the Valuation Benchmark Date. The appraised value of other current assets shall be determined as the verified book value.

(d) *Inventories*

(i) Raw materials

Based on the breakdown of items for valuation provided by the valuation target, which is the valuation basis, the appraisers conducted spot sample checks on certain inventories and adopted the replacement procedures to determine the actual amount of raw materials on the Valuation Benchmark Date. It is learnt that the raw materials of the Company have a quick turnover and the materials were purchased recently with no changes in prices generally, and the verified book value was used to determine the appraised value.

(ii) Finished products

The appraisers adopted the following methods in the valuation after determining the truthfulness and completeness of finished products through checking relevant accounts and conducting spot sample checks. For all containers for sale, the appraised value of all finished products was determined as the sales price of all finished products less taxes and surcharges, sales expenses, income taxes and appropriate net profits, that is:  $\text{appraised value} = \text{sales revenue} - \text{sales taxes and surcharges} - \text{sales expenses} - \text{income taxes} - \text{appropriate net profits}$ . As the sales of containers is an export business, no sales taxes and surcharges are incurred, the sales expenses are calculated based on the average proportion of sales expenses in revenue in the previous three years. Upon investigation, it is learnt that there are order contracts for the products for sale, hence the rate of deduction of net profits is 0%. For self-owned containers, the appraised value was determined at the book value.

## **(2) Fixed assets – Buildings**

### **(a) Selection of valuation methodology**

In accordance with the Practice Guidelines for Asset Valuation – Property, common valuation methods include the market comparison approach, the income approach and the replacement cost approach. An appropriate valuation approach shall be selected in accordance with standards and regulations based on the conditions of the local property market, the specific characteristics of the valuation target and the purpose of the valuation.

As the buildings (structures) are self-built industrial factories and ancillary occupancies, lease cases on similar buildings in surrounding areas cannot be obtained. It is not applicable to adopt the income approach in the valuation;

As the buildings (structures) are self-built industrial buildings, information on the transactions or trading prices of similar buildings in the same or similar areas cannot be collected. Therefore, the market comparison approach to appraise the value of the buildings (structures) to be appraised cannot be adopted.

As the buildings (structures) are self-built industrial buildings, appraisers may adopt the replacement cost approach to appraise the required budget and financial accounts materials on the project and the price information on labor, materials and the shift use of machinery on the Valuation Benchmark Date. The conditions for adopting the replacement cost approach in the valuation can be met.

Based on the above analysis, the replacement cost approach was adopted in the valuation on the buildings (structures) to be appraised.

### **(b) Replacement cost approach**

For the valuation on principally self-built buildings, the full replacement price of a building is calculated in accordance with the amount of construction work and the current fixed standard reference price, construction fees, and loan interest rate based on the construction project data and completion settlement data, while the residual ratio is determined comprehensively in accordance with the useful life and the site survey of the building, and the net appraised value of the building is thereby calculated.

Appraised value of buildings = Full replacement price × Residual ratio

According to the Circular Cai Shui [2016] No. 36, the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (No. 39 in 2019) issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs and relevant local documents on the adjustment of pricing basis in the industry, the corresponding value-added tax shall be deducted from the full replacement price for immovable properties meeting the conditions for deduction of value-added tax.

(i) Full replacement price

Full replacement price = Construction and installation costs (excluding tax) + Preliminary construction and other costs (excluding tax) + Capital costs

A. Determination of construction and installation costs

1. Budget (final accounts) adjustment method

For the building projects with complete materials on completion and final accounts, the appraisers use the current local or industrial standard reference price to calculate the direct standard reference price based on the quantity of work of all segments and items as determined in the original completion materials. The standard construction and installation costs on the Valuation Benchmark Date are estimated based on the corresponding current standard reference price on construction and installation costs and the difference adjustment documents of the place where the project is located.

2. For the building of low value and simple structure, construction cost per square meter is used to determine its comprehensive construction and installation cost.

B. Determination of preliminary and other costs

Preliminary and other costs are based on the investment amount of the valuation target in project construction in accordance with the charging standards of the industry or as stipulated by national or local governments. The name, charging base, charging standards and charging basis of preliminary and other costs are set out in the table below:

Table of Disaggregated Preliminary and Other Costs Charged

No.	Fee	Rate (tax inclusive)	Rate (tax exclusive)	Charging basis
1	Construction unit administrative fees	0.89%	0.89%	Construction and installation costs
2	Survey and design fees	2.67%	2.52%	Construction and installation costs
3	Project construction supervision fees	1.80%	1.70%	Construction and installation costs
4	Bidding agency fees	0.12%	0.11%	Construction and installation costs
5	Environmental impact assessment fees	0.040%	0.038%	Construction and installation costs
6	Feasibility research fees	0.54%	0.51%	Construction and installation costs
7	Sub-total	6.06%	5.77%	Construction and installation costs

C. Determination of capital costs

According to the normal construction period, the loan interest rate is determined with reference to the loan market quoted interest rate announced by the National Interbank Funding Center on 20 December 2020. Based on the assumption of the average investment of funds during the construction period, the calculation formula of capital costs is as follow:

Capital costs = (Construction and installation costs + Preliminary and other costs) × Loan interest rate × Reasonable construction period ÷ 2

D. Determination of integrated residual ratio

The useful life method and the observation method are mainly used to determine the integrated residual ratio for the buildings in the valuation.

1. Theoretical residual ratio

Theoretical residual ratio is the residual rate determined based on the ratio of estimated remaining useful life of buildings to its aggregate useful life. The calculation formula is as follows:

Theoretical residual ratio = Remaining useful life ÷ Economic life × 100%

2. Residual ratio under the observation method

The observation method is applied to assess each major part of the buildings from a technical perspective, and to analyze factors such as design, manufacturing, usage, wear and tear, maintenance, improvement and physical life of the asset on a consolidated basis. Impacts of wear and tear and natural deterioration on the functionality and efficiency of the asset will be assessed by comparing the valuation target with itself in new condition. As such, the residual ratio of the buildings would be determined and the substantial depreciation would be estimated.

3. Integrated residual ratio

Integrated residual ratio = Theoretical residual ratio × 40% + Residual ratio under the observation method × 60%

4. Residual ratio would be determined by adopting a reasonable method where:
  - If the residual ratio calculated under the on-site observation method and the theoretical residual ratio differ significantly, upon analysis of the various factors by the appraisers, the relatively reasonable ratio would prevail based on their previous experience.
  - For the project which cannot be observed due to certain constraints, the theoretical residual ratio would be normally applied in determining the residual ratio.

**(3) Fixed assets – Machinery and equipment**

According to the purpose of this valuation and the characteristics of the appraised assets, and assuming the asset is continued to be used according to its current usage, the replacement cost approach would be adopted in this valuation on the basis of on-site investigation.

Basic formula: Appraised value = Full replacement costs × Residual ratio

As at the Valuation Benchmark Date, the company was a VAT general taxpayer and the tax-exclusive price was adopted to calculate the purchase costs of equipment in determining the full replacement price.

*(a) Determination of full replacement price*

(i) Machinery and equipment

A. Determination of full replacement price

For equipment of which current market prices are available, the full replacement price would be determined with reference to the selected prevailing market price after analyzing and taking into account the transportation and miscellaneous fees as well as installation and commissioning fees; for those equipment of which current market prices are not available, the full replacement price would be determined using the market price (to be adjusted correspondingly as the equipment purchase cost) of products with similar function, plus the transportation and miscellaneous fees, installation and commissioning fees as well as other reasonable expenses. The calculation formula is as follows:

Full replacement price = Equipment purchase cost +  
Transportation and miscellaneous fees + Installation and  
commissioning fees + Other costs

As at the Valuation Benchmark Date, the company was a VAT general taxpayer and the tax-exclusive price was adopted to calculate the purchase cost of equipment in determining the full replacement price.

B. Determination of major price determination parameters

1. Equipment purchase cost

Determination of equipment purchase cost would be mainly based on quotations from the equipment manufacturer and the latest transaction price of the same type of machinery and equipment purchased by the company.

2. The rate of transportation and miscellaneous fees of equipment

Transportation and miscellaneous fees of equipment, consisting mainly of the transportation cost, loading and unloading expenses and insurance premium, would be determined generally based on the standard rate as stipulated by the “Manual of Data and Parameters Commonly Used in Asset Appraisal” (資產評估常用數據與參數手冊) in the valuation.

3. Installation and commissioning fees of equipment

It would be determined based on the standard rate as stipulated by the “Manual of Data and Parameters Commonly Used in Asset Appraisal” (資產評估常用數據與參數手冊).

4. Preliminary and other costs

Preliminary and other costs are based on the investment amount of the valuation target in project construction in accordance with the charging standards in the industry as stipulated by national or local governments. Preliminary and other costs determined in the valuation of equipment are as follows:

Table of Preliminary and Other Costs

No.	Item	Charging base	Rate (tax inclusive)	Rate (tax exclusive)	Basis
1	Construction unit administrative fees	Construction cost	0.86%	0.86%	Cai Jian [2016] No. 504
2	Survey and design fees	Construction cost	3.00%	2.83%	Ji Wei Jian She Bu Ji Jia (2002) No. 10
3	Project supervision fees	Construction cost	1.60%	1.51%	Fa Gai Jia Ge (2007) No. 670
4	Project bidding or tendering agency fees	Construction cost	0.09%	0.08%	Ji Jia Ge (2002) No. 1980
5	Environmental assessment fees	Construction cost	0.03%	0.03%	Ji Wei Huan Bao Zong Ju Ji Jia Ge (2002) No. 125
6	Feasibility research fees	Construction cost	0.20%	0.19%	Ji Wei Ji Jia Ge (1999) No. 1283
	Total		5.78%	5.50%	

*Note:* It is verified that the documents on the above items 3 to 6 have been abolished. The preliminary costs involved have transformed government-guided prices to market-regulated prices. As there is no explicit calculation basis under the background of the market-regulated price, preliminary costs are calculated with reference to the above documents in the valuation.

## 5. Capital costs

According to the normal construction period, the loan interest rate is determined with reference to the loan market quoted interest rate announced by the National Interbank Funding Center on 20 December 2020. Based on the assumption of the average investment of funds during the construction period, the specific calculation formula of capital costs is as follows:

Capital costs = Purchase price or construction costs of equipment × Applicable interest rate × Reasonable construction period ÷ 2

(ii) Vehicles

The full replacement price is determined by adding vehicle purchase tax, license fee and other reasonable costs at the prevailing market price.

(iii) Electronic equipment

For the electronic equipment of which prevailing market price is available, the full replacement price is directly determined based on its analyzed and selected prevailing market price; for the electronic equipment of which prevailing market price is unavailable, the full replacement price is determined by selecting the market price of the substitutes with similar function and making corresponding adjustments.

(b) *Determination of the residual ratio*

- (i) For machinery and equipment, the observation method and the useful life method are mainly used to determine the residual ratio. The calculation formula is as follows:

Residual ratio = Residual ratio under the observation method × 60% + Residual ratio under the useful life method × 40%

A. Observation method. The observation method is applied to assess each major part of the appraised equipment from a technical perspective, and to analyze factors such as design, manufacturing, usage, wear and tear, maintenance, repair, extensive repair, improvement and physical life of the asset on a consolidated basis. Impacts of wear and tear and natural deterioration on the functionality and efficiency of the asset will be assessed by comparing the valuation target with itself in new condition. As such, the residual ratio of the appraised equipment would be determined.

B. Useful life method. The calculation formula is as follows:

Residual ratio under the useful life method = (Economic useful life – Used life)/Economic useful life × 100%

Economic useful life refers to the term of asset from the date of commencing service to the date of discontinuation when it becomes uneconomical.

- (ii) For vehicles, the observation method and the theoretical residual ratio are comprehensively used to determine the residual ratio. The calculation formula is as follows:

Residual ratio = Residual ratio under the observation method × 60% + Theoretical residual ratio × 40%

- A. Observation method. The observation method is applied to assess each major part of vehicles from a technical perspective, and considers factors such as design, manufacturing, usage, wear and tear, maintenance, repair and physical life of the asset on a consolidated basis. Impacts of wear and tear and natural deterioration on the functionality and efficiency of the asset will be assessed by comparing the valuation target with itself in new condition. As such, the residual ratio of the appraised vehicles would be determined.
- B. Theoretical residual ratio. With reference to the *Regulations on Compulsory Scrapping Standards of Motor Vehicles* (Order No. 12 of 2012 of the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection), the theoretical residual ratio is determined as the lower of the residual ratio under the useful life method and the residual ratio under the mileage method. The calculation formula for the residual ratio under the useful life method is as follows:

Residual ratio under the useful life method = (Economic useful life – Used life)/Economic useful life × 100%

The calculation formula for the residual ratio under the mileage method is as follows:

Residual ratio under the mileage method = (Specified mileage – Mileage traveled)/Specified mileage × 100%

- (iii) Electronic equipment

For electronic equipment, the useful life method is mainly used to determine the residual ratio. The calculation formula is as follows:

Residual ratio under the useful life method = (Economic useful life – Used life)/Economic useful life × 100%

If the residual ratio calculated under the observation method and the residual ratio calculated under the useful life method (or the theoretical residual ratio) differ significantly, the relatively reasonable one of the two may be selected based on experience and judgment after analyzing related reasons.

**(4) Construction-in-progress**

Appraisers have inspected the project contracts and evidence of payment of the enterprise and confirmed that the payment met the contractual requirements. They learnt about the progress of projects through relevant employees of the enterprise and calculated the corresponding reasonable capital costs to determine the final appraised value based on the payment progress for the equipment under construction after verifying the above conditions. For self-developed equipment where the progress cannot be determined, the book value is recognized as the appraised value.

**(5) Intangible assets – Land use rights**

*(a) Selection of valuation methods*

The common land valuation approaches include market comparison approach, income reduction approach, hypothetical development approach, cost approximation approach, benchmark land price coefficient correction approach, etc. The selection of valuation approaches should be based on the *Rules for Urban Land Valuation* and the development of local real estate market, combined with the specific characteristics of the valuation target and the valuation purpose, etc., to select appropriate valuation approaches.

According to the land price level of the same kind of land in Ningbo City and the investigation and interview on the relevant personnel of the local land administration department, in accordance with the technical specifications on land price appraisal and the specific conditions of the valuation target, the market comparison approach and the cost approximation method were adopted in this valuation mainly due to the following reasons:

- (i) As relevant land acquisition compensations can be collected for the land parcel to be appraised, the cost approximation method can be adopted in the valuation.
- (ii) As sufficient market lease cases in areas surrounding the land parcel with the same use cannot be collected, the income approach was not adopted in the valuation.
- (iii) As the complete benchmark land price correction system cannot be obtained in the area where the land parcel is located, it is not appropriate to adopt the benchmark land price coefficient correction approach in the valuation.
- (iv) As there are market transaction cases in areas surrounding the land parcel to be appraised, the market comparison approach may be adopted in the valuation.

(b) *Implication of valuation methods*

(i) Valuation method of the market comparison method:

The market comparison method represents that when determining the price of the land parcel to be appraised and following the principle of replacement, it compares the transaction cases of similar land use rights in recent period with the land parcel to be appraised and determines the price of the land parcel of the valuation target on the Valuation Benchmark Date based on the known price of the latter with reference to the differences in the transaction conditions, date, region and other individual factors with the land parcel. The calculation formula is:

Comparable price = Comparable land parcel price × Correction of transaction conditions × Correction of transaction dates × Correction of regional factors × Correction of individual factors × Correction of equity factors

Price of land parcel to be appraised = Comparable price × Land parcel area

(ii) Valuation method of the cost approximation method:

Cost approximation method refers to the valuation method to determine land price by using the sum of various expenses incurred in the development of land as major reference, with a certain amount of interest, profit, tax payable and land value-added gain. The basic principle for cost approach is to obtain the land price by using all the investments of land, including the two parts of land acquisition cost and infrastructure development cost as “basic costs”, and the reasonable profit and interest accrued on from the “basic costs” as the basic part of the land price through application of the principle of obtaining equivalent profit by equivalent capital and then as well as the rewards from land ownership (the nature of which is derived from the land value increment) according to the needs for realization of land ownership in economics in the country.

Basic formula:

Land price = (Land acquisition costs + Land development costs + Taxes + Investment interest + Land development profits + Land value-added gains) × Regional and individual factor correction coefficient + tenure correction coefficient

**(6) Intangible assets – Other intangible assets**

The appraisers recognize the composition of the original book value and the truthfulness and reasonableness of the incurred amortization amount through enquiring the related accounting records based on the original accounting value. The appraised value of software on sale on the market will be determined based on the market price, exclusive of taxation. For specifically customized version of software whose market price is not available on the market, the replacement cost was adopted in the valuation to determine the appraised value of such software taking into account the corresponding depreciation rate. For software whose market price is available, the appraised value was determined with reference to the market price of software of the same version on the Valuation Benchmark Date.

Appraised value = Replacement cost × (1 – Depreciation rate)

**(a) Determination of the replacement cost**

The replacement cost of purchased intangible assets is estimated based on the price of similar software sold on the market, exclusive of taxation, through market inquiry.

Replacement cost = Market selling price/(1 + 13%)

**(b) Depreciation rate**

Appraisers determine the depreciation rate of intangible assets through comparing the estimation and judgment on the remaining economic life of intangible assets. The calculation formula is as follows:

Depreciation rate = Used life/(Used life + Remaining useful life) × 100%

**(7) Liabilities**

The actual amount of liabilities attributable to the valuation target as at the Valuation Benchmark Date will be accounted for as the appraised value.

### (III) Income Approach

The income approach in the appraisal of enterprise value refers to the valuation method used in determining the value of the valuation target by capitalizing or discounting the expected income. Methods frequently used under the income approach include the dividend discount method and the discounted cash flow method.

This valuation adopted the discounting model of free cash flow of firm under the discounted cash flow method. Specifically, using the Weighted Average Cost of Capital (WACC) as the discount rate, the total equity interest of shareholder is arrived at by adding the expected Free Cash Flow of Firm (FCFF) for each of the coming years to the operational asset values plus the value of the surplus assets and non-operational assets to the value of entire assets of the enterprise less the value of interest-bearing debt. The basic formula is as follows:

Total equity interest of shareholders = Operational asset value + Non-operational assets value – Non-operational liabilities value + Surplus assets value – Value of interest-bearing debt

The specific calculation formula is as follows:

$$P = P' + A' - D' - D$$

$$P' = \sum_{i=0.5}^n \frac{R_i}{(1+r)^i} + \frac{R_n}{r} \times \frac{1}{(1+r)^n}$$

Wherein,  $P$  – the total appraised value of equity interest of shareholders in the valuation target

$P'$  – the discounted value of entire revenue of firm

$D$  – the non-operational liabilities

$A'$  – the non-operational assets

$D'$  – the interest-bearing debt

$R_i$  – the expected income generated in income period No.  $i$  in the future (FCFF)

$i$ : the income period,  $i=0.5, 1.5, 2.5 \dots n$

$r$ : the discount rate.

## **VIII.PROCESS AND IMPLEMENTATION OF VALUATION PROCEDURES**

### **(I) Acceptance of Engagement**

Understand the general conditions of the appraised assets and specify the valuation purpose, the valuation target and scope, the valuation benchmark date and other basic matters in valuation after discussions and communications with the clients, accept the engagement after the comprehensive analysis on the professional capability and independence and assessment of business risks and enter into the assets valuation engagement contract. Determine the type of the appraised value, formulate the valuation plan and establish the working group on valuation based on specific circumstances.

### **(II) On-site inspection and collection of materials**

Guide the appraised entity to conduct asset stocktaking and prepare valuation materials and carry out on-site inspection on the valuation target on such basis to collect required information for the asset valuation, understand the asset, business and financial conditions of the valuation target, macro and regional economic factors affecting the operation of the enterprise and the current conditions and prospects of the industry and pay attention to the legal ownership of the valuation target. Verify and validate the materials used in the asset valuation in accordance with laws.

### **(III) Assessment and estimation**

Analyze, summarize and sort the materials on valuation based on the specific circumstances of the asset valuation business and form the basis for the assessment and estimation and the preparation of the valuation report. Select the valuation methodology based on the valuation purpose, the valuation target, the type of value, the collection of materials and relevant conditions as well as the Practice Guidelines for Asset Valuation. Select the corresponding formula and parameters in analysis, calculation and judgment based on the valuation methodology adopted and analyze and judge valuation assumptions and restrictions which may affect the valuation and the valuation conclusion and arrive at the estimation results. Analyze and compare the estimation results arrived at from different methodologies and form the valuation conclusion.

### **(IV) Issuance of report**

The responsible persons of the project prepare the preliminary asset valuation report based on the valuation conclusion after assessment and estimation. The firm carries out internal review on the preliminary asset valuation report in accordance with laws, administrative regulations, the standards for asset appraisal and the internal quality control system and issues the formal asset valuation report after conducting necessary communications on relevant contents of the valuation report with the clients and other relevant parties.

## **IX. VALUATION ASSUMPTIONS**

The main asset valuation assumptions adopted in this valuation report include:

### **(I) Basic Assumptions**

- (1) Transaction assumption. The transaction assumption is that all assets to be appraised are in the process of transaction, and the appraisers will make estimation in a simulated market according to the transaction conditions (among others) of assets to be appraised.
- (2) Open market assumption. The open market assumption is that assets may be traded freely in a highly competitive market and the price of which is determined based on the judgment of both independent trading parties over the value of assets under certain supply and demand conditions. An open market refers to a market which is highly competitive with various buyers and sellers. In the open market, both parties of a transaction are equal, which means they are given the opportunity and time to acquire sufficient market information. Buyers and sellers are supposed to be acting voluntarily and rationally rather than being coerced or confined during the transaction.
- (3) Assumption on continuing operation. Assumption on continuing operation refers to the assumption that the operating activities of an operating entity will continue and will not be suspended or terminated in the foreseeable future.

### **(II) Specific Assumptions**

- (1) There will be no significant changes in the relevant prevailing laws, regulations and policies as well as macro-economic situation of the country and place where the valuation target resides, significant changes in the political, economic or social environment in the regions in which the parties to the transaction are located, or material adverse effects arising from other unforeseeable factors and force majeure.
- (2) It is assumed that the enterprise will have balanced cash inflows and cash outflows based on its actual operation conditions.
- (3) It is assumed that the current and future operators and managers of the valuation target exercise due diligence, and the management of such entity are competent in discharging their duties to ensure that the valuation target is able to operate on a going concern basis, the development, production, and operation plans of which can be fulfilled as scheduled.
- (4) It is assumed that the valuation target is in full compliance with all relevant national laws and regulations, without committing any significant violation that prejudices corporate development and realization of revenue.
- (5) It is assumed that the accounting policies to be adopted by such enterprise in the future are basically consistent with those adopted during the preparation of this report in material aspects.
- (6) It is assumed that, based on its current management approaches and standards, the enterprise's scope and model of business will remain consistent with the current orientation.

- (7) It is assumed that there will be no material changes in the requirements currently implemented or determined to be implemented regarding the relevant interest rates, exchange rates, taxation bases and tax rates, and government levies according to national regulations.
- (8) It is assumed that no other force majeure and unforeseeable factors will have a material adverse effect on the enterprise.

According to the requirements of the asset valuation, these assumptions are deemed to be valid on the Valuation Benchmark Date. We will not accept any responsibility for any different valuation conclusions resulting from any changes in these assumptions when the economic environment changes significantly in the future.

## X. VALUATION CONCLUSION

### (I) Valuation result using the asset-based approach

On the Valuation Benchmark Date, being 31 December 2020, the book value of the assets, liabilities and net assets of Dong Fang International Container (Ningbo) Co., Ltd. was RMB1,351,784,800, RMB869,554,800 and RMB482,230,000, respectively. The total assets, liabilities and net assets were RMB1,474,696,600, RMB868,324,200 and RMB606,372,400, respectively, after the valuation. The appraised value of total assets represented an appreciation of RMB122,911,800 over the book value with an appreciation rate of 9.09%. The appraised value of net assets represented an appreciation of RMB124,142,400 over the book value with an appreciation rate of 25.74%. Please refer to the table below for details:

**Table of Summary of Asset Valuation Results**  
**Valuation Benchmark Date: 31 December 2020**

**Valuation target: Dong Fang International Container (Ningbo) Co., Ltd.** *Unit: RMB0'000*

Item	Book Value A	Appraised Value B	Appreciation/ Depreciation C=B-A	Change D=C/A×100%
1 Current assets	113,549.85	113,701.61	151.76	0.13%
2 Non-current assets	21,628.63	33,768.05	12,139.42	56.13%
3 Including: Fixed assets	16,278.56	18,313.06	2,034.50	12.50%
4 Construction-in-progress	1,854.66	1,701.79	-152.87	-8.24%
5 Intangible assets	3,495.40	13,753.20	10,257.80	293.47%
<b>6 Total assets</b>	<b>135,178.48</b>	<b>147,469.66</b>	<b>12,291.18</b>	<b>9.09%</b>
7 Current liabilities	86,791.40	86,791.40	0.00	0.00%
8 Non-current liabilities	164.08	41.02	-123.06	-75.00%
<b>9 Total liabilities</b>	<b>86,955.48</b>	<b>86,832.42</b>	<b>-123.06</b>	<b>-0.14%</b>
<b>10 Net assets (Owner's equity)</b>	<b>48,223.00</b>	<b>60,637.24</b>	<b>12,414.24</b>	<b>25.74%</b>

In summary, the valuation result of all shareholders' equity interests in Dong Fang International Container (Ningbo) Co., Ltd. derived by using the asset-based approach was RMB606,372,400 (in word: SIX HUNDRED AND SIX MILLION THREE HUNDRED SEVENTY-TWO THOUSAND FOUR HUNDRED ONLY).

## (II) Valuation result using the income approach

On the Valuation Benchmark Date, being 31 December 2020, the appraised value of all shareholders' equity interests in Dong Fang International Container (Ningbo) Co., Ltd. was RMB563,288,600, representing an appreciation of RMB81,058,600 over the book value of all shareholders' equity interests of RMB482,230,000 with an appreciation rate of 16.81%.

## (III) Differences between the two valuation results on all shareholders' equity interests are set out in the table below:

*Unit: RMB0'000*

Valuation Approach	Book Value	Appraised Value	Appreciation	Appreciation Rate
Asset-based approach		60,637.24	12,414.24	25.74%
Income approach	48,223.00	56,328.86	8,105.86	16.81%
Differences between the approaches		4,308.38		

## (IV) Analysis and explanations to the selection of the valuation conclusion

The asset-based approach is to appraise the enterprise value through appraising value of each single asset taking into consideration the relevant liabilities from the perspective of asset replacement. The income approach is to appraise the enterprise value through capitalisation or discount of the expected revenue of the valuation target from the perspective of making judgment on the profitability of assets. It is to appraise the enterprise value based on the total revenue of the enterprise in the future through the reverse thinking of "Capital-searching with the Profit" to achieve "Profit-taking with the Capital".

Based on specific conditions of this valuation, the valuation target is engaged in the production and sales of containers and is greatly exposed to the impacts of the global economy and the industry market with certain market periodicity. As it is difficult to accurately estimate and measure the changes and fluctuations of the industry market in the following years, the result using the asset-based approach is more practical and reasonable as compared with the result using the income approach.

Based on the above factors, the valuation result using the asset-based approach was adopted as the final valuation conclusion. The valuation conclusion is that the value of all shareholders' equity interests in Dong Fang International Container (Ningbo) Co., Ltd. involved in the proposed acquisition of the equity interests in four companies (including Dong Fang International Container (Ningbo) Co., Ltd.) held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares by COSCO SHIPPING Development Co., Ltd. was RMB606,372,400 (in word: SIX HUNDRED AND SIX MILLION THREE HUNDRED SEVENTY-TWO THOUSAND FOUR HUNDRED ONLY).

The validity of the valuation conclusion revealed in the valuation report shall be one year from the Valuation Benchmark Date, being 31 December 2020, to 30 December 2021.

## **XI. EXPLANATIONS TO SPECIAL MATTERS**

### **(I) Significant use of expert work and relevant reports;**

The unqualified audit report issued by Ernst & Young Hua Ming LLP for the years 2019 and 2020 were used in this valuation and the audited book values were adopted as the book values for valuation.

### **(II) Incomplete or defective ownership information:**

As of the Valuation Benchmark Date, a total of 12 buildings were under the valuation scope, apart from three buildings, namely the main plant, workshop office, warehouse for steels, which have obtained housing ownership certificates; the remaining nine buildings have not obtained housing ownership certificates, among which the office building and complex building have obtained construction works planning permits, construction works commencement permits and the remaining seven buildings have not obtained listing permits, approval permits, construction works planning permits, construction works commencement permits, construction works completion and acceptance filing documents and other approvals, hence not all ownership certificates have been obtained as of the Valuation Benchmark Date. This valuation is based on the property right statement provided by the valuation target, which confirmed that Dong Fang International Container (Ningbo) Co., Ltd. is the property owner and no subsequent fees on the application for permits and the impacts of possible fines on incomplete approval procedures have been considered.

### **(III) Restrictions on valuation procedures**

Nil.

### **(IV) Incomplete valuation materials**

Nil.

### **(V) Pending legal and economic matters on the Valuation Benchmark Date**

Nil.

### **(VI) The nature and amount of guarantees, leases and its contingent liabilities (contingent assets) and the relationship with the valuation target**

Nil.

### **(VII) Significant subsequent matters**

Nil.

### **(VIII) Deficiencies in the economic activity corresponding to the asset valuation that may have a material effect on the valuation conclusion.**

As of the Valuation Benchmark Date, the restricted balance of the bank deposit of the valuation target for Electronic Toll Collection business amounted to RMB120,000.00 (Bank account: Gulou sub-branch in Ningbo of Industrial and Commercial Bank of China Limited 3901110019200154032).

## **XII. RESTRICTIONS ON THE USE OF THE VALUATION REPORT**

- (I) This Valuation Report shall be used for the valuation purpose and use set out herein. For the excerpt, reference and disclosure of all or part of the contents of the Valuation Report, relevant contents shall be reviewed by the valuation agency unless it is otherwise provided by laws and regulations and agreed by relevant parties;
- (II) The valuation agency and its asset appraisers take no responsibility if the clients or other users of the Asset Valuation Report fail to use this Asset Valuation Report in accordance with the provisions of laws and administrative regulations and the scope of use set out in this Asset Valuation Report;
- (III) Except for the clients, the other users of the Asset Valuation Report as agreed in the asset valuation engagement contract and the users of the Asset Valuation Report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of this report;
- (IV) Users of the Asset Valuation Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.

## **XIII. DATE OF THE VALUATION REPORT**

The date of the valuation report is 27 April 2021.

Asset appraiser: Meng Qinghong  
Asset appraiser: Fang Wei

27 April 2021

## ANNEXES

- I. The Corresponding Economic Activity Document on the Valuation Purpose
- II. The Audit Reports of the Appraised Entity
- III. Business Licenses of the Clients and the Appraised Entity
- IV. Major Ownership Proof Materials of the Valuation Target Involved
- V. Letters of Undertaking of the Clients and Other Relevant Parties
- VI. Letters of Undertaking of the Signatory Asset Appraisers
- VII. The Announcement on the Registration and Filing and the Qualification Certificates of the Valuation Agency
- VIII. Photocopy of the Business License of the Valuation Agency
- IX. Qualification Certificates of the Asset Appraisers Responsible for the Valuation Business
- X. The Asset Valuation Engagement Contract

## **APPENDIX I-D**

### **ASSET VALUATION REPORT IN RESPECT OF 100% EQUITY INTEREST IN UNIVERSAL TECHNOLOGY**

*The Asset Valuation Report was prepared in Chinese and the English translation is for reference only. In the event of any discrepancy between the English translation of the Asset Valuation Report and the Chinese version, the Chinese version shall prevail.*

**This Report is prepared in accordance with PRC Asset Valuation Standards**

#### **Asset Valuation Report**

on Value of All Shareholders' Equity Interests in  
Shanghai Universal Logistics Technology Co., Ltd.

Involved in the Proposed Acquisition of 100% of the Equity Interests in Four Companies  
Held by COSCO SHIPPING Investment Holdings Co., Ltd.  
through the Issuance of Shares by COSCO SHIPPING Development Co., Ltd.

Zhong Tong Ping Bao Zi [2021] No. 12088

**1 of 1**

**Disclaimer, Summary, Text and Annexes**

China Tong Cheng Assets Appraisal Co., Ltd.  
27 April 2021

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Disclaimer, Summary, Text and Annexes

Disclaimer

Summary

Text

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**中通诚资产评估有限公司**  
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Website : <http://www.tccpv.com>

## DISCLAIMER

- I. This Asset Valuation Report is prepared in accordance with the Basic Asset Valuation Standards issued by the Ministry of Finance and the Practice Guidelines for Asset Valuation and the Professional Code of Ethics for the Valuation of Assets issued by the China Appraisal Society.
- II. The clients or other users of the Asset Valuation Report shall use the Asset Valuation Report in accordance with the laws and administrative rules and regulations and within the scope of use set out in this Asset Valuation Report. We and the asset appraisers take no responsibility for any non-compliance with the above-mentioned requirements for the use of the Asset Valuation Report by the clients or other users of the Asset Valuation Report.

This Asset Valuation Report shall only be used by the clients, other users of the Asset Valuation Report as agreed in the Asset Valuation Engagement Contract and users of the Asset Valuation Report as required by laws and administrative regulations. Save for the above, no other institution or individual shall be the user of this report.

We and the asset appraisers advise that users of the Asset Valuation Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.

- III. We and the asset appraisers have abided by the principles of independence, objectivity and impartiality, complied with the laws, administrative regulations and asset valuation standards, and have assumed responsibilities for the Asset Valuation Report issued in accordance with laws.
- IV. The list of assets and liabilities and other relevant materials of the valuation target involved should be declared by the clients and the appraised entity and certified by signature, seal or other means permitted by laws. The clients and other relevant parties shall be responsible for the truthfulness, completeness and legality of the materials provided by them in accordance with laws.
- V. We and the asset appraisers have no existing or expected relationship of interests with the valuation target set out in the Asset Valuation Report or with the relevant parties, and have no prejudice against the relevant parties.
- VI. The asset appraisers have conducted on-site inspection on the valuation target and the assets involved in the Asset Valuation Report, and given necessary consideration to the legal ownership status of the valuation target and the assets involved, conducted verification on the relevant information regarding the legal ownership of the relevant assets, and made proper disclosure in respect of the issues identified and required the clients and other relevant parties to consummate the titles to meet the requirements on issuing the Asset Valuation Report.
- VII. The analyses, judgments, and conclusions in the Asset Valuation Report issued are subject to the assumptions and restrictions in the Asset Valuation Report. The users of the Asset Valuation Report shall take into full account the assumptions, restrictions and special notes specified in the Asset Valuation Report and their impact on the valuation conclusion.
- VIII. China Tong Cheng Assets Appraisal Co., Ltd. possesses the Securities and Futures Related Businesses Valuation Qualification Certificate (證券期貨相關業務評估資格證書) issued by the Ministry of Finance of the People's Republic of China and the China Securities Regulatory Commission.

## SUMMARY

### I. CORRESPONDING ECONOMIC ACTIVITY UNDER THE VALUATION

The corresponding economic activity under the valuation is the proposed acquisition of 100% of the equity interests in four companies, including Shanghai Universal Logistics Technology Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares by COSCO SHIPPING Development Co., Ltd. which requires appraisal of the value of all shareholders' equity interests in Shanghai Universal Logistics Technology Co., Ltd. involved in the economic activity.

The economic activity has been approved by China COSCO SHIPPING Corporation Limited and the Resolution at the 46th Meeting of the First Session of the Board of Directors of China COSCO SHIPPING Corporation Limited was issued (20 January 2021).

### II. PURPOSE OF VALUATION

COSCO SHIPPING Development Co., Ltd. proposes to acquire 100% of the equity interests in four companies, including Shanghai Universal Logistics Technology Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares. An appraisal shall be conducted on the value of all shareholders' equity interests in Shanghai Universal Logistics Technology Co., Ltd. involved in the economic activity to determine its market value on the Valuation Benchmark Date, being 31 December 2020, and provide value reference for the clients.

### III. VALUATION TARGET AND SCOPE

The valuation target is the value of all shareholders' equity interests in Shanghai Universal Logistics Technology Co., Ltd.

The valuation scope covers all assets and relevant liabilities of Shanghai Universal Logistics Technology Co., Ltd.

### IV. TYPE OF VALUE

Market value.

### V. VALUATION BENCHMARK DATE

31 December 2020.

### VI. VALUATION METHODOLOGY

The asset-based approach and the income approach were adopted in this valuation. The result derived by using the asset-based approach was adopted as the final valuation conclusion.

## VII. VALUATION CONCLUSION AND ITS VALIDITY

Based on the specific circumstances of the valuation, the result derived by using the asset-based approach was adopted as the valuation conclusion.

On the Valuation Benchmark Date, being 31 December 2020, the book value of the assets, liabilities and net assets of Shanghai Universal Logistics Technology Co., Ltd. was RMB558,058,400, RMB522,868,700 and RMB35,189,700, respectively. The total assets, liabilities and net assets were RMB574,696,500, RMB522,868,700 and RMB51,827,800, respectively, after the valuation. The appraised value of total assets represented an appreciation of RMB16,638,100 over the book value with an appreciation rate of 2.98%. The appraised value of net assets represented an appreciation of RMB16,638,100 over the book value with an appreciation rate of 47.28%. Please refer to the table below for details:

**Table of Summary of Asset Valuation Results**  
**Valuation Benchmark Date: 31 December 2020**

Valuation target: Shanghai Universal Logistics Technology Co., Ltd.		<i>Unit: RMB0'000</i>			
Item	Book Value A	Appraised Value B	Appreciation/ Depreciation C=B-A	Change D=C/A×100%	
1	Current assets	55,526.55	55,526.55	0.00	0.00%
2	Non-current assets	279.29	1,943.10	1,663.81	595.73%
3	Including: Fixed assets	69.51	135.34	65.83	94.71%
4	Intangible assets	52.57	1,650.55	1,597.98	3039.72%
5	Long-term prepaid expenses	157.21	157.21	0.00	0.00%
<b>6</b>	<b>Total assets</b>	<b>55,805.84</b>	<b>57,469.65</b>	<b>1,663.81</b>	<b>2.98%</b>
7	Current liabilities	52,216.01	52,216.01	0.00	0.00%
8	Non-current liabilities	70.86	70.86	0.00	0.00%
<b>9</b>	<b>Total liabilities</b>	<b>52,286.87</b>	<b>52,286.87</b>	<b>0.00</b>	<b>0.00%</b>
<b>10</b>	<b>Net assets (Owner's equity)</b>	<b>3,518.97</b>	<b>5,182.78</b>	<b>1,663.81</b>	<b>47.28%</b>

In summary, the valuation result of all shareholders' equity interests in Shanghai Universal Logistics Technology Co., Ltd. derived by using the asset-based approach was RMB51,827,800 (in word: FIFTY ONE MILLION EIGHT HUNDRED AND TWENTY SEVEN THOUSAND EIGHT HUNDRED ONLY, rounding to the nearest hundred).

The validity of the valuation conclusion revealed in the valuation report shall be one year from the Valuation Benchmark Date, being 31 December 2020, to 30 December 2021.

## **VIII.SPECIAL MATTERS WITH IMPACTS ON THE VALUATION CONCLUSION**

### **(I) Significant use of expert work and relevant reports**

The unqualified audit reports issued by Ernst & Young Hua Ming LLP for the years 2019 and 2020 were used in this valuation and the audited book values were adopted as the book values for valuation.

### **(II) Incomplete or defective ownership information;**

As of the Valuation Benchmark Date, the name of the owner registered in the patent certificates for intangible assets under the valuation scope was “Singamas Container Holdings (Shanghai) Limited”, which was the former name of the company and was not changed to its existing name, “Shanghai Universal Logistics Technology Co., Ltd.”, but the ownership of patents belongs to Shanghai Universal Logistics Technology Co., Ltd. It has completed the procedures on the change of names with the China National Intellectual Property Administration. The valuation does not consider the fees on the change of the owners registered in the patent certificates and the impacts of contingent ownership disputes.

### **(III) Restrictions on valuation procedures;**

Nil.

### **(IV) Incomplete valuation materials;**

Nil.

### **(V) Pending legal and economic matters on the Valuation Benchmark Date;**

Nil.

### **(VI) The nature and amount of guarantees, leases and its contingent liabilities (contingent assets) and the relationship with the valuation target;**

Nil.

### **(VII) Significant subsequent matters**

Nil.

### **(VIII) Deficiencies in the economic activity corresponding to the asset valuation that may have a material effect on the valuation conclusion.**

Nil.

This report together with the conclusion is only intended to be used for the valuation purpose as described herein and for no other purposes.

**The above contents are extracted from the text of the Valuation Report. Please read the text of the Valuation Report to understand details of the valuation and correctly comprehend the valuation conclusion.**

**Value of All Shareholders' Equity Interests in Shanghai Universal Logistics Technology Co., Ltd. Involved in the Proposed Acquisition of 100% of the Equity Interests in Four Companies Held by COSCO SHIPPING Investment Holdings Co., Ltd. through the Issuance of Shares by COSCO SHIPPING Development Co., Ltd.**

Zhong Tong Ping Bao Zi [2021] No. 12088

To: COSCO SHIPPING Development Co., Ltd. and COSCO SHIPPING Investment Holdings Co., Ltd.

Upon your engagement, we, China Tong Cheng Assets Appraisal Co., Ltd., have appraised the market value of all shareholders' equity interests in Shanghai Universal Logistics Technology Co., Ltd. involved in the proposed acquisition of 100% of the equity interests in four companies, including Shanghai Universal Logistics Technology Co., Ltd. held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares by COSCO SHIPPING Development Co., Ltd. as at 31 December 2020, by way of adopting the asset-based approach and the income approach and carrying out necessary valuation procedures in accordance with relevant laws, regulations and asset valuation standards and the principles of independence, objectivity and impartiality. We hereby report the details of the asset valuation as follows.

**I. OVERVIEW OF THE CLIENTS, THE APPRAISED ENTITY AND OTHER USERS OF THE ASSET VALUATION REPORT AS AGREED IN THE ASSET VALUATION ENGAGEMENT CONTRACT**

**(I) Overview of the Clients**

The clients of the valuation are COSCO SHIPPING Development Co., Ltd. and COSCO SHIPPING Investment Holdings Co., Ltd.

**(1) Client I: COSCO SHIPPING Development Co., Ltd.**

Name: COSCO SHIPPING Development Co., Ltd.

Unified social credit code: 91310000759579978L

Nature of company: Joint stock limited company (Sino-foreign joint venture, listed)

Domicile: Room A-538, International Trade Center, China (Shanghai) Pilot Free Trade Zone

Legal representative: Wang Daxiong

Date of establishment: 3 March 2004

Term of operation: 3 March 2004 to no fixed term

Registered capital: RMB11,608,125,000

Scope of business: Ordinary vessel services along domestic coastal areas and the middle and lower reaches of the Yangtze River and feeder liner services for foreign trade lanes in domestic coastal areas, international vessel services (including container liner services), container construction, repair, chartering, vessel chartering, self-owned containers, sales and purchase of vessels for self-use, marine management for domestic coastal ordinary vessels (excluding bulk cargo vessels), engineering management and vessel repair, maintenance, sales, chartering, operation, assets management and other vessel management services. [Projects that need to be approved according to laws can only be operated after being approved by relevant departments].

COSCO SHIPPING Development Co., Ltd. was formerly known as “China Shipping Container Lines Company Limited”. The predecessor of China Shipping Container Lines Company Limited is COSCO SHIPPING Lines Co., Ltd., a limited liability company jointly invested and established by China Shipping (Group) Company Limited, China Shipping Development Co. Ltd. and Guangzhou Maritime Transport (Group) Co., Ltd. on 28 August 1997. In March 2004, with China Shipping (Group) Company Limited as the initiator, China Shipping Container Lines Company Limited converted the net assets of the former COSCO SHIPPING Lines Co., Ltd. as at 31 October 2003 into shares and solely sponsored the establishment of an A-share listed company. It completed the initial offering of listed-foreign H shares to overseas investors and was listed for trading on the Hong Kong Stock Exchange in the same year.

COSCO SHIPPING Development Co., Ltd. is a subsidiary of China COSCO SHIPPING Corporation Limited specialized in supply-chain financial services. The company aims to bring into play the advantages in shipping logistics industry and serve upstream and downstream industrial chains with shipping finance as the foundation; to develop industrial cluster with shipping and leasing, container manufacturing, investment and services for the related industries as the core; and to develop into a “one-stop” shipping financial service platform by combining industry with finance, integrating various financial functions, and synergy of various businesses, featuring market mechanism, differentiated advantages and international vision.

COSCO SHIPPING Development Co., Ltd. is among the top global players in the industry with the shipping capacity of its container fleet and the scale of its container leasing business. As at 30 June 2020, the company’s container fleet had 86 container vessels, with a total capacity of 581,600 TEU; 4 bulk cargo vessels of 64,000 DWT each; over 90 LNG vessels, heavy crane vessels and oil tankers; and an inventory of containers of approximately 3.65 million TEU. In terms of other industry leasing businesses, the company focuses on the development of financial leasing businesses in the areas of medical services, education, new energy, construction and industrial equipment. In terms of container manufacturing business, Shanghai Universal Logistics Equipment Co., Ltd., a subsidiary of the company, attained an annual manufacturing capacity of 550,000 TEU. The company also focuses on the development of investment and supply-chain financial service business, takes good advantage of its experience in the shipping industry as well as the existing resources of the financial service industry to promote the integration of industry and finance, optimize its business modes and achieve the synergetic development of its shipping finance business.

**(2) Client II: COSCO SHIPPING Investment Holdings Co., Ltd.**

Name: COSCO SHIPPING Investment Holdings Co., Ltd.

Registration No.: 21585899-000-03-18-8

Domicile: 51/F, Cosco Tower, 183 Queen's Road Central, Hong Kong

Type of enterprise: Limited company

COSCO SHIPPING Investment Holdings Co., Ltd. was established in 1998 with a registered capital of HK\$500 million. Its predecessor is China Shipping (Hong Kong) Holdings Co., Ltd., a direct wholly-owned subsidiary of the former China Shipping (Group) Company Limited (“**China Shipping Group**”). It was the “one platform” and “three centers” of the former China Shipping Group in Hong Kong, South Korea, Japan, Australia and other countries and regions, namely the unified overseas investment and financing platform and “the profit center, the regional business management center and the service center”.

In 2016, China Ocean Shipping and China Shipping were reorganized as China COSCO SHIPPING Corporation. The new group proposed the establishment of the “6+1” industrial clusters and established the financial segment as one of the pillar industries of the group to develop the financial platform of China COSCO SHIPPING. To achieve such result, COSCO SHIPPING Financial Holdings Co., Ltd. and COSCO SHIPPING Development Co., Ltd. (the former China Shipping Container Lines Co., Ltd.) developed the financial platform of the new group through major asset reorganization.

On 1 June 2020, COSCO SHIPPING Financial Holdings Co., Ltd. officially changed its name to “COSCO SHIPPING Investment Holdings Co., Ltd.”. As the overseas investment holding platform for the shipping and logistics industry of China COSCO SHIPPING, COSCO SHIPPING Investment Holdings Co., Ltd. will be devoted to the exploration of overseas financial investment businesses in the following years. It will also provide investment management services for China COSCO SHIPPING and its subsidiaries and integrate resources on the industrial chains to promote the synergetic development of all businesses.

## **(II) Overview of the Appraised Entity**

The appraised entity under the valuation is Shanghai Universal Logistics Technology Co., Ltd.

### **(1) Registration information**

Name: Shanghai Universal Logistics Technology Co., Ltd.

Unified social credit code: 9131000067933214X7

Type of enterprise: Limited liability company (solely funded by Taiwan, Hong Kong or Macao corporate body)

Domicile: Rooms 1804, 1805, 1806, 1807, No. 1050, Dongdaming Road, Hongkou District, Shanghai

Legal representative: Xu Jingsheng

Date of establishment: 24 September 2008

Term of operation: 24 September 2008 to 23 September 2058

Registered capital: US\$5.00 million

Scope of business: Technology research and development, technical services, technical consulting and technology transfer in the field of logistics science and technology; as entrusted by the parent company and its authorized domestic and foreign enterprises, the following services shall be provided: investment and operation decision-making, capital operation and financial management, undertaking the shared services within the group of the company and outsourcing of services of overseas companies, training and management of employees, and supply chain management; and wholesale and import and export of various containers (including special containers), trailers, semi-trailers and their supporting parts and related materials in the production process; research and development of the above new products, new technologies and new processes, and provision of relevant technical consulting, technical services and technology transfer. (Commodities involving the administration of quota license and special provisions shall be handled in accordance with the relevant provisions of the state). [Projects that need to be approved according to laws can only be operated after being approved by relevant departments]

**(2) Historical development, shareholders and contributions**

Shanghai Universal Logistics Technology Co., Ltd., previously known as “Singamas Container Holdings (Shanghai) Limited”, was established with the approval of the document of Hu Wai Zi Wei Xie [2008] No. 2702 issued by Shanghai Foreign Investment Commission and the Certificate for Approval of Enterprise Invested by Corporations of Hong Kong, Macau and Taiwan (《中華人民共和國港澳台僑投資企業批准證書》) of Shang Wai Zi Hu Du Zi [2008] No. 2639 issued by Shanghai Municipal People’s Government of on 3 September 2008. It is a foreign-owned enterprise set up by Singamas Container Enterprise Co., Ltd.

The registered capital of Singamas Container Holdings (Shanghai) Limited was US\$2.00 million upon its establishment, all of which was invested by Singamas Container Enterprise Co., Ltd. In July 2016, Singamas Container Holdings (Shanghai) Limited changed its registered capital to US\$5.00 million. In May 2019, Singamas Container Enterprise Co., Ltd. transferred 100% of equity interests held by it in Singamas Container Holdings (Shanghai) Limited to COSCO SHIPPING Investment Holdings Co., Ltd. In July 2019, Singamas Container Holdings (Shanghai) Limited changed its name to Shanghai Universal Logistics Technology Co., Ltd.

As at the Valuation Benchmark Date, the shareholders of Shanghai Universal Logistics Technology Co., Ltd. and their contributions are set out in the table below:

*Unit: US\$0’000*

<b>Name of shareholder</b>	<b>Subscribed contribution</b>	<b>Paid-in contribution</b>	<b>Contribution proportion</b>
COSCO SHIPPING Investment Holdings Co., Ltd.	500.00	500.00	100%
Total	<u>500.00</u>	<u>500.00</u>	<u>100%</u>

### (3) *Corporate structure, organizational structure and employees*

As at the Valuation Benchmark Date, Shanghai Universal Logistics Technology Co., Ltd. has over 51 employees and 12 departments, mainly including the marketing department, the procurement management department, the safety and environmental protection department/the production and operation management department, the quality management department, the equipment management department, the product R&D and innovation promotion center, the financial management department, the enterprise management and risk control department, the discipline inspection department/the supervision and audit department, the comprehensive management department/the corporate culture department, the party mass work department and the information management department.

### (4) *Principal businesses and historical operations*

Shanghai Universal Logistics Technology Co., Ltd. is an administrative entity of its affiliated companies, Dong Fang International Container (Qingdao) Co., Ltd., Dong Fang International Container (Ningbo) Co., Ltd. and Dong Fang International Container (Qidong) Co., Ltd., mainly engaged in provision of shared services such as procurement, sales, IT, R&D patent application for target container factories, and has a large reserve of R&D personnel and patented technologies.

Major financial data and accounting statements of Shanghai Universal Logistics Technology Co., Ltd. in recent years have been audited by professional auditors and are set out in the table below:

*Unit: RMB0'000*

<b>Item</b>	<b>31 December 2018</b>	<b>31 December 2019</b>	<b>31 December 2020</b>
Total assets	13,649.55	8,434.43	55,805.84
Including: fixed assets	74.74	72.87	69.51
Total liabilities	10,813.21	5,574.01	52,286.87
Net assets	2,836.34	2,860.42	3,518.97
<b>Item</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Revenue	4,696.85	3,132.01	9,183.54
Total profit	1,789.68	24.08	813.36
Net profit	1,789.68	24.08	658.55

*Note:* The data for 2018 was from the audit report issued by BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)). The data for 2019 and 2020 was from the audit reports issued by Ernst & Young Hua Ming LLP.

### **(III) Relationship between the Clients and the Appraised Entity**

COSCO SHIPPING Development Co., Ltd., Client I, proposes to acquire 100% of the equity interests in four companies, including Shanghai Universal Logistics Technology Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd., Client II, through the issuance of shares. COSCO SHIPPING Investment Holdings Co., Ltd., Client II, is a shareholder of Shanghai Universal Logistics Technology Co., Ltd., the appraised entity, with a shareholding proportion of 100%.

### **(IV) Overview of Other Users of the Valuation Report**

Except for relevant parties in the economic activity, competent administrative review authorities and other users of the report as provided by national laws and regulations, no other users of the report were provided in the Asset Valuation Engagement Contract.

## **II. PURPOSE OF VALUATION**

As COSCO SHIPPING Development Co., Ltd. proposes to acquire 100% of the equity interests in four companies, including Shanghai Universal Logistics Technology Co., Ltd., held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares, the value of all shareholders' equity interests in Shanghai Universal Logistics Technology Co., Ltd. involved in the economic activity has to be appraised to determine its market value on the Valuation Benchmark Date, being 31 December 2020, and provide value reference for the client, Shanghai Universal Logistics Technology Co., Ltd.

The said economic activity has been approved by China COSCO SHIPPING Corporation Limited and the Resolution at the 46th Meeting of the First Session of the Board of Directors of China COSCO SHIPPING Corporation Limited was issued (20 January 2021).

### III. VALUATION TARGET AND SCOPE

#### (I) Valuation Target and Scope

The appraised valuation target and scope are consistent with the valuation target and scope involved in the economic activity.

The valuation target is the value of all shareholders' equity interests in Shanghai Universal Logistics Technology Co., Ltd.

The valuation scope covers all assets and liabilities of Shanghai Universal Logistics Technology Co., Ltd. on the Valuation Benchmark Date corresponding to the valuation target. The corresponding accounting statements of the assets and liabilities declared by the enterprise have been audited by Ernst & Young Hua Ming LLP and the audit report numbered An Yong Hua Ming (2021) Shen Zi No. 61227808\_B04 was issued on 27 April 2021 with unqualified audit opinions. Details of specific assets and liabilities are set out in the table below.

*Unit: RMB*

No.	Item	Book value
<b>1</b>	<b>I. Total current assets</b>	<b>555,265,531.59</b>
2	Monetary funds	295,901,732.22
3	Trade receivable	55,611,986.69
4	Prepayment	5,200.00
5	Other receivables	203,746,612.68
<b>6</b>	<b>II. Total non-current assets</b>	<b>2,792,914.24</b>
7	Fixed assets	695,071.35
8	Intangible assets	525,718.78
9	Long-term prepaid expenses	1,572,124.11
<b>10</b>	<b>III. Total assets</b>	<b>558,058,445.83</b>
<b>11</b>	<b>IV. Total current liabilities</b>	<b>522,160,145.53</b>
12	Employee compensation payable	22,387,237.22
13	Taxes payable	8,588,883.16
14	Other payables	210,138,344.20
15	Other current liabilities	281,045,680.95
<b>16</b>	<b>V. Total non-current liabilities</b>	<b>708,628.63</b>
17	Long-term payables	467,725.95
18	Other non-current liabilities	240,902.68
<b>19</b>	<b>VI. Total liabilities</b>	<b>522,868,774.16</b>
<b>20</b>	<b>VII. Net assets</b>	<b>35,189,671.67</b>

## (II) Layout and Characteristics of Physical Assets

As at the Valuation Benchmark Date, corporate physical assets mainly include equipment under fixed assets. The specific layout is as follows:

### (1) Vehicles

A total of 3 vehicles were to be appraised and most of them are office vehicles, mainly including Toyota Crown, ROEWE and other models. As at the Valuation Benchmark Date, the vehicles were under normal maintenance and use.

### (2) Electronic equipment

A total of 234 electric equipment were to be appraised and most of them are computers, printers, office furniture, etc. As at the Valuation Benchmark Date, the equipment was under normal maintenance and use.

## (III) Intangible Assets Accounted for or Not Accounted for as Declared by the Enterprise

### (1) Intangible assets accounted for as declared by the enterprise

A total of 4 items of software under intangible assets accounted for were under the scope of valuation, mainly including Autodesk design software and ANSYS software. Its book value was RMB525,718.78. Details are set out below:

No.	Name and content	Date of obtaining the asset	Expected useful life	Original book value (RMB)	Book value (RMB)
1	AUTODESK design software	2014.05	10	166,666.67	55,550.60
2	ORACLE bar code development for fixed assets	2016.05	10	150,943.40	80,498.88
3	ANSYS software	2016.12	10	632,076.93	373,986.79
4	Server backup software	2018.01	10	22,409.41	15,682.51
	Total			<u>972,096.41</u>	<u>525,718.78</u>

### (2) Intangible assets not accounted for as declared by the enterprise

As at the Valuation Benchmark Date, a total of 190 patented technologies were not accounted for as declared by Shanghai Universal Logistics Technology Co., Ltd., including 35 invention patents, 1 industrial design patent and 154 utility model patents. All patented technologies under the scope of valuation have been granted the authorization from the China National Intellectual Property Administration.

As at the Valuation Benchmark Date, save for 4 patents as co-owned patents, other patents are owned by Shanghai Universal Logistics Technology Co., Ltd. Details of the co-owned patents are set out below:

Table of Other Intangible Assets Co-owned Patent Rights

No.	Name and content	Type of patent	Registered owner/ right holder	Patent no. or application no.	Patent application date	Date of obtaining patent	Note
1	A coating system and coating method for the surface of container steel sheet	Invention	Shanghai Universal Logistics Technology Co., Ltd.; Shanghai Yixiao Coating Equipment Co., Ltd.	201110110057.3	2011/4/29	2014/5/21	Other patents without relationship with products
2	A kind of plywood for the bottom of containers	Invention	Shanghai Universal Logistics Technology Co., Ltd.; Nanjing Forestry University; Jiashan Shengshi Wood Industry Co., Ltd.(嘉善聖師木業有限公司)	200910053421.X	2009/6/19	2012/6/27	Not applied
3	A kind of composite floor for containers	Utility model	Shanghai Universal Logistics Technology Co., Ltd.; Nanning Diwang Village Wood Industry Co., Ltd.(南寧帝旺村木業有限公司)	201420818122.7	2014/12/18	2015/6/17	Not applied
4	A kind of container with high speed wire transport	Utility model	Shanghai Universal Logistics Technology Co., Ltd.; Dong Fang International Container (Jinzhou) Co., Ltd.	202021334314.2	2020/7/9	2020/12/29	Not applied

As at the Valuation Benchmark Date, 7 patented technologies have been applied in the production of containers and future revenue of domestic enterprises under the scope of valuation by Shanghai Universal Logistics Technology Co., Ltd. Details are set out below:

Table of Other Intangible Assets Patent Rights

No.	Name and content	Type of patent	Registered owner/ right holder	Patent no. or application no.	Patent application date	Date of obtaining patent
1	A kind of top side beam of container and container	Utility model	Shanghai Universal Logistics Technology Co., Ltd.	201821995709.X	2018.11.30	2019.10.18
2	Integrated wall panel assembly platform for front frame of refrigerated container	Utility model	Shanghai Universal Logistics Technology Co., Ltd.	201921920783.X	2019.11.8	2020.6.30
3	The production system of the integrated container secondary foaming	Utility model	Shanghai Universal Logistics Technology Co., Ltd.	201922212051.1	2019.12.11	2020.10.20
4	A kind of a door frame of a refrigerated container and a refrigerated container comprising the door frame	Utility model	Shanghai Universal Logistics Technology Co., Ltd.	201922210408.2	2019.12.11	2020.10.9
5	A kind of a container door frame, a container door body and a container	Utility model	Shanghai Universal Logistics Technology Co., Ltd.	201620199086.X	2016.3.15	2016.12.7
6	A door frame structure and container	Utility model	Shanghai Universal Logistics Technology Co., Ltd.	201621188179.9	2016.11.4	2017.9.1
7	A kind of container door end lining plate structure and container	Utility model	Shanghai Universal Logistics Technology Co., Ltd.	201621275483.7	2016.11.25	2017.7.11

**(IV) Type and Quantity of Off-balance-sheet Assets Declared by the Enterprise**

Except for the above 190 patented technologies, the appraised entity has not declared any other off-balance-sheet assets.

**(V) Type, Quantity and Book Value (or Appraised Value) of Assets Involved in Making Reference to the Conclusions of Reports Issued by Other Institutions**

Nil.

#### **IV. TYPE AND DEFINITION OF VALUE**

The types of valuation value include the market value and other types of value except for the market value. Other types of value except for the market value generally include (but are not limited to) the investment value, the value in use, the liquidation value and the residual value. The purpose of this valuation is to provide a value reference for normal transactions, and there are no special restrictions and requirements on market conditions and the use of valuation target, etc. Therefore, market value is selected as the type of value of this valuation according to industry practices.

Market value refers to the estimated value of the valuation target in an arm's length transaction made in the ordinary course of business on the Valuation Benchmark Date between a willing buyer and a willing seller who has each acted rationally and without compulsion.

#### **V. VALUATION BENCHMARK DATE**

The Valuation Benchmark Date for this valuation is 31 December 2020.

Major factors considered by the clients in determining the Valuation Benchmark Date include the time requirement on the implementation of the economic activity. The end of the accounting period was adopted to facilitate the defining of the scope of valuation and the accurate and efficient stocktaking of assets.

#### **VI. BASIS OF VALUATION**

##### **(I) Basis of Economic Activity**

The Resolution at the 46th Meeting of the First Session of the Board of Directors of China COSCO SHIPPING Corporation Limited (on 20 January 2021) issued by China COSCO SHIPPING Corporation Limited.

##### **(II) Legal Basis Provided by Laws and Regulations**

- (1) The Asset Appraisal Law of the People's Republic of China;
- (2) The Law of the People's Republic of China on the State-owned Assets in Enterprises;
- (3) The Measures for the Administration of State-owned Assets Appraisal (Order No. 91 of the State Council in 1991);
- (4) The Detailed Rules for the Implementation of the Administrative Measures of State-owned Assets Valuation (Guo Zi Ban Fa [1992] No. 36 issued by former National Administration for State-owned Assets);
- (5) The Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council);

- (6) The Opinions on Reforming the Administration of State-owned Assets Appraisal and Strengthening Supervision and Administration of Assets Appraisal (Guo Ban Fa [2001] No. 102);
- (7) The Interim Measures for the Administration of Valuation of State-owned Assets of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
- (8) The Regulations on Certain Issues Concerning State-owned Assets Appraisal (Order No. 14 of the Ministry of Finance);
- (9) The Measures for the Supervision and Administration of the Trading of State-owned Assets of Enterprises (Order No. 32 of the SASAC of the State Council and the Ministry of Finance);
- (10) The Notice on the Guidelines on the Publication and Distribution of the Filing of State-owned Assets Appraisal Projects for Enterprises (Guo Zi Fa Chan Quan [2013] No. 64);
- (11) The Financial Supervision and Administration Measures on the Assets Evaluation Industry (Order No. 97 of the Ministry of Finance);
- (12) The Notice on Strengthening the Administration of State-owned Assets Appraisal of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);
- (13) The Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941);
- (14) The Corporate Income Tax Law of the People's Republic of China;
- (15) The Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China (Issued under Order No. 512 of the State Council and recently amended under Order No. 714 of the State Council);
- (16) The Interim Regulations for the Value-added Tax of the People's Republic of China (Issued under Order No. 134 of the State Council and recently amended under Order No. 691 of the State Council);
- (17) The Implementation Rules to the Interim Regulations for the Value-added Tax of the People's Republic of China (Issued under Order No. 50 of the Ministry of Finance and the State Taxation Administration and recently amended under Order No. 65 of the Ministry of Finance and the State Taxation Administration);
- (18) The Notice on the Comprehensive Rollout of the Business Tax to Value Added Tax Transformation Pilot Program (Cai Shui [2016] No. 36);
- (19) The Circular Relating to Furthering Relevant Policies on Reform of Value-added Tax (Circular [2019] No. 39 jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs).

### **(III) Basis of Valuation Standards**

- (1) Basic Asset Valuation Standards (Cai Zi [2017] No. 43);
- (2) Professional Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
- (3) Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
- (4) Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
- (5) Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
- (6) Practice Guidelines for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
- (7) Practice Guidelines for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
- (8) Practice Guidelines for Asset Valuation – Enterprise Value (Zhong Ping Xie [2018] No. 38);
- (9) Practice Guidelines for Asset Valuation – Asset Valuation Methodology (Zhong Ping Xie [2019] No. 35);
- (10) Practice Guidelines for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);
- (11) Practice Guidelines for Asset Valuation – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
- (12) Guiding Opinions on Professional Asset Valuation (Zhong Ping Xie [2017] No. 49);
- (13) Quality Control Guidance on the Business of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);
- (14) Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
- (15) Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
- (16) Guiding Opinions on Legal Ownership of the Asset Valuation Target (Zhong Ping Xie [2017] No. 48).

#### **(IV) Ownership Basis**

- (1) Business licenses;
- (2) Patents certificates;
- (3) Driving permits for vehicles.

#### **(V) Pricing Basis and References**

- (1) The information on financial accounting and operation provided by the enterprise;
- (2) Statistical information, technical standards and policy documents issued by relevant authorities of the state;
- (3) Profit forecast information provided by the enterprise;
- (4) Relevant enquiry and parameters information collected by the valuation agency.

### **VII. VALUATION METHODOLOGY**

#### **(I) Selection of Valuation Methodology**

In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value, when performing any appraisal of enterprise value, the suitability of the three basic asset valuation methods, namely the income approach, the market approach and the cost approach (the asset-based approach) shall be analyzed based on the purpose of valuation, the valuation target, the type of value, information gathering, etc. in its selection of valuation methods.

##### ***(1) Market approach***

As there is limited access to transaction information of property ownership trading market in China and similar enterprises have significant differences in the product structure and principal businesses, it is extremely difficult to select market reference of the same type, therefore the market approach was not adopted in the valuation.

##### ***(2) Income approach***

The income approach assesses the value of an asset by its expected profitability, which is the essential basis for determining the prevailing fair market value of the asset. As such, the income approach conforms to the basic definition of an asset. The methodology adopted in the income approach is to determine the market value by capitalizing or discounting the expected revenue of the valuation target in the future. The valuation target is a management company which mainly performs management functions on each of DFIC Qidong, DFIC Ningbo and DFIC Qingdao and charges technical service fees and management fees from them, with independent profitability, and therefore the income approach was adopted in the valuation.

### **(3) *Asset-based approach***

As all assets and liabilities of the enterprise may be appraised and recognized on an individual basis with clear structure of assets and liabilities, therefore the asset-based approach was adopted in the valuation.

In conclusion, the asset-based approach and the income approach were adopted in the valuation and the asset-based approach was adopted to determine the valuation conclusion after analysis.

## **(II) *Asset-based Approach***

The asset-based approach used in the valuation of the enterprise value is a valuation method for determining the value of the appraised enterprise by appraising the value of all its assets and liabilities on the basis of its balance sheet and those which can be identified off the balance sheet at the Valuation Benchmark Date. In the case of employing the asset-based approach in valuation of the enterprise value, the value of each asset is calculated by choosing a specific applicable valuation method in accordance with its specific circumstances.

The detailed valuation methods involved in this valuation are set out as follows.

### **(1) *Current assets***

#### **(a) *Monetary funds***

For RMB monetary funds, the appraised value of monetary funds in current assets is determined as the verified book value based on the breakdown of all items provided by the enterprise.

#### **(b) *Trade receivable, prepayment and other receivables***

Based on the breakdown of items for valuation provided by the valuation target, which is the valuation basis, verification was conducted on accounting information and selected large amounts, with analysis on the amount, time and reasons of arrears and recovery situation of each receivable, to determine the appraised value of each receivable.

### **(2) *Fixed assets – Machinery and equipment***

According to the purpose of this valuation and the characteristics of the appraised assets, and assuming the asset is continued to be used according to its current usage, the replacement cost approach would be adopted in this valuation on the basis of on-site investigation.

Basic formula: Appraised value = Full replacement costs × Residual ratio

As at the Valuation Benchmark Date, the company was a VAT general taxpayer and the tax-exclusive price was adopted to calculate the purchase costs of equipment in determining the full replacement price.

(a) *Determination of full replacement price*

(i) Vehicles

The full replacement price is determined by adding vehicle purchase tax, license fee and other reasonable costs at the prevailing market price.

(ii) Electronic equipment

For the electronic equipment of which prevailing market price is available, the full replacement price is directly determined based on its analyzed and selected prevailing market price; for the electronic equipment of which prevailing market price is unavailable, the full replacement price is determined by selecting the market price of the substitutes with similar function and making corresponding adjustments.

(b) *Determination of the residual ratio*

- (i) For vehicles, the observation method and the theoretical residual ratio are comprehensively used to determine the residual ratio. The calculation formula is as follows:

$$\text{Residual ratio} = \text{Residual ratio under the observation method} \times 60\% + \text{Theoretical residual ratio} \times 40\%$$

- A. Observation method. The observation method is applied to assess each major part of vehicles from a technical perspective, and consider factors such as design, manufacturing, usage, wear and tear, maintenance, repair and physical life of the asset on a consolidated basis. Impacts of wear and tear and natural deterioration on the functionality and efficiency of the asset will be assessed by comparing the valuation target with itself in new condition. As such, the residual ratio of the appraised vehicles would be determined.

B. Theoretical residual ratio. With reference to the *Regulations on Compulsory Scrapping Standards of Motor Vehicles* (Order No. 12 of 2012 of the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection), the theoretical residual ratio is determined as the lower of the residual ratio under the useful life method and the residual ratio under the mileage method. The calculation formula for the residual ratio under the useful life method is as follows:

Residual ratio under the useful life method = (Economic useful life – Used life)/Economic useful life × 100%

The calculation formula for the residual ratio under the mileage method is as follows:

Residual ratio under the mileage method = (Specified mileage – Mileage traveled)/Specified mileage × 100%

(ii) Electronic equipment

For electronic equipment, the useful life method is mainly used to determine the residual ratio. The calculation formula is as follows:

Residual ratio under the useful life method = (Economic useful life – Used life)/Economic useful life × 100%

If the residual ratio calculated under the observation method and the residual ratio calculated under the useful life method (or the theoretical residual ratio) differ significantly, the relatively reasonable one of the two may be selected based on experience and judgment after analyzing the reasons.

### (3) *Intangible assets – Other intangible assets*

For patents, the ideology of the income approach is to estimate the direct income of patent products during the economic life manufactured and calculate the appraised value by using the appropriate discount ratio. The basic formula is as follows:

$$P = \sum_{i=0.5}^n \frac{kR_t}{(1+i)^t}$$

Wherein,

P: the value of technology commissioned to be appraised

R: the annual income from the technology in the t year

t: the sequence number of the year for valuation

k: the profit sharing ratio of the technology for the income

i: the discount rate

n: the economic income period of the technology

Proprietary technologies used by the company but not within the scope of valuation and not related to future revenue will be appraised as nil. For proprietary technologies applied in the equipment, since the equipment has been appraised, such proprietary technologies will not be appraised separately.

The appraised value of software on sale on the market will be determined based on the market price, exclusive of taxation. For specifically customized version of software whose market price is not available on the market, the replacement cost is adopted in the valuation to determine the appraised value of such software taking into account the corresponding depreciation rate. For software whose market price is available, the appraised value is determined with reference to the market price of software of the same version on the Valuation Benchmark Date.

The basic formula: Appraised value = Replacement cost × (1 – Depreciation rate)

#### (a) *Determination of the replacement cost*

The replacement cost of purchased intangible assets is estimated based on the price of similar software sold on the market, exclusive of taxation, through market inquiry.

$$\text{Replacement cost} = \text{Market selling price}/(1 + 13\%)$$

#### (b) *Depreciation rate*

Appraisers determine the depreciation rate of intangible assets through comparing the estimation and judgment on the remaining economic life of intangible assets. The calculation formula is as follows:

$$\text{Depreciation rate} = \text{Used life}/(\text{Used life} + \text{Remaining useful life}) \times 100\%$$

#### **(4) Long-term prepaid expenses**

According to the evaluation procedures, the recording of long-term prepaid expenses, and the calculation accuracy of amounts to be amortized and amortized amounts are verified to confirm the remaining amortization period of long-term prepaid expenses falling within the company's benefit period.

#### **(5) Liabilities**

The actual amount of liabilities attributable to the valuation target as at the Valuation Benchmark Date will be accounted for as the appraised value.

### **(III) Income Approach**

The income approach in the appraisal of enterprise value refers to the valuation method used in determining the value of the valuation target by capitalizing or discounting the expected income. Methods frequently used under the income approach include the dividend discount method and the discounted cash flow method.

This valuation adopted the discounting model of free cash flow of firm under the discounted cash flow method. Specifically, using the Weighted Average Cost of Capital (WACC) as the discount rate, the total equity interest of shareholder is arrived at by adding the expected Free Cash Flow of Firm (FCFF) for each of the coming years to the operational asset values plus the value of the surplus assets and non-operational assets to the value of entire assets of the enterprise less the value of interest-bearing debt. The basic formula is as follows:

Total equity interest of shareholders = Operational asset value + Non-operational assets value – Non-operational liabilities value + Surplus assets value – Value of interest-bearing debt

The specific calculation formula is as follows:

$$P = P' + A' - D' - D$$

$$P' = \sum_{i=0.5}^n \frac{R_i}{(1+r)^i} + \frac{R_n}{r} \times \frac{1}{(1+r)^n}$$

Wherein,  $P$  – the total appraised value of equity interest of shareholders in the valuation target

$P'$  – the discounted value of entire revenue of firm

$D$  – the non-operational liabilities

$A'$  – the non-operational assets

$D'$  – the interest-bearing debt

$R_i$  – the expected income generated in income period No.  $i$  in the future (FCFF)

$i$ : the income period,  $i=0.5, 1.5, 2.5 \dots n$

$r$ : the discount rate.

## **VIII.PROCESS AND IMPLEMENTATION OF VALUATION PROCEDURES**

### **(I) Acceptance of Engagement**

Understand the general conditions of the appraised assets and specify the valuation purpose, the valuation target and scope, the valuation benchmark date and other basic matters in valuation after discussions and communications with the clients, accept the engagement after the comprehensive analysis on the professional capability and independence and assessment of business risks and enter into the assets valuation engagement contract. Determine the type of the appraised value, formulate the valuation plan and establish the working group on valuation based on specific circumstances.

### **(II) On-site inspection and collection of materials**

Guide the appraised entity to conduct asset stocktaking and prepare valuation materials and carry out on-site inspection on the valuation target on such basis to collect required information for the asset valuation, understand the asset, business and financial conditions of the valuation target, macro and regional economic factors affecting the operation of the enterprise and the current conditions and prospects of the industry and pay attention to the legal ownership of the valuation target. Verify and validate the materials used in the asset valuation in accordance with laws.

### **(III) Assessment and estimation**

Analyze, summarize and sort the materials on valuation based on the specific circumstances of the appraised business and form the basis for the assessment and estimation and the preparation of the valuation report. Select the valuation methodology based on the valuation purpose, the valuation target, the type of value, the collection of materials and relevant conditions as well as the Practice Guidelines for Asset Valuation. Select the corresponding formula and parameters in analysis, calculation and judgment based on the valuation methodology adopted and analyze and judge valuation assumptions and restrictions which may affect the valuation and the valuation conclusion and arrive at the estimation results. Analyze and compare the estimation results arrived at from different methodologies and form the valuation conclusion.

### **(IV) Issuance of report**

The responsible persons of the project prepare the preliminary asset valuation report based on the valuation conclusion after valuation and estimation. The firm carries out internal review on the preliminary asset valuation report in accordance with laws, administrative regulations, the standards for asset appraisal and the internal quality control system and issues the formal asset valuation report after conducting necessary communications on relevant contents of the valuation report with the clients and other relevant parties.

## **IX. VALUATION ASSUMPTIONS**

The main asset valuation assumptions adopted in this valuation report include:

### **(I) Basic Assumptions**

- (1) Transaction assumption. The transaction assumption is that all assets to be appraised are in the process of transaction, and the appraisers will make estimation in a simulated market according to the transaction conditions (among others) of assets to be appraised.
- (2) Open market assumption. The open market assumption is that assets may be traded freely in a highly competitive market and the price of which is determined based on the judgment of both independent trading parties over the value of assets under certain supply and demand conditions. An open market refers to a market which is highly competitive with various buyers and sellers. In the open market, both parties of a transaction are equal, which means they are given the opportunity and time to acquire sufficient market information. Buyers and sellers are supposed to be acting voluntarily and rationally rather than being coerced or confined during the transaction.
- (3) Assumption on continuing operation. Assumption on continuing operation refers to the assumption that the operating activities of an operating entity will continue and will not be suspended or terminated in the foreseeable future.

### **(II) Specific Assumptions**

- (1) There will be no significant changes in the relevant prevailing laws, regulations and policies as well as macro-economic situation of the country and place where the valuation target resides, significant changes in the political, economic or social environment in the regions in which the parties to the transaction are located, or material adverse effects arising from other unforeseeable factors and force majeure.
- (2) It is assumed that the enterprise will have balanced cash inflows and cash outflows throughout the year based on its actual operation conditions.
- (3) It is assumed that the current and future operators and managers of the valuation target exercise due diligence, and the management of such entity are competent in discharging their duties to ensure that the valuation target is able to operate on a going concern basis, the development, production, and operation plans of which can be fulfilled as scheduled.
- (4) It is assumed that the valuation target is in full compliance with all relevant national laws and regulations, without committing any significant violation that prejudices corporate development and realization of revenue.
- (5) It is assumed that the accounting policies to be adopted by such enterprise in the future are basically consistent with those adopted during the preparation of this report in material aspects.

- (6) It is assumed that, based on its current management approaches and standards, the enterprise's scope and model of business will remain consistent with the current orientation.
- (7) It is assumed that there will be no material changes in the requirements currently implemented or determined to be implemented regarding the relevant interest rates, exchange rates, taxation bases and tax rates, and government levies according to national regulations.
- (8) It is assumed that no other force majeure and unforeseeable factors will have a material adverse effect on the enterprise.

According to the requirements of the asset valuation, these assumptions are deemed to be valid on the Valuation Benchmark Date. We will not accept any responsibility for any different valuation conclusions resulting from any changes in these assumptions when the economic environment changes significantly in the future.

## X. VALUATION CONCLUSION

### (I) Valuation result using the asset-based approach

On the Valuation Benchmark Date, being 31 December 2020, the book value of the assets, liabilities and net assets of Shanghai Universal Logistics Technology Co., Ltd. was RMB558,058,400, RMB522,868,700 and RMB35,189,700, respectively. The total assets, liabilities and net assets were RMB574,696,500, RMB522,868,700 and RMB51,827,800, respectively, after the valuation. The appraised value of total assets represented an appreciation of RMB16,638,100 over the book value with an appreciation rate of 2.98%. The appraised value of net assets represented an appreciation of RMB16,638,100 over the book value with an appreciation rate of 47.28%. Please refer to the table below for details:

<b>Valuation target: Shanghai Universal Logistics Technology Co., Ltd.</b>		<i>Unit: RMB0'000</i>			
<b>Item</b>	<b>Book Value</b>	<b>Appraised Value</b>	<b>Appreciation/Depreciation</b>	<b>Change</b>	
	<b>A</b>	<b>B</b>	<b>C=B-A</b>	<b>D=C/A×100%</b>	
1	Current assets	55,526.55	55,526.55	0.00	0.00%
2	Non-current assets	279.29	1,943.10	1,663.81	595.73%
3	Including: Fixed assets	69.51	135.34	65.83	94.71%
4	Intangible assets	52.57	1,650.55	1,597.98	3039.72%
5	Long-term prepaid expenses	157.21	157.21	0.00	0.00%
<b>6</b>	<b>Total assets</b>	<b>55,805.84</b>	<b>57,469.65</b>	<b>1,663.81</b>	<b>2.98%</b>
7	Current liabilities	52,216.01	52,216.01	0.00	0.00%
8	Non-current liabilities	70.86	70.86	0.00	0.00%
<b>9</b>	<b>Total liabilities</b>	<b>52,286.87</b>	<b>52,286.87</b>	<b>0.00</b>	<b>0.00%</b>
<b>10</b>	<b>Net assets (Owner's equity)</b>	<b>3,518.97</b>	<b>5,182.78</b>	<b>1,663.81</b>	<b>47.28%</b>

## (II) Valuation results using the income approach

On the Valuation Benchmark Date, being 31 December 2020, the appraised value of all shareholders' equity interests in Shanghai Universal Logistics Technology Co., Ltd. was RMB48,086,500, representing an appreciation of RMB12,896,800 over the book value of all shareholders' equity interests of RMB35,189,700 with an appreciation rate of 36.65%.

## (III) Differences between the two valuation results on all shareholders' equity interests are set out in the table below:

*Unit: RMB0'000*

Valuation Approach	Book Value	Appraised Value	Appreciation	Appreciation Rate
Asset-based approach		5,182.78	1,663.81	47.28%
Income approach	3,518.97	4,808.65	1,289.68	36.65%
Differences between the approaches		374.13		

## (IV) Analysis and explanations to the selection of the valuation conclusion

The asset-based approach is to appraise the enterprise value through appraising value of each single asset taking into consideration the relevant liabilities from the perspective of asset replacement. The income approach is to appraise the enterprise value through capitalisation or discount of the expected revenue of the valuation target from the perspective of making judgment on the profitability of assets. It is to appraise the enterprise value based on the total revenue of the enterprise in the future through the reverse thinking of "Capital-searching with the Profit" to achieve "Profit-taking with the Capital".

Based on specific conditions of this valuation, the valuation target is the management company of DFIC Qidong, DFIC Ningbo and DFIC Qingdao and its revenue derives from those three container manufacturers, while those three container manufacturers are greatly exposed to the impacts of the global economy and the industry market with certain market periodicity. As it is difficult to accurately estimate and measure the changes and fluctuations of the industry market in the following years, the result using the asset-based approach is more practical and reasonable as compared with the result using the income approach.

Based on the above factors, the valuation result using the asset-based approach was adopted as the final valuation conclusion. The valuation conclusion is that the value of all shareholders' equity interests in Shanghai Universal Logistics Technology Co., Ltd. involved in the proposed acquisition of the equity interests in four companies (including Shanghai Universal Logistics Technology Co., Ltd.) held by COSCO SHIPPING Investment Holdings Co., Ltd. through the issuance of shares by COSCO SHIPPING Development Co., Ltd. was RMB51,827,800 (in word: FIFTY ONE MILLION EIGHT HUNDRED AND TWENTY SEVEN THOUSAND EIGHT HUNDRED ONLY, rounding to the nearest hundred).

The validity of the valuation conclusion revealed in the valuation report shall be one year from the Valuation Benchmark Date, being 31 December 2020, to 30 December 2021.

## **XI. EXPLANATIONS TO SPECIAL MATTERS**

### **(I) Significant use of expert work and relevant reports**

The unqualified audit report issued by Ernst & Young Hua Ming LLP for the years 2019 and 2020 were used in this valuation and the audited book values were adopted as the book values for valuation.

### **(II) Incomplete or defective ownership information:**

As of the Valuation Benchmark Date, the name of the owner registered in the patent certificates for intangible assets under the valuation scope was “Singamas Container Holdings (Shanghai) Limited”, which was the former name of the company and was not changed to its existing name, “Shanghai Universal Logistics Technology Co., Ltd.”, but the ownership of patents belongs to Shanghai Universal Logistics Technology Co., Ltd. It has completed the procedures on the change of names with the China National Intellectual Property Administration. The valuation does not consider the fees on the change of the owners registered in the patent certificates and the impacts of contingent ownership disputes.

### **(III) Restrictions on valuation procedures;**

Nil.

### **(IV) Incomplete valuation materials;**

Nil.

### **(V) Pending legal and economic matters on the Valuation Benchmark Date;**

Nil.

### **(VI) The nature and amount of guarantees, leases and its contingent liabilities (contingent assets) and the relationship with the valuation target;**

Nil.

### **(VII) Significant subsequent matters**

Nil.

### **(VIII) Deficiencies in the economic activity corresponding to the asset valuation that may have a material effect on the valuation conclusion.**

Nil.

## **XII. RESTRICTIONS ON THE USE OF THE VALUATION REPORT**

- (I) This Valuation Report shall be used for the valuation purpose and use set out herein. For the excerpt, reference and disclosure of all or part of the contents of the Valuation Report, relevant contents shall be reviewed by the valuation agency unless it is otherwise provided by laws and regulations and agreed by relevant parties;
- (II) The valuation agency and its asset appraisers take no responsibility if the clients or other users of the Asset Valuation Report fail to use this Asset Valuation Report in accordance with the provisions of laws and administrative regulations and the scope of use set out in this Asset Valuation Report;
- (III) Except for the clients, the other users of the Asset Valuation Report as agreed in the asset valuation engagement contract and the users of the Asset Valuation Report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of this report;
- (IV) Users of the Asset Valuation Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.

## **XIII. DATE OF THE VALUATION REPORT**

The date of the valuation report is 27 April 2021.

Asset appraiser: Meng Qinghong  
Asset appraiser: Jiang Baicheng

27 April 2021

## ANNEXES

- I. The Corresponding Economic Activity Document on the Valuation Purpose
- II. The Audit Reports of the Appraised Entity
- III. Business Licenses of the Clients and the Appraised Entity
- IV. Major Ownership Proof Materials of the Valuation Target Involved
- V. Letters of Undertaking of the Clients and Other Relevant Parties
- VI. Letters of Undertaking of the Signatory Asset Appraisers
- VII. The Announcement on the Registration and Filing and the Qualification Certificates of the Valuation Agency
- VIII. Copy of the Business License of the Valuation Agency
- IX. Qualification Certificates of the Asset Appraisers Responsible for the Valuation Business
- X. The Asset Valuation Engagement Contract

## APPENDIX II

### LETTER OF CONFIRMATION IN RELATION TO THE ASSET VALUATION REPORTS

*The following is the text of the letter from China Tong Cheng Assets Appraisal Co., Ltd. to the Board prepared for the purpose of incorporation into this announcement.*

29 April 2021

The Board of Directors  
COSCO SHIPPING Development Co., Ltd.  
Room A-538  
International Trade Center  
China (Shanghai) Pilot Free Trade Zone  
Shanghai, the PRC

Dear Sirs,

We refer to the asset valuation reports of the Target Assets dated 27 April 2021. (the “**Asset Valuation Reports**”) issued by us in respect of 100% of the equity interests (the “**Target Assets**”) in each of Dong Fang International Container (Ningbo) Co., Ltd. (寰宇東方國際集裝箱(寧波)有限公司), Dong Fang International Container (Qidong) Co., Ltd. (寰宇東方國際集裝箱(啟東)有限公司), Dong Fang International Container (Qingdao) Co., Ltd. (寰宇東方國際集裝箱(青島)有限公司) and Shanghai Universal Logistics Technology Co., Ltd. (上海寰宇物流科技有限公司) (collectively, the “**Target Companies**”).

We have reviewed the financial information of the Target Companies as of 31 March 2021 provided by the Target Companies, and confirm that there was no material change in the assumptions and bases of the valuation adopted in the Asset Valuation Reports during the period from 31 December 2020 (being the valuation benchmark date) to 31 March 2021. Accordingly, there was no material change in the appraised value of the Target Assets as at 31 March 2021 as compared to that set out in the Asset Valuation Reports.

**China Tong Cheng Assets Appraisal Co., Ltd.**

## APPENDIX III

### LETTER OF CONFIRMATION FROM THE INDEPENDENT FINANCIAL ADVISER

*The following text is the letter from Messis Capital Limited, the Independent Financial Adviser, to the Board prepared for the purpose of incorporation into this announcement.*

29 April 2021

*The Board of Directors  
COSCO SHIPPING Development Co., Ltd  
5299 Binjiang Dadao  
Pudong New District  
Shanghai  
The PRC*

Dear Sirs,

We refer to the announcement of the COSCO SHIPPING Development Co., Ltd. (the “**Company**”, together its subsidiaries, the “**Group**”) dated 29 April 2021 in relation to, among others, the proposed acquisition of 100% of the equity interests in the Target Companies (the “**Announcement**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter have the same meanings as those define in this Announcement.

We also refer to the Asset Valuation Reports dated 27 April 2021 prepared by China Tong Cheng Assets Appraisal Co., Ltd (the “**Valuer**”) in relation to valuation of 100% equity interests in each of the Target Companies, the full text of which are set out in the Announcement. We understood from the Asset Valuation Reports that the valuation in respect of 100% equity interests in DFIC Qidong, DFIC Qingdao, DFIC Ningbo and Universal Technology based on the income approach as well as the business valuation of certain patents of DFIC Qidong and Universal Technology as at 31 December 2020 was prepared based on the discounted cash flow forecast (the “**Forecast**”). We note that Forecast constitutes a profit forecast pursuant to Rule 10 of the Takeovers Code and Rule 14.61 of the Listing Rules and is required to be reported on.

Furthermore, this letter is issued (i) in compliance with the requirement under Rule 11.1(b) of the Takeovers Code in relation to our report on the qualifications and experience of the Valuer in preparing the Asset Valuation Reports and (ii) for the purpose of confirming our acknowledgement of and compliance with both the Circular to Financial Advisers in relation to their Advisory Work on Valuations in Corporate Transactions as issued by the SFC on 15 May 2017 (the “**Circular to Financial Advisers**”) and the applicable requirements under the Corporate Finance Adviser Code of Conduct (the “**CFA Code**”).

We, as an independent financial adviser to the Company, also confirm our acknowledgement of and compliance with both the Circular to Financial Advisers and the applicable requirements of the CFA Code. We have reviewed the Asset Valuation Reports and discussed with the Directors and the Valuer on the bases and assumptions upon which the Forecast has been prepared. We have also considered the letter on the Forecast addressed to the Board from Ernst & Young, the full text of which is set out in Appendix IV to the Announcement, which states that, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material aspects in accordance with the bases and assumptions adopted by the Directors.

Based on the above, we are satisfied that the Forecast, for which the Directors are solely responsible, has been prepared by the Directors with due care and consideration.

With regard to the qualifications and experience of the Valuer, based on the review work conducted by us, which includes reviewing the supporting documents on the qualifications, experience and expertise of the Valuer and discussing the same with the Valuer, we are satisfied that the Valuer is suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Asset Valuation Reports competently.

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**

**Thomas Lai**  
*Chief Executive Officer*

**Vincent Cheung**  
*Managing Director*

## APPENDIX IV

### LETTER FROM ERNST & YOUNG

*The following text is the letter from Ernst & Young, Certified Public Accountants, Hong Kong, to the Board prepared for the purpose of incorporation into this announcement.*

29 April 2021

The Board of Directors  
COSCO SHIPPING Development Co., Ltd.

Dear Sirs,

#### **COSCO SHIPPING DEVELOPMENT CO., LTD. (“THE COMPANY”)**

**Discounted cash flow forecast in connection with the asset valuation reports in respect of 100% equity interests in Dong Fang International Container (Qidong) Co., Ltd. (“DFIC Qidong”), Dong Fang International Container (Qingdao) Co., Ltd. (“DFIC Qingdao”), Dong Fang International Container (Ningbo) Co., Ltd. (“DFIC Ningbo”) and Shanghai Universal Logistics Technology Co., Ltd. (“Universal Technology”) and certain patents of DFIC Qidong and Universal Technology**

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuations dated 27 April 2021, prepared by China Tong Cheng Assets Appraisal Co., Ltd. in respect of 100% equity interests in DFIC Qidong, DFIC Qingdao, DFIC Ningbo and Universal Technology (together, “**Target Companies**”) as well as certain patents of DFIC Qidong and Universal Technology as at 31 December 2020 is based. The valuation is set out in the announcement of COSCO SHIPPING Development Co., Ltd. (the “**Company**”) dated 29 April 2021 (the “**Announcement**”) in connection with the Target Companies in relation to, among other things, the proposed acquisition of the Target Companies by the Company. The valuation based on the Forecast is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Rule 10 of the Hong Kong Code of Takeovers and Mergers (the “**Takeovers Code**”).

#### **Directors’ Responsibilities**

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out on pages 13 to 14 of and in Appendices I-A, I-B, I-C and I-D to the Announcement.

#### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants' responsibilities**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target Companies. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and Rule 10 of the Takeovers Code and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

### **Opinion**

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

Ernst & Young  
*Certified Public Accountants*  
Hong Kong