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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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# 中國外運股份有限公司 SINOTRANS LIMITED

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 0598)

## DISCLOSEABLE AND CONNECTED TRANSACTIONS

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



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A notice dated 31 March 2014 convening the EGM to be held at the Meeting Room, 13th Floor, Sinotrans Plaza A, A43, Xizhimen Beidajie, Haidian District, Beijing, the PRC (Post Code 100082) on 16 May 2014 at 11:00 a.m. (or, if later, immediately after the conclusion of the Domestic Shares Class Meeting of the Company) and a form of proxy for use at the EGM are available on the website of Sinotrans Limited and the website of The Stock Exchange of Hong Kong Limited.

If you do not intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to Hong Kong registered office of the Company at Units F&G, 20/F., MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong as soon as possible and in any event not later than twenty-four (24) hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

22 April 2014

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## DEFINITIONS

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

“Acquisition Agreements”	the HK Acquisition Agreement, the SNL Acquisition Agreements and the Sinotrans Sunnyexpress Acquisition Agreement;
“Asian Capital”	Asian Capital (Corporate Finance) Limited, a corporation licensed under the SFO to carry out Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreements (including the continuation of the Entrustment Loans) and transactions contemplated thereunder;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Audited Completion Accounts”	the audited accounts of the relevant Target Group company dated as of the relevant Completion Date prepared in accordance with the HKFRS and PRC GAAP (as the case may be) and adopted the accounting policies and methods consistent with the latest audited accounts of the relevant Target Group companies, issued by an auditor appointed by the relevant Purchaser and agreed by the relevant vendor in the event of disagreement between the relevant Purchaser and the relevant vendor on the NAV or the Shareholders Loans (as the case may be) in relation to the relevant Target Group company;
“Bank of UFJ”	The Bank Of Tokyo-Mitsubishi UFJ, Ltd., Hong Kong Branch;
“Board”	the board of Directors of the Company;
“Business Day”	any day (other than a Saturday, Sunday and a public holiday) on which commercial banks in Hong Kong and the PRC (as the case may be) are open for business;
“Company”	Sinotrans Limited, a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange;
“Completion Date”	being the last calendar day of the month in which the last of the conditions as set out in the “Conditions Precedent” in the relevant Acquisition Agreements have been satisfied or waived (as the case may be);

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## DEFINITIONS

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“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Debt Waiver Agreement”	the debt waiver agreement dated 28 October 2013 entered into between the Company and Sinotrans Container Lines, pursuant to which the Company has agreed to waive US\$106,421,000 being the entire amount owed by Sinotrans Container Lines to the Company as at 30 June 2013;
“Disposal”	the disposal of the Target HK Sale Shares, the SNL Equity Interests, the Sinotrans Sunnyexpress Equity Interests, the Sinotrans (HK) Logistics Shareholders Loan, the Sinotrans (HK) Shipping Loan, the SNL 49% Loan, the SNL 51% Loan and the Sinotrans Sunnyexpress Loan pursuant to the terms and conditions under the Acquisition Agreements and the transactions contemplated thereunder;
“Director(s)”	the director(s) of the Company;
“Entrustment Loans”	RMB255,840,000 (equivalent to approximately HK\$324,053,000), being the entire amount of the entrustment loans provided for by the Company to Sinotrans Sunnyexpress through the Bank of Communication, Shanghai Branch;
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the transactions contemplated under the Acquisition Agreements (including the continuation of the Entrustment Loans);
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“HK Acquisition Agreement”	the share transfer agreement dated 25 March 2014 entered into between Trade Worlder and Sinotrans (HK) Logistics;
“HKFRS”	Hong Kong Financial Reporting Standards;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	a Board committee comprising all the independent non-executive Directors constituted to make recommendations to the Independent Shareholders in respect of the transactions contemplated under the Acquisition Agreements (including the continuation of the Entrustment Loans);

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## DEFINITIONS

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“Independent Shareholders”	the Shareholders excluding Sinotrans & CSC and its associates;
“Latest Practicable Date”	15 April 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Marine Harvest”	Marine Harvest Shipping Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of Sinotrans Shipping;
“MOFCOM”	Ministry of Commerce of the PRC;
“NAV”	net asset value of the relevant equity interests of the Target Group companies as at 30 June 2013 in the relevant account;
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“PRC GAAP”	the Enterprise Accounting System (企業會計制度) and Enterprise Accounting Principles (企業會計準則) promulgated by the Ministry of Finance of the PRC, as amended from time to time;
“Purchasers”	Trade Worlder, Marine Harvest and Sinotrans & CSC;
“RMB”	Renminbi, the lawful currency of the PRC;
“SAIC”	the State Administration for Industry and Commerce of the PRC;
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
“Shares”	H Shares and Domestic Shares;
“Shareholder(s)”	holder(s) of domestic invested share(s) of RMB1.00 (“Domestic Share(s)”) each and overseas listed foreign invested share(s) of RMB1.00 (“H Share(s)”) each in the share capital of the Company;

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## DEFINITIONS

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“Shareholders Loans”	comprising the Sinotrans (HK) Logistics Shareholders Loan, the Sinotrans (HK) Shipping Loan, the SNL 49% Loan, the SNL 51% Loan and the Sinotrans Sunnyexpress Loan;
“Sinotrans & CSC”	Sinotrans & CSC Holdings Corporation Limited, the controlling shareholder of the Company which holds 60.0% of the issued share capital of the Company as at the date of this circular;
“Sinotrans & CSC Group”	Sinotrans & CSC and its subsidiaries (and for the purpose of this circular, excluding the Group);
“Sinotrans Container Lines”	中外運集裝箱運輸有限公司 (Sinotrans Container Lines Co., Ltd.*), a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company as at the date of this circular;
“Sinotrans (HK) Logistics”	中國外運(香港)物流有限公司 Sinotrans (Hong Kong) Logistics Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company;
“Sinotrans (HK) Logistics Shareholders Loan”	US\$15,565,149.59 (equivalent to approximately HK\$121,408,000), being the entire amount of loans, advances and other sums and indebtedness due, owing, outstanding or payable to Sinotrans (HK) Logistics by the Target HK Companies as at 31 December 2013;
“Sinotrans (HK) Shipping”	中國外運(香港)船務有限公司 Sinotrans (HK) Shipping Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Sinotrans (HK) Logistics;
“Sinotrans (HK) Shipping Loan”	US\$8,037,500 (equivalent to approximately HK\$62,693,000), being the entire amount of loans, advances and other sums and indebtedness due, owing, outstanding or payable to Sinotrans (HK) Shipping by the Target HK Companies as at 31 December 2013;
“Sinotrans Shipping”	Sinotrans Shipping Limited (中外運航運有限公司), whose controlling shareholder is Sinotrans & CSC and the issued shares of which are listed on the Stock Exchange;
“Sinotrans Sunnyexpress”	中國外運陽光速航運輸有限公司 (Sinotrans Sunnyexpress Co., Ltd.*), a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company as at the date of this circular;

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## DEFINITIONS

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“Sinotrans Sunnyexpress Acquisition Agreement”	the equity transfer agreement dated 25 March 2014 entered into between Sinotrans & CSC and the Company;
“Sinotrans Sunnyexpress Equity Interests”	100% equity interests in Sinotrans Sunnyexpress;
“Sinotrans Sunnyexpress Loan”	RMB187,971,640.53 (equivalent to approximately HK\$238,089,000), being the entire amount of loans, advances, interests (if any) and other sums and indebtedness directly lent to Sinotrans Sunnyexpress by the Company as at 31 December 2013;
“SNL Acquisition Agreements”	comprising the SNL 49% Acquisition Agreement and SNL 51% Acquisition Agreement;
“SNL 49% Acquisition Agreement”	the equity transfer agreement dated 25 March 2014 entered into between Marine Harvest and the Company;
“SNL 51% Acquisition Agreement”	the equity transfer agreement dated 25 March 2014 entered into between Sinotrans & CSC and the Company;
“SNL 49% Equity Interests”	49% of the equity interests in Sinotrans Container Lines;
“SNL 51% Equity Interests”	51% of the equity interests in Sinotrans Container Lines;
“SNL 49% Loan”	RMB23,158,084.72 (equivalent to approximately HK\$29,332,000), being 49% of the entire amount of loans, advances, interests (if any) and other sums and indebtedness due, owing, outstanding or payable to the Company by Sinotrans Container Lines as at 31 December 2013 (excluding the amount waived under the Debt Waiver Agreement);
“SNL 51% Loan”	RMB24,103,312.67 (equivalent to approximately HK\$30,530,000), being 51% of the entire amount of loans, advances, interests (if any) and other sums and indebtedness due, owing, outstanding or payable to the Company by Sinotrans Container Lines as at 31 December 2013 (excluding the amount waived under the Debt Waiver Agreement);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to that term in the Listing Rules;
“Target HK Companies”	comprising Yunrong Shipping, Yunhua Shipping, Yunfu Shipping, Yungui Shipping (each, the “Target HK Company”);

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## DEFINITIONS

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“Target Group”	comprising the Target HK Companies, Sinotrans Container Lines and Sinotrans Sunnyexpress;
“Target HK Sale Shares”	the entire issued share capital of each of the Target HK Companies;
“Trade Worlder”	Trade Worlder Shipowning Ltd, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of Sinotrans Shipping;
“UFJ Facility Agreement”	the facility agreement dated 23 April 2012 (as supplemented by the supplemental agreement dated 31 May 2013) entered into between, among others, the HK Target Companies as borrowers and the Bank of UFJ as arranger and agent in respect of a term loan in the amount of US\$52,500,000;
“Yunhua Shipping”	運華船務有限公司 Yunhua Shipping Company Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Sinotrans (HK) Logistics as at the date of this circular;
“Yunfu Shipping”	運富船務有限公司 Yunfu Shipping Company Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Sinotrans (HK) Logistics as at the date of this circular;
“Yungui Shipping”	運貴船務有限公司 Yungui Shipping Company Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Sinotrans (HK) Logistics as at the date of this circular; and
“Yunrong Shipping”	運榮船務有限公司 Yunrong Shipping Company Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Sinotrans (HK) Logistics as at the date of this circular.

\* *For the purpose of identification only*



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## LETTER FROM THE BOARD

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# 中國外運股份有限公司 SINOTRANS LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 0598)

*Executive Directors:*

Zhao Huxiang  
Zhang Jianwei  
Tao Suyun  
Li Guanpeng

*Registered Office and Headquarters:*

Sinotrans Plaza A  
A43, Xizhimen Beidajie  
Beijing  
People's Republic of China

*Non-executive Directors:*

Wang Lin  
Yu Jianmin  
Jerry Hsu

*Principal Place of Business in Hong Kong:*

Units F & G, 20/F., MG Tower  
133 Hoi Bun Road  
Kwun Tong, Kowloon  
Hong Kong

*Independent non-executive Directors:*

Guo Minjie  
Lu Zhengfei  
Liu Kegou  
Liu Junhai

22 April 2014

*To the Shareholders*

Dear Sir and Madam,

## DISCLOSEABLE AND CONNECTED TRANSACTIONS

### INTRODUCTION

On 25 March 2014, the Company proposes to dispose of:–

- its entire shareholding (and related shareholders loans by the Group, being the Sinotrans (HK) Logistics Shareholders Loan and the Sinotrans (HK) Shipping Loan, to) in four wholly-owned ship holding subsidiaries (namely, Yunrong Shipping, Yunhua Shipping, Yunfu Shipping and Yungui Shipping) to Trade Worlder for a total consideration of approximately RMB146,454,617.5 (equivalent to approximately HK\$185,503,000), subject to adjustment, under the HK Acquisition Agreement;

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## LETTER FROM THE BOARD

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- its entire shareholding (and related shareholders loans) in its wholly-owned subsidiary, Sinotrans Container Lines, to Sinotrans & CSC (as to 51% of such interests) and Marine Harvest (as to 49% of such interests) for a consideration of RMB24,613,312.67 (equivalent to approximately HK\$31,176,000) and RMB23,648,084.72 (equivalent to approximately HK\$29,953,000) respectively, subject to adjustments, under the SNL Acquisition Agreements and the Company has agreed to waive all debts due as at 30 June 2013 from Sinotrans Container Lines (being approximately US\$106,421,000) under the Debt Waiver Agreement; and
- its entire shareholding (and related shareholders loans) in its wholly-owned subsidiary, Sinotrans Sunnyexpress, for a consideration of RMB227,811,640.53 (equivalent to approximately HK\$288,552,000), subject to adjustment, under the Sinotrans Sunnyexpress Acquisition Agreement.

The purpose of this circular is to provide you with information in respect of the Acquisition Agreements (including the continuation of the Entrustment Loans) and the transactions contemplated thereunder to enable you to make a decision on whether to vote for or against the relevant resolution at the forthcoming EGM.

### (A) THE HK ACQUISITION AGREEMENT

#### *Subject Matter and Assets to be Disposed of*

The assets to be disposed of under the HK Acquisition Agreement to Trade Worlder comprise Sinotrans (HK) Logistics' entire shareholding (and related shareholders loans by the Group, being the Sinotrans (HK) Logistics Shareholders Loan and the Sinotrans (HK) Shipping Loan, to) in its four wholly-owned ship holding subsidiaries (namely, Yunrong Shipping, Yunhua Shipping, Yunfu Shipping and Yungui Shipping).

Sinotrans Shipping is a shipping company whose shares are listed on the Main Board of the Stock Exchange. The core business of the Sinotrans Shipping group is dry bulk vessel chartering, which involves the chartering of self-owned vessels for the transportation of dry bulk cargo, such as iron ore, coal, grain and steel products and container vessels chartering.

Trade Worlder is an investment holding company and an indirect wholly-owned subsidiary of Sinotrans Shipping.

If, for any reason, the acquisition by Trade Worlder of the shareholding in any Target HK Company fails, Trade Worlder shall be under no obligation to acquire the shareholdings in other Target HK Companies.

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## LETTER FROM THE BOARD

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### *Consideration*

#### *Target HK Sale Shares*

The total initial consideration for the Target HK Sale Shares is RMB1,650,002 (equivalent to approximately HK\$2,090,000). As the disposal of the Target HK Companies will proceed on an “all or nothing” basis, the total initial consideration was determined with reference to (i) the combined NAV of all Target HK Companies (being US\$(4,000) as at 30 June 2013), (ii) their financial performance (which showed nominal profits over the two years ended 31 December 2012 and the ten months ended 31 October 2013), (iii) the Group’s perceived prospects of the shipping industry (which has historically been and is likely to remain volatile), (iv) the business strategy of the Group to focus its resources on its core integrated logistic services and (v) the perceived value of those companies to the Sinotrans Shipping group of which Trade Worlder is a member which already has a transportation fleet which enables the Group to dispose of the Target HK Companies at a gain.

The initial consideration for the Target HK Sale Shares for each Target HK Company would be adjusted upwards or downwards on a dollar for dollar basis by reference to the increase or (as the case may be) decrease of the net asset value (when disputed, the audited net asset value as stated in the Audited Completion Accounts) of that Target HK Company as at the Completion Date, when compared to their audited net asset value as of 30 June 2013, subject to a cap. The maximum total amount of adjustment for the initial consideration for the Target HK Sale Shares is RMB48,000,000, which was determined by taking into account the financial performance of the Target HK Company Companies since their commencement of business in the second half of 2013 and factors that may potentially affect the NAV of the Target HK Companies, including any possible fluctuation of the shipping market.

If the adjusted consideration is less than the initial consideration for the Target HK Sale Sales, the obligation of Sinotrans (HK) Logistics to repay to Trade Worlder any excess consideration received may be set off against any payment obligation of Trade Worlder to Sinotrans (HK) Logistics, including for any unpaid consideration for the Sinotrans (HK) Logistics Shareholders Loan.

Payment of the initial consideration for the Target HK Sale Shares is to be made within 5 Business Days after the Completion Date. Any adjustment based on the completion net asset value of the relevant Target HK Company is to be settled by the parties within 60 days after the Completion Date.

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## LETTER FROM THE BOARD

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### *Sinotrans (HK) Logistics Shareholders Loan and Sinotrans (HK) Shipping Loan*

The initial consideration for the Sinotrans (HK) Logistics Shareholders Loan and Sinotrans (HK) Shipping Loan of US\$15,565,149.59 (equivalent to approximately HK\$121,048,000) and US\$8,037,500 (equivalent to approximately HK\$62,693,000), respectively, is to be paid within 60 days after the Completion Date and is to be adjusted to the actual amount stated in the Completion Accounts (when disputed, the amount as stated in the Audited Completion Accounts), subject to (where relevant) a cap. The total amount of adjustment for Sinotrans (HK) Logistics Shareholders Loan is subject to a cap of RMB20,000,000 which was determined after taking into account the estimated demand for working capital for the HK Target Group from 30 June 2013 to the Completion Date.

### *Conditions Precedent*

The completion of the HK Acquisition Agreement is subject to the fulfillment of the following conditions precedent pursuant to the HK Acquisition Agreement:

- (a) the approval by the Independent Shareholders of the Company at the EGM of the entering into of the HK Acquisition Agreement and all transactions contemplated thereunder in accordance with the Listing Rules having been obtained;
- (b) the approval by Sinotrans Shipping's independent shareholders at a general meeting of Sinotrans Shipping of the entering into of the HK Acquisition Agreement and all transactions contemplated thereunder in accordance with the Listing Rules having been obtained;
- (c) all conditions precedent to completion under the SNL 49% Acquisition Agreement (except for such condition that requires the fulfillment of the conditions precedent of the HK Acquisition Agreement) having been fulfilled or waived (as the case may be), including without limitation, the SNL 49% Acquisition Agreement and the transactions contemplated thereunder having been approved by or filed with the relevant authorities with competent jurisdiction in the PRC (including the SASAC and the MOFCOM) unconditionally and irrevocably pursuant to the applicable laws;
- (d) all necessary approvals, consents, filings and waivers (if any) required to be obtained by the Target HK Companies, Trade Worlder, Sinotrans Shipping or Sinotrans (HK) Logistics from any authorities or third party in respect of the HK Acquisition Agreement and/or the transactions contemplated thereunder having been obtained unconditionally and irrevocably, including but not limited to the consent letter from the Bank of UFJ, a creditor of the Target HK Companies pursuant to a requirement in the UFJ Facility Agreement, agreeing to the transactions contemplated under the HK Acquisition Agreement; and
- (e) the warranties under the HK Acquisition Agreement remaining true, accurate and not misleading in all respects as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date.

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## LETTER FROM THE BOARD

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In respect of condition precedent (d), as the Target HK Sale Shares are charged to secure the UFJ Facility Agreement which also contains covenants with respect to the ownership of the Target HK Target Companies, the consent of the Bank of UFJ is required in order for completion to take place.

Each of the conditions precedent above can only be waived with the agreement of all the contracting parties. Sinotrans (HK) Logistics does not intend to agree to any waiver if the effect of such waiver would result in the disposal of any part of the Company's marine transportation business as contemplated under any of the HK Acquisition Agreement, SNL Acquisition Agreements and the Sinotrans Sunnyexpress Acquisition Agreement not proceeding, subject always to compliance with PRC laws.

If any of the above conditions precedent (other than condition (e) above) have not been satisfied or (in relation to condition (c) only) have not been waived on or before 31 December 2014 (or any such other date as may be agreed by the parties) and condition (e) has not been fulfilled at the time when the other conditions precedent are satisfied or (in relation to condition (c) only) waived, Trade Worlder shall have the right to postpone such date or terminate the HK Acquisition Agreement.

### ***Completion***

Subject to all the conditions precedent as set out in the paragraph headed "Conditions Precedent" above having been fulfilled or waived (as the case may be), completion of the HK Acquisition Agreement will take place on the Completion Date. Completion of the HK Acquisition Agreement is inter-conditional upon completion of the SNL Acquisition Agreements.

Upon completion of the HK Acquisition Agreement, Yunrong Shipping, Yunhua Shipping, Yunfu Shipping and Yungui Shipping will no longer be subsidiaries of the Company and their accounts will not be consolidated into the accounts of the Company.

## **(B) THE SNL ACQUISITION AGREEMENTS**

### ***Subject Matter and Assets to be Disposed of***

The Company proposes to dispose of its entire shareholding (and related shareholders loans, excluding the amount waived under the Debt Waiver Agreement) in its wholly-owned subsidiary, Sinotrans Container Lines, under the SNL Acquisition Agreements to Sinotrans & CSC (as to 51% of such interests) and Marine Harvest (as to 49% of such interests).

In order to facilitate the completion of the HK Acquisition Agreement and the SNL Acquisition Agreements, the Company and Sinotrans Container Lines entered into the Debt Waiver Agreement, pursuant to which the Company has agreed to waive the amounts owed by Sinotrans Container Lines to the Company as at 30 June 2013. If the completion of the HK Acquisition Agreement and the SNL Acquisition Agreement does not occur before 30 June 2014, the Debt Waiver Agreement will terminate and the amount owed by Sinotrans Container Lines to the Company as at 30 June 2013 will become outstanding and payable again. All debts arising after 30 June 2013 comprise the SNL 49% Loan and the SNL 51% Loan.

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## LETTER FROM THE BOARD

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Marine Harvest is an investment holding company and an indirect wholly-owned subsidiary of Sinotrans Shipping.

Sinotrans & CSC provides integrated logistics services and marine transportation services mainly through its subsidiaries, and is the holding company of both the Company and Sinotrans Shipping.

### *Consideration*

The initial consideration for the equity interests to be transferred under the SNL Acquisition Agreements was determined by the parties with reference to (i) the NAV of the relevant equity interests (being US\$8,728,000 as at 30 June 2013), (ii) the waived debts under the Debt Waiver Agreement (being approximately US\$106,421,000), (iii) Sinotrans Container Lines' assets quality, (iv) financial performance (which showed nominal profits over the two years ended 31 December 2012 and the ten months ended 31 October 2013), (v) the Group's perceived prospects of the shipping industry (which has historically been and is likely to remain volatile) and (vi) the business strategy of the Group to focus its resources on its core integrated logistic services and (vii) the perceived value of Sinotrans Container Lines to the Purchasers who have existing container fleet and operations which enables the Group to dispose of Sinotrans Container Lines at a gain. The initial consideration would be adjusted upwards or downwards on a dollar for dollar basis by reference to the increase or (as the case may be) decrease of the net asset value (when disputed, the audited net asset value as stated in the Audited Completion Accounts) of the relevant equity interests as at the Completion Date, when compared to their audited net asset value as of 30 June 2013 after taking into account the effect of the Debt Waiver Agreement, subject to a cap.

Payment of the consideration for the equity interests to be transferred under the SNL Acquisition Agreements is to be made in two installments, the first within 5 Business Days after the Completion Date and the balance within 60 days after the Completion Date.

The initial consideration for the related shareholders loans is to be adjusted based on the actual amount stated in the Completion Accounts (when disputed, the amount as stated in the Audited Completion Accounts), subject to a cap. Payment of the consideration for the related shareholders loans is to be made within 60 days after the Completion Date.

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## LETTER FROM THE BOARD

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The following table summarizes the initial consideration (subject to adjustment), the first installment and the balance consideration (before adjustment) payable under the SNL Acquisition Agreements:

	<b>Initial consideration (subject to adjustment)</b>	<b>First installment</b>	<b>Balance consideration (subject to adjustment)</b>
SNL 49% Equity Interests	RMB490,000 (equivalent to approximately HK\$621,000) <sup>1</sup>	RMB294,000 (equivalent to approximately HK\$372,000)	RMB196,000 (equivalent to approximately HK\$248,000) <sup>1</sup>
SNL 51% Equity Interest	RMB510,000 (equivalent to approximately HK\$647,000) <sup>1</sup>	RMB306,000 (equivalent to approximately HK\$388,000)	RMB204,000 (equivalent to approximately HK\$259,000) <sup>1</sup>
SNL 49% Loan	RMB23,158,084.72 (equivalent to approximately HK\$29,332,000) <sup>2</sup>	N/A	N/A
SNL 51% Loan	RMB24,103,312.67 (equivalent to approximately HK\$30,530,000) <sup>3</sup>	N/A	N/A

*1 The amount of adjustment is subject to a cap of RMB100,000,000, which was determined by taking into account the financial performance of Sinotrans Container Lines over the past three years and factors that may potentially affect the NAV of Sinotrans Container Lines including any possible fluctuation of the shipping market.*

*2 The amount of adjustment is subject to a cap on any increase at RMB24,500,000 and any deduction at RMB23,030,000, which was determined by taking into account the estimated demand for working capital for Sinotrans Container Lines from 30 June 2013 to the Completion Date.*

*3 The amount of adjustment is subject to a cap on any increase at RMB25,500,000 and any deduction at RMB23,970,000, which was determined by taking into account the estimated demand for working capital for Sinotrans Container Lines from 30 June 2013 to the Completion Date.*

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## LETTER FROM THE BOARD

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### *Conditions Precedent*

The completion of the SNL Acquisition Agreements is subject to the fulfillment of the following conditions precedent pursuant to the SNL Acquisition Agreements:

- (a) the approval by the Independent Shareholders at the EGM of the entering into of the SNL Acquisition Agreements and all transactions contemplated thereunder in accordance with the Listing Rules and the articles of association of the Company having been obtained;
- (b) (in the case of the SNL 49% Acquisition Agreement only) the approval by Sinotrans Shipping's independent shareholders at a general meeting of Sinotrans Shipping of the entering into of the SNL 49% Acquisition Agreement and all transactions contemplated thereunder in accordance with the Listing Rules having been obtained;
- (c) (in relation to the SNL 51% Acquisition Agreement only) the approval by the board of directors of Sinotrans & CSC of the acquisition of the SNL 51% Equity Interests in accordance with its articles of association having been obtained;
- (d) (in relation to the SNL 49% Acquisition Agreement only) all conditions precedent to completion under the HK Acquisition Agreement (except for such condition that requires the fulfillment of the conditions precedent of the SNL 49% Acquisition Agreement) having been fulfilled or waived (if applicable);
- (e) (in relation to the SNL 51% Acquisition Agreement only) all conditions precedent to completion under the HK Acquisition Agreement and the SNL 49% Acquisition Agreement (except for such condition that requires the fulfillment of the conditions precedent of the SNL 51% Acquisition Agreement) having been fulfilled or waived (if applicable);
- (f) all necessary approvals, filings, authorizations and consents from any authorities or third parties (including the SASAC and the MOFCOM) in accordance with the applicable laws having been obtained; and
- (g) the relevant new business licence from the SAIC having been obtained by Sinotrans Container Lines.

Each of the conditions precedent above can only be waived with the agreement of all the contracting parties. The Company does not intend to agree to any waiver if the effect of such waiver would result in the disposal of any part of its marine transportation business as contemplated under any of the HK Acquisition Agreement, SNL Acquisition Agreements and the Sinotrans Sunnyexpress Acquisition Agreement not proceeding, subject always to compliance with PRC laws.

If any of the conditions precedent set out above has not been fulfilled or waived (as the case may be) on or before 31 December 2014, the SNL Acquisition Agreements will terminate automatically. As at the Latest Practicable Date, condition precedent (c) has been fulfilled.



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## LETTER FROM THE BOARD

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### *Completion*

Subject to all the conditions precedent as set out in the paragraph headed “Conditions Precedent” of the SNL Acquisition Agreements having been fulfilled or waived (as the case may be), completion of the SNL Acquisition Agreements will take place on the relevant Completion Date.

Sinotrans & CSC has agreed under the SNL Acquisition Agreements that if Trade Worlder and/or Marine Harvest are unable to complete their acquisitions but the approval by the Independent Shareholders at the EGM of the entering into of the SNL Acquisition Agreements and the HK Acquisition Agreement has been obtained, Sinotrans & CSC will instead acquire the relevant shareholdings and shareholders loans from the Group on a date to be agreed under the same terms of the SNL Acquisition Agreements and the HK Acquisition Agreement. Under such arrangement, the Company could ensure the completion of the disposal of its marine transportation business comprising Sinotrans Container Lines and the Target HK Companies.

Upon completion the SNL Acquisition Agreements, Sinotrans Container Lines will no longer not be a subsidiary of the Company and its accounts will not be consolidated into the accounts of the Company.

### **(C) THE SINOTRANS SUNNYEXPRESS ACQUISITION AGREEMENT**

#### *Subject Matter and Assets to be Disposed of*

The Company proposes to dispose of the Sinotrans Sunnyexpress Equity Interests and the Sinotrans Sunnyexpress Loan to Sinotrans & CSC.

The Company has provided certain Entrustment Loans to Sinotrans Sunnyexpress through the Bank of Communication, which will continue to be outstanding after the Completion Date and expire between 11 January 2015 and 10 September 2016. As at 31 October 2013, the principal amount of the loans outstanding was RMB255,840,000 and carry interest at the rate of 5.84%.

#### *Consideration*

The initial consideration for the Sinotrans Sunnyexpress Equity Interests was determined by the parties with reference to (i) the NAV of the Sinotrans Sunnyexpress Equity Interests (being RMB39,684,000 as at 30 June 2013), (ii) Sinotrans Sunnyexpress assets quality, (iii) financial performance (which showed nominal profits over the two years ended 31 December 2012 and the six months ended 30 June 2013), (iv) the Group’s perceived prospects of the shipping industry (which has historically been and is likely to be volatile), (v) the business strategy of the Group to focus its resources on its core integrated logistic services and (vi) the perceived value of Sinotrans Sunnyexpress to Sinotrans & CSC which has substantial existing shipping interests which enables the Group to dispose of the Sinotrans Sunnyexpress Equity Interests at a gain. The initial

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## LETTER FROM THE BOARD

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consideration would be adjusted upwards or downwards on a dollar for dollar basis by reference to the increase or (as the case may be) decrease of the net asset value (when disputed, the audited net asset value as stated in the Audited Completion Accounts) of the Sinotrans Sunnyexpress Equity Interests as at the Completion Date, when compared to their audited net asset value as of 30 June 2013, subject to a cap.

Payment of the consideration for the Sinotrans Sunnyexpress Equity Interests is to be made in two installments, the first within 5 Business Days after the Completion Date and the balance within 60 days after the Completion Date.

The initial consideration for the Sinotrans Sunnyexpress Loan is to be adjusted based on the actual amount stated in the Completion Accounts (when disputed, the amount as stated in the Audited Completion Accounts), subject to a cap. Payment of the consideration for the Sinotrans Sunnyexpress Loan is to be made within 60 days after the Completion Date.

The following table summarizes the initial consideration (subject to adjustment), the first installment and the balance consideration (before adjustment) payable in respect of the Sinotrans Sunnyexpress Equity Interests and the Sinotrans Sunnyexpress Loan:

	<b>Initial consideration (subject to adjustment)</b>	<b>First installment</b>	<b>Balance consideration (subject to adjustment)</b>
Sinotrans Sunnyexpress Equity Interests	RMB39,840,000 (equivalent to approximately HK\$50,463,000) <sup>1</sup>	RMB23,904,000 (equivalent to approximately HK\$30,278,000)	RMB15,936,000 (equivalent to approximately HK\$20,185,000) <sup>1</sup>
Sinotrans Sunnyexpress Loan	RMB187,971,064.53 (equivalent to approximately HK\$238,089,000) <sup>2</sup>	N/A	N/A

*Notes: 1 The amount of adjustment is subject to a cap of RMB100,000,000, which was determined by taking into account the financial performance of Sinotrans Sunnyexpress over the past three years and factors that may potentially affect the NAV of Sinotrans Sunnyexpress including any possible fluctuation of the shipping market.*

*2 The amount of adjustment is subject to a cap of RMB50,000,000, which was determined by taking into account the demand for working capital for Sinotrans Sunnyexpress from 30 June 2013 to the Completion Date.*

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## LETTER FROM THE BOARD

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### *Conditions Precedent*

The completion of the Sinotrans Sunnyexpress Acquisition Agreement is subject to the fulfillment of the following conditions precedent pursuant to the Sinotrans Sunnyexpress Acquisition Agreement:

- (a) the approval by the Independent Shareholders at the EGM of the entering into of the Sinotrans Sunnyexpress Acquisition Agreement and all transactions contemplated thereunder in accordance with the Listing Rules and the articles of association of the Company having been obtained;
- (b) the approval by the board of directors of Sinotrans & CSC of the entering into of the Sinotrans Sunnyexpress Acquisition Agreement and all transactions contemplated thereunder in accordance with its articles of association having been obtained;
- (c) the approval in respect of the change of the guarantor of the loan provided by the Shanghai Branch of the Bank of China to Sinotrans Sunnyexpress having been obtained;
- (d) all conditions precedent to completion under the SNL 51% Acquisition Agreement having been fulfilled or waived (if applicable); and
- (e) the relevant new business licence from the SAIC having been obtained by Sinotrans Sunnyexpress.

The Sinotrans Sunnyexpress Acquisition Agreement may be terminated upon the occurrence of certain events, including but not limited to a party to the Sinotrans Sunnyexpress Acquisition Agreement is in breach of its obligations thereunder (and such breach is not rectified upon request within 30 days of the request notice).

Each of the conditions precedent above can only be waived with the agreement of all the contracting parties. The Company does not intend to agree to any waiver if the effect of such waiver would result in the disposal of any part of its marine transportation business as contemplated under any of the HK Acquisition Agreement, SNL Acquisition Agreements and the Sinotrans Sunnyexpress Acquisition Agreement not proceeding, subject always to compliance with PRC laws.

If any of the conditions precedent set out above has not been fulfilled or waived (as the case may be) on or before 31 December 2014, the Sinotrans Sunnyexpress Agreement will terminate automatically. As at the Latest Practicable Date, condition precedent (b) has been satisfied.

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## LETTER FROM THE BOARD

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### *Completion*

Subject to all the conditions precedent as set out in the paragraph headed “Conditions Precedent” of the Sinotrans Sunnyexpress Acquisition Agreement having been fulfilled or waived (as the case may be), completion of the Sinotrans Sunnyexpress Acquisition Agreement will take place on the Completion Date.

Upon completion of the Sinotrans Sunnyexpress Acquisition Agreement, Sinotrans Sunnyexpress will no longer be a subsidiary of the Company and its accounts will not be consolidated into the accounts of the Company.

### *Information on the companies to be disposed of under the Acquisition Agreements*

Each of the Target HK Companies (Yunrong Shipping, Yunhua Shipping, Yunfu Shipping and Yungui Shipping) is principally engaged in ship owning and chartering business.

Sinotrans Container Lines is principally engaged in centralized operation of the international container transportation, and its services cover from almost all the main cities and ports of the PRC to the overseas, including Japan, Korea, Hong Kong, Taiwan, Australia, Philippines, Singapore, Vietnam and Indonesia. It also operates branches in Beijing, Dalian, Fuzhou, Nanjing, Ningbo, Qingdao, Shenzhen, Tianjin and Xiamen in the PRC.

Sinotrans Sunnyexpress is principally engaged in international shipping services, domestic container liner service in coastal areas and areas along the middle and lower reaches of the Yangtze River and the Pearl River Delta, the feeders for international lines, the shipping charter and management.

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## LETTER FROM THE BOARD

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The book value of the total assets and the net assets of the companies to be disposed of under the Acquisition Agreements as extracted from their respective unaudited consolidated accounts prepared in accordance with HKFRS (except for Sinotrans Sunnyexpress) or PRC GAAP (in respect of Sinotrans Sunnyexpress) are as follows:

	<b>Total assets</b> (US\$'000)	<b>Net assets</b> (US\$'000)	<b>Total assets</b> (US\$'000)	<b>Net assets</b> (US\$'000)
	<b>as at</b>	<b>as at</b>	<b>as at</b>	<b>as at</b>
	<b>30 June 2013</b>	<b>30 June 2013</b>	<b>31 October 2013</b>	<b>31 October 2013</b>
Yunrong Shipping	13,354	(1)	18,717	58
Yunhua Shipping	13,235	(1)	18,523	10
Yunfu Shipping	14,052	(1)	20,437	44
Yungui Shipping	11,035	(1)	19,588	18
Sinotrans Container Lines	136,786	(115,149) <sup>2</sup>	136,257	(116,240) <sup>2</sup>
	<b>Total assets</b> (RMB'000)	<b>Net assets</b> (RMB'000)	<b>Total assets</b> (RMB'000)	<b>Net assets</b> (RMB'000)
	<b>as at</b>	<b>as at</b>	<b>as at</b>	<b>as at</b>
	<b>30 June 2013</b>	<b>30 June 2013</b>	<b>31 October 2013</b>	<b>31 October 2013</b>
Sinotrans Sunnyexpress	582,622	39,684	654,023	37,874

Notes: 1. The figures in brackets signify negative figures.

2. These figures have not taken into account the effect of the Debt Waiver Agreement. Under HKFRS, since the debt waiver contemplated under the Debt Waiver Agreement could be reversed if the transaction does not proceed, unaudited consolidated net asset value stated above has not taken into account the effect of the Debt Waiver Agreement. After taking into account the waiver of the debt as of 30 June 2013, being approximately US\$106,421,000 pursuant to the Debt Waiver Agreement, the unaudited net asset value of Sinotrans Container Lines as at 30 June 2013 and 31 October 2013 would amount to approximately US\$(8,728,000) and US\$(9,819,000) respectively or approximately RMB(57,780,000) and RMB(60,315,393) in the Company's financial reporting currency.
3. There is no material difference between HKFRS and PRC GAAP financial information except as to the recognition of the effect of the Debt Waiver Agreement referred to Note 2 above, which is permitted under PRC GAAP.

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## LETTER FROM THE BOARD

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The revenue and net profits/(loss) (before and after tax) of the Target Group as extracted from its respective unaudited consolidated accounts for each of the two financial years ended 31 December 2011 and 2012 and the latest period prepared in accordance with HKFRS (except for Sinotrans Sunnyexpress) or PRC GAAP (in respect of Sinotrans Sunnyexpress) are as follows:

	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>	<b>For the ten months ended 31 October 2013</b>
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
<b>Yunrong Shipping</b>			
Revenue	nil	nil	434
Unaudited profit before tax	–	–	57
Unaudited profit after tax	–	–	57
<b>Yunhua Shipping</b>			
Revenue	nil	nil	284
Unaudited profit before tax	–	–	9
Unaudited profit after tax	–	–	9
<b>Yunfu Shipping</b>			
Revenue	nil	nil	450
Unaudited profit before tax	–	–	43
Unaudited profit after tax	–	–	43
<b>Yungui Shipping</b>			
Revenue	nil	nil	52
Unaudited profit before tax	–	–	17
Unaudited profit after tax	–	–	17
<b>Sinotrans Container Lines</b>			
Revenue	589,972	620,516	476,408
Unaudited loss before tax	(13,729)	(18,722)	(2,519)
Unaudited loss after tax	(13,729)	(18,722)	(2,519)
	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>	<b>For the six months ended 30 June 2013</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>Sinotrans Sunnyexpress</b>			
Revenue	478,697	492,752	256,709
Unaudited loss before tax	(165,055)	(78,858)	(15,243)
Unaudited loss after tax	(165,055)	(78,858)	(15,243)

*Note: The figures in brackets above signify negative figures.*

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## LETTER FROM THE BOARD

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The estimated gain of the sale of the Target HK Sale Shares held by Sinotrans (HK) Logistics is RMB1,680,000 (equivalent to approximately HK\$2,128,000). The basis for calculating this estimated gain is the difference between the initial consideration of the transaction and the book value of net assets of the Target HK Companies as at 30 June 2013.

The estimated gain of the sale of the SNL Equity Interests is RMB58,780,000 (equivalent to approximately HK\$74,453,000). The basis for calculating this estimated gain is the difference between the initial consideration of the transactions and the book value of net assets of Sinotrans Container Lines as at 30 June 2013 after taking into account the debt waiver under the Debt Waiver Agreement (as stated in Note 2 to the first table in this section). The estimated gain of the sale of the Sinotrans Sunnyexpress Equity Interests in Sinotrans Sunnyexpress is RMB160,000 (equivalent to approximately HK\$203,000). The basis for calculating this estimated gain is the difference between the initial consideration of the transaction and the book value of net assets of Sinotrans Sunnyexpress as at 30 June 2013.

All the sale proceeds will be used to invest in the construction of warehouses and other logistics facilities for the Company.

### **REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTIONS**

The Company is a leading logistics service provider in the PRC with its core businesses in freight forwarding and shipping agency and supporting businesses in storage and terminal services, marine transportation and other services such as trucking transportation and express services.

The Company's marine transportation business has over an extended period of time showed considerable volatility in performance and has been reporting losses, which has affected the Company's overall performance and valuation. The Disposal allows the Company to realise its investment in its loss making marine transportation business and further improve the liquidity of the Group. The Company can then focus both its resources and the cash proceeds of the Disposal towards further developing its profitable core integrated logistic services business.

The Board (including all the independent non-executive Directors who have taken into account the advice from Asian Capital) is of the view that the terms of the Acquisition Agreements are fair and reasonable and are on normal commercial terms, and that the Disposal, the Acquisition Agreements (including the continuation of the Entrustment Loans) and the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### IMPLICATIONS UNDER THE LISTING RULES

As one of the relevant applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal when aggregated with the transactions contemplated under the Acquisition Agreements pursuant to Rule 14.22 of the Listing Rules is over 5% but less than 25%, the Disposal constitutes discloseable transactions of the Company. Given the Purchasers under the Acquisition Agreements are Sinotrans & CSC, which is the controlling shareholder of the Company, and its associates (as the case may be), the Purchasers are connected persons to the Company, the transactions contemplated under the Acquisition Agreements also constitute connected transactions of the Company. According to the requirements under Chapter 14A of the Listing Rules, the transactions contemplated under the Acquisition Agreements are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Sinotrans Sunnyexpress will become an associate of Sinotrans & CSC upon completion of the Sinotrans Sunnyexpress Acquisition Agreement and therefore the Entrustment Loans will constitute a connected transaction of the Company upon completion of the Sinotrans Sunnyexpress Acquisition Agreement.

The relevant applicable percentage ratios calculated in accordance with the Listing Rules on the date of the Acquisition Agreements in respect of the Entrustment Loans is less than 5% and would normally only be subject to the reporting and announcement requirements under the Listing Rules. However, the Company intends to seek Independent Shareholders approval for the continuation of the Entrustment Loans as part of the transactions contemplated under the Disposal and the Acquisition Agreements.

None of the Directors had any material interest in the transactions contemplated under the Acquisition Agreements, therefore they are not required under the Listing Rules to abstain from voting on the Board resolutions approving the Acquisition Agreements and the transactions contemplated thereunder. Nonetheless, as Mr. Zhao Huxiang, Mr. Zhang Jianwei, Ms. Tao Suyun, Mr. Li Jianzhang and Ms. Liu Jinghua are concurrently holding positions in Sinotrans & CSC, they have abstained from voting in respect of the proposed resolution(s) to approve the Acquisition Agreements in accordance with the relevant PRC laws and regulations.

In accordance with the Listing Rules, Sinotrans & CSC and its associates will be required to abstain from voting at the forthcoming EGM in respect of the transactions contemplated under the Acquisition Agreements (including the continuation of the Entrustment Loans). As at the Latest Practicable Date, Sinotrans & CSC is interested in 2,461,596,200 Domestic Shares and 88,000,000 H Shares, representing approximately 60.0% of the existing total issued share capital of the Company.

The Company has set up the Independent Board Committee (comprising all the four independent non-executive Directors) and has appointed Asian Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Disposal and the Acquisition Agreements (including the continuation of the Entrustment Loans).



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## LETTER FROM THE BOARD

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### DIRECTORS' RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 24 to 25 of this circular which contains its recommendation to the Independent Shareholders in respect of the ordinary resolution to approve the transactions contemplated under the Acquisition Agreements (including the continuation of the Entrustment Loans). The advice of Asian Capital to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition Agreements (including the continuation of the Entrustment Loans) are fair and reasonable and in the ordinary and usual course of business of the Group and the transactions contemplated under the Acquisition Agreements are in the interest of the Company and its Independent Shareholders as a whole is set out on pages 26 to 56 of this circular.

The Independent Board Committee, having taken into account the advice of Asian Capital, considers that although the Acquisition Agreements are not in the ordinary and usual course of business of the Group, the terms of the Acquisition Agreements (including the continuation of the Entrustment Loans) are on normal commercial terms and fair and reasonable and the transactions contemplated under the Acquisition Agreements (including the continuation of the Entrustment Loans) are in the interests of the Company and its Independent Shareholders as a whole.

The Board considers that although the Acquisition Agreements are not in the ordinary and usual course of business of the Group, the Acquisition Agreements (including the continuation of the Entrustment Loans) are on normal commercial terms and fair and reasonable and the transactions contemplated under the Acquisition Agreements (including the continuation of the Entrustment Loans) are in the interests of the Company and its Independent Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution to be proposed as set out in the notice of EGM dated 31 March 2014.

### GENERAL INFORMATION

Your attention is drawn to the additional information as set out in the Appendix to this circular.

Yours faithfully,  
By order of the Board of  
**Sinotrans Limited**  
**Gao Wei**  
*Company Secretary*

Beijing, 22 April 2014

*In this circular, RMB and US\$ have been translated for illustration purpose only into HK\$ at RMB1 to HK\$0.7895 and US\$1 to HK\$7.78.*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in respect of the terms of the Acquisition Agreements and the transactions contemplated thereunder as set out in the Circular.*



# 中國外運股份有限公司 SINOTRANS LIMITED

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

**(Stock Code: 0598)**

*To the Independent Shareholders*

Dear Sir and Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Sinotrans Limited (the "Company") in respect of the resolution to approve the transactions contemplated under the Acquisition Agreements, details of which are set out in the "Letter from the Board" contained in the circular of the Company (the "Circular") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the "Letter from the Board", the advice of Asian Capital in its capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of whether (i) the terms of the Acquisition Agreements (including the continuation of the Entrustment Loans) are on normal commercial terms, in the ordinary and usual course of business of the Group and fair and reasonable and (ii) the transactions contemplated under the Acquisition Agreements (including the continuation of the Entrustment Loans) are in the interests of the Company and the Independent Shareholders as a whole, as set out in the "Letter from the Independent Financial Adviser" as well as other additional information set out in other parts of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the advice of, and the principal factors and reasons considered by Asian Capital in relation thereto as stated in its letter, we consider that although the Acquisition Agreements are not in the ordinary and usual course of business of the Group, the terms of the Acquisition Agreements (including the continuation of the Entrustment Loans) and the transactions contemplated thereunder to be fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the transactions contemplated under the Acquisition Agreements (including the continuation of the Entrustment Loans).

Yours faithfully,  
The Independent Board Committee

**Guo Minjie**  
*Independent*  
*non-executive Director*

**Lu Zhengfei**  
*Independent*  
*non-executive Director*

**Liu Keguo**  
*Independent*  
*non-executive Director*

**Liu Junhai**  
*Independent*  
*non-executive Director*

Beijing, 22 April 2014

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from Asian Capital (Corporate Finance) Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



Suite 1006, Bank of America Tower  
12 Harcourt Road  
Central, Hong Kong

To the Independent Board Committee and the Independent Shareholders

22 April 2014

Dear Sirs,

### DISCLOSEABLE AND CONNECTED TRANSACTIONS

#### I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 22 April 2014 (the “**Circular**”) of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context indicates otherwise.

As set out in the Company’s announcement dated 25 March 2014, on 25 March 2014, the Company and Sinotrans (HK) Logistics (a wholly-owned subsidiary of the Company) as the vendors and Trade Worlorder, Marine Harvest and Sinotrans & CSC as the purchasers entered into the Acquisition Agreements (i.e. the HK Acquisition Agreement, the SNL 51% Acquisition Agreement, the SNL 49% Acquisition Agreement and the Sinotrans Sunnyexpress Acquisition Agreement), pursuant to which, the Group proposed to dispose of: (i) the Target HK Sale Shares; (ii) the SNL 49% Equity Interests and the SNL 51% Equity Interests; (iii) the Sinotrans Sunnyexpress Equity Interests; (iv) the Sinotrans (HK) Logistics Shareholders Loan and the Sinotrans (HK) Shipping Loan; (v) the SNL 49% Loan and the SNL 51% Loan; and (vi) the Sinotrans Sunnyexpress Loan.

As one of the relevant applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal when aggregated with the transactions contemplated under the Acquisition Agreements pursuant to Rule 14.22 of the Listing Rules is over 5% but less than 25%, the Disposal constitutes discloseable transactions of the Company. Given the Purchasers under the Acquisition Agreements are Sinotrans & CSC, which is the controlling shareholder of the Company, and its associates (as the case may be), the Purchasers are connected persons to the Company, the transactions contemplated under the Acquisition Agreements also constitute connected transactions of the Company. According to the requirements under Chapter 14A of the Listing Rules, the transactions contemplated under the Acquisition Agreements are subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Company has provided the Entrustment Loans to Sinotrans Sunnyexpress, which will continue to be outstanding after the Completion Date in accordance with the terms of the Sinotrans Sunnyexpress Acquisition Agreement. Sinotrans Sunnyexpress will become an associate of Sinotrans & CSC upon completion of the Sinotrans Sunnyexpress Acquisition Agreement, and therefore continuation of the provision of the Entrustment Loans will constitute a connected transaction of the Company upon completion of the Sinotrans Sunnyexpress Acquisition Agreement.

The relevant applicable percentage ratios calculated in accordance with the Listing Rules on the date of the Acquisition Agreements in respect of the Entrustment Loans is less than 5% and would normally only be subject to the reporting and announcement requirements under the Listing Rules. However, the Company intends to seek Independent Shareholders approval for the continuation of the Entrustment Loan as part of the transactions contemplated under the Disposal and the Acquisition Agreements.

We understand that none of the Directors had any material interest in the transactions contemplated under the Acquisition Agreements, therefore they are not required under the Listing Rules to abstain from voting on the Board resolutions approving the Acquisition Agreements and the transactions contemplated thereunder. Nonetheless, as Mr. Zhao Huxiang, Mr. Zhang Jianwei, Ms. Tao Suyun, Mr. Li Jianzhang and Ms. Liu Jinghua are concurrently holding positions in Sinotrans & CSC, they have abstained from voting in respect of the proposed resolution(s) to approve the Acquisition Agreements in accordance with the relevant PRC laws and regulations. Mr. Li Jianzhang and Ms. Liu Jinghua ceased to act as an executive Director and a non-executive Director respectively with effect from 31 March 2014 due to the expiration of his/her term of office.

### II. THE INDEPENDENT BOARD COMMITTEE

As the Latest Practicable Date, the Board consists of (i) four executive Directors, namely Mr. Zhao Huxiang, Mr. Zhang Jianwei, Ms. Tao Suyun and Mr. Li Guanpeng; (ii) three non-executive Directors, namely Mr. Wang Lin, Mr. Yu Jianmin and Mr. Jerry Hsu; and (iii) four independent non-executive Directors, namely Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Liu Kegou and Mr. Liu Junhai.

The Independent Board Committee comprising all the four independent non-executive Directors, namely Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Liu Kegou and Mr. Liu Junhai, has been established to advise the Independent Shareholders in respect of the Acquisition Agreements and the transactions contemplated thereunder.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the Acquisition Agreements (i.e. the HK Acquisition Agreement, the SNL 51% Acquisition Agreement, the SNL 49% Acquisition Agreement, the Sinotrans Sunnyexpress Acquisition Agreement), including the continuation of the Entrustment Loans and the transactions contemplated thereunder, are on normal commercial terms, in the ordinary and usual course of business and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and give independent advice to the Independent Board Committee and the Independent Shareholders.

Apart from a normal professional fee payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangements exist whereby we will receive any fees or benefits from the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### III. BASIS AND ASSUMPTIONS OF OUR OPINION

In forming our opinion and recommendation in relation to the Acquisition Agreements including the continuation of the Entrustment Loans and the transactions contemplated thereunder, we have considered, among other matters, information and documents including but not limited to (i) the Letter from the Board contained in the Circular; (ii) the Acquisition Agreements; (iii) the announcement of the Company dated 25 March 2014; (iv) the audited annual reports of the Company for the two years ended 31 December 2011 and 2012; (v) the unaudited interim report of the Company for the six months ended 30 June 2013; (vi) the accountant's reports prepared by an independent accountant on the financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) of Sinotrans Container Lines, Yunrong Shipping, Yunhua Shipping, Yunfu Shipping and Yungui Shipping for the two years ended 31 December 2011 and 2012 and the ten months ended 31 October 2013 (the “**Accountant's Reports**”); (vii) the audited financial statements of the companies in the Target Group in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China for the six months ended 30 June 2013 issued by independent auditors for the purpose of the Disposal and submission to the SASAC (the “**Special Audit Reports**”); and (viii) the audited financial statements of Sinotrans Sunnyexpress in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China for the two years ended 31 December 2012 and 2013 (the “**Sinotrans Sunnyexpress Report**”).

We have also relied on the information provided and statements and opinions made by the Company, its Directors, advisers and representatives, for which they take full responsibilities. We assumed that all relevant information and statements were true, accurate and complete at the time they were given or made and continue to be so as at the date of the Circular. We also assumed that all views, opinions and statements of intention provided by the Directors, advisers and representatives of the Company had been arrived at after due and careful enquiries. The Company confirmed that there were no other material facts not contained in the information provided to us the omission of which would make any statement or opinion contained in the Circular misleading.

We have no reason to suspect that any material fact or information has been omitted or withheld from the information or opinions provided to us by the Company, its Directors, advisers or representatives, or to doubt the truth, accuracy or completeness of the information and representations or reasonableness of the opinions provided to us by them. We have not, however, conducted any independent verification on the information provided to us by the Company, its Directors, advisers or representatives, nor have we conducted any independent investigation into the business and affairs or the prospects of the Group. We therefore do not guarantee the accuracy or completeness of any of such information.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### IV. ACQUISITION AGREEMENTS

#### 1. The HK Acquisition Agreement

##### **Date**

25 March 2014

##### **Parties**

Vendor: Sinotrans (HK) Logistics

Purchaser: Trade Worlder

##### ***Subject Matter and Assets to be disposed of***

The assets to be disposed of under the HK Acquisition Agreement to Trade Worlder comprise: i) the Target HK Sale Shares, representing the entire issued share capital of each of Target HK Companies; and ii) the Sinotrans (HK) Logistics Shareholders Loan and the Sinotrans (HK) Shipping Loan.

If, for any reason, the acquisition by Trade Worlder of the shareholding in any Target HK Company fails, Trade Worlder shall be under no obligation to acquire the shareholdings in other Target HK Companies.

##### ***Consideration***

##### ***Target HK Sale Shares***

Under the HK Acquisition Agreement, the initial consideration for the disposal of the Target HK Sale Shares is RMB1,650,002 (equivalent to approximately HK\$2,090,000).

The initial consideration for the Target HK Sale Shares for each Target HK Company would be adjusted upwards or downwards on a dollar for dollar basis by reference to the increase or (as the case may be) decrease of the net asset value (when disputed, the audited net asset value as stated in the Audited Completion Accounts) of that Target HK Company as at the Completion Date, when compared to their audited net asset value as of 30 June 2013, subject to a cap. The maximum total amount of adjustment for the initial consideration for the Target HK Sale Shares is RMB48,000,000.

If the adjusted consideration is less than the initial consideration for the Target HK Sale Shares, the obligation of Sinotrans (HK) Logistics to repay to Trade Worlder any excess consideration received may be set off against any payment obligation of Trade Worlder to Sinotrans (HK) Logistics, including for any unpaid consideration for the Sinotrans (HK) Logistics Shareholders Loan.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Sinotrans (HK) Logistics Shareholders Loan and Sinotrans (HK) Shipping Loan*

The initial consideration for the disposal of the Sinotrans (HK) Logistics Shareholders Loan and Sinotrans (HK) Shipping Loan is US\$15,565,149.59 (equivalent to approximately HK\$121,408,000 and US\$8,037,500 (equivalent to approximately HK\$62,693,000) respectively, is to be paid within 60 days after the Completion Date and is to be adjusted to the actual amount stated in the Completion Accounts (when disputed, the amount as stated in the Audited Completion Accounts), subject to (where relevant) a cap.

The total amount of adjustment for Sinotrans (HK) Logistics Shareholders Loan is subject to a cap of RMB20,000,000, which was determined after taking into account the estimated demand for working capital for the HK Target Group from 30 June 2013 to the Completion Date.

### *Conditions precedent*

Completion of the HK Acquisition Agreement is subject to the fulfillment of the following conditions precedent pursuant to the HK Acquisition Agreement:

- (a) the approval by the Independent Shareholders of the Company at the EGM of the entering into of the HK Acquisition Agreement and all transactions contemplated thereunder in accordance with the Listing Rules having been obtained;
- (b) the approval by Sinotrans Shipping's independent shareholders at a general meeting of Sinotrans Shipping of the entering into of the HK Acquisition Agreement and all transactions contemplated thereunder in accordance with the Listing Rules having been obtained;
- (c) all conditions precedent to completion under the SNL 49% Acquisition Agreement (except for such condition that requires the fulfillment of the conditions precedent of the HK Acquisition Agreement) having been fulfilled or waived (as the case may be), including without limitation, the SNL 49% Acquisition Agreement and the transactions contemplated thereunder having been approved by or filed with the relevant authorities with competent jurisdiction in the PRC (including the SASAC and the MOFCOM) unconditionally and irrevocably pursuant to the applicable laws;
- (d) all necessary approvals, consents, filings and waivers (if any) required to be obtained by the Target HK Companies, Trade Worlder, Sinotrans Shipping or Sinotrans (HK) Logistics from any authorities or third party in respect of the HK Acquisition Agreement and/or the transactions contemplated thereunder having been obtained unconditionally and irrevocably, including but not limited to the consent letter from the Bank of UFJ, a creditor of the Target HK Companies pursuant to a requirement in the UFJ Facility Agreement, agreeing to the transactions contemplated under the HK Acquisition Agreements; and



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (e) the warranties under the HK Acquisition Agreement remaining true, accurate and not misleading in all respects as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date.

In respect of condition precedent (d), as the Target HK Sale Shares are charged to secure the UFJ Facility Agreement which also contains covenants with respect to the ownership of the Target HK Target Companies, the consent of the Bank of UFJ is required in order for completion to take place.

Each of the conditions precedent above can only be waived with the agreement of all the contracting parties. Sinotrans (HK) Logistics does not intend to agree to any waiver if the effect of such waiver would result in the disposal of any part of the Company's marine transportation business as contemplated under any of the HK Acquisition Agreement, the SNL Acquisition Agreements and the Sinotrans Sunnyexpress Acquisition Agreement not proceeding, subject always to compliance with PRC laws.

If any of the above conditions precedent (other than condition (e) above) have not been satisfied or (in relation to condition (c) only) have not been waived on or before 31 December 2014 (or any such other date as may be agreed by the parties) and condition (e) has not been fulfilled at the time when the other conditions precedent are satisfied or (in relation to condition (c) only) waived. Trade Worlder shall have the right to postpone such date or terminate the HK Acquisition Agreement.

### ***Completion***

Subject to the conditions precedent as set out in the paragraph headed "Conditions precedent" above having been fulfilled or waived (as the case may be), completion of the HK Acquisition Agreement will take place on the Completion Date. Completion of the HK Acquisition Agreement is inter-conditional upon completion of the SNL Acquisition Agreements.

Upon completion of the HK Acquisition Agreement, Yunrong Shipping, Yunhua Shipping, Yunfu Shipping and Yungui Shipping will no longer be subsidiaries of the Company and their financial statements will not be consolidated into the financial statements of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. The SNL Acquisition Agreements

Under the SNL Acquisition Agreements, the Company proposes to dispose of its entire shareholding (and related shareholders loans, excluding the amount waived under the Debt Waiver Agreement) in Sinotrans Containers Lines (a wholly-owned subsidiary of the Company) (the “**SNL Equity Interests**”) to Sinotrans & CSC (as to 51% of such interests) and Marine Harvest (as to 49% of such interests).

Set out below are the detailed terms of each of the SNL 51% Acquisition Agreement and the SNL 49% Acquisition Agreement.

#### 2.1 *The SNL 51% Acquisition Agreement*

##### **Date**

25 March 2014

##### **Parties**

Vendor: The Company

Purchaser: Sinotrans & CSC

##### *Subject Matter and Assets to be disposed of*

The Company proposes to dispose of (i) the SNL 51% Equity Interests, representing 51% equity interest in Sinotrans Container Lines; and (ii) the SNL 51% Loan (excluding the amount waived under the Debt Waiver Agreement) to Sinotrans & CSC.

##### *Consideration and payment terms*

The total initial consideration under the SNL 51% Acquisition Agreement is RMB24,613,312.67 (equivalent to approximately HK\$31,177,000), including RMB510,000 (equivalent to approximately HK\$647,000) for the disposal of the SNL 51% Equity Interests and RMB24,103,312.67 (equivalent to approximately HK\$30,530,000) for the disposal of the SNL 51% Loan.

Payment of the consideration for the SNL 51% Equity Interest under the SNL 51% Acquisition Agreement is to be made in two installments, the first within 5 Business Days after the Completion Date and the balance within 60 days after the Completion Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The initial consideration for the SNL 51% Loan is to be adjusted based on the actual amount stated in the Completion Accounts (when disputed, the amount as stated in the Audited Completion Accounts), subject to a cap. Payment of the consideration for the related shareholders loans is to be made within 60 days after the Completion Date.

The following table summarises the initial consideration (subject to adjustment), the first installment and the balance consideration (before adjustment) payable under the 51% SNL Acquisition Agreement:

	<b>Initial consideration (subject to adjustment)</b>	<b>First installment</b>	<b>Balance consideration (subject to adjustment)</b>
SNL 51% Equity Interest	RMB510,000 (equivalent to approximately HK\$647,000) <sup>1</sup>	RMB306,000 (equivalent to approximately HK\$388,000)	RMB204,000 (equivalent to approximately HK\$259,000) <sup>1</sup>
SNL 51% Loan	RMB24,103,312.67 (equivalent to approximately HK\$30,530,000) <sup>2</sup>	N/A	N/A

*Notes:*

- 1 The amount of adjustment is subject to a cap of RMB100,000,000.*
- 2 The amount of adjustment is subject to a cap of an increase of RMB25,500,000 and any deduction of RMB23,970,000. The initial consideration is to be adjusted based on the actual amount stated in the Completion Accounts (when disputed, the amount as stated in the Audited Completion Accounts), subject to the cap.*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2.2 *The SNL 49% Acquisition Agreement*

#### **Date**

25 March 2014

#### **Parties**

Vendor:                   The Company

Purchasers:             Marine Harvest

#### *Subject matter and assets to be disposed of*

The Company proposes to dispose of (i) the SNL 49% Equity Interests, representing 49% equity interest in Sinotrans Container Lines; and (ii) the SNL 49% Loan (excluding the amount waived under the Debt Waiver Agreement) to Marine Harvest.

#### *Consideration and payment terms*

The total initial consideration under the SNL 49% Acquisition Agreement is RMB23,648,084.72 (equivalent to approximately HK\$29,953,000), representing RMB490,000 (equivalent to approximately HK\$621,000) for the disposal of the SNL 49% Equity Interests and RMB23,158,084.72 (equivalent to approximately HK\$29,332,000) for the disposal of the SNL 49% Loan.

Payment of the consideration for the SNL 49% Equity Interest under the SNL 49% Acquisition Agreement is to be made in two installments, the first within 5 Business Days after the Completion Date and the balance within 60 days after the Completion Date.

The initial consideration for the SNL 49% Loan is to be adjusted based on the actual amount stated in the Completion Accounts (when disputed, the amount as stated in the Audited Completion Accounts), subject to a cap. Payment of the consideration for the related shareholders loans is to be made within 60 days after the Completion Date.

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The following table summarises the initial consideration (subject to adjustment), the first installment and the balance consideration (before adjustment) payable under the 49% SNL Acquisition Agreement:

	<b>Initial consideration (subject to adjustment)</b>	<b>First installment</b>	<b>Balance consideration (subject to adjustment)</b>
SNL 49% Equity Interests	RMB490,000 (equivalent to approximately HK\$621,000) <sup>1</sup>	RMB294,000 (equivalent to approximately HK\$372,000)	RMB196,000 (equivalent to approximately HK\$248,000) <sup>1</sup>
SNL 49% Loan	RMB23,158,084.72 (equivalent to approximately HK\$29,332,000) <sup>2</sup>	N/A	N/A

*1 The amount of adjustment is subject to a cap of RMB100,000,000.*

*2 The amount of adjustment is subject to a cap of an increase of RMB24,500,000 and any deduction of RMB23,030,000. The initial consideration is to be adjusted based on the actual amount stated in the Completion Accounts (when disputed, the amount as stated in the Audited Completion Accounts), subject to the cap.*

### **2.3 Other terms of the SNL Acquisition Agreements**

#### *Conditions precedent*

The completion of the SNL Acquisition Agreements is subject to the fulfillment of the following conditions precedent pursuant to the SNL Acquisition Agreements:

- (a) the approval by the Independent Shareholders at the EGM of the entering into of the SNL Acquisition Agreements and all transactions contemplated thereunder in accordance with the Listing Rules and the articles of association of the Company having been obtained;
- (b) (in the case of the SNL 49% Acquisition Agreement only) the approval by Sinotrans Shipping's independent shareholders at a general meeting of Sinotrans Shipping of the entering into of the SNL 49% Acquisition Agreement and all transactions contemplated thereunder in accordance with the Listing Rules having been obtained;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (c) (in relation to the SNL 51% Acquisition Agreement only) the approval by the board of directors of Sinotrans & CSC of the acquisition of the SNL 51% Equity Interests in accordance with its articles of association having been obtained;
- (d) (in relation to the SNL 49% Acquisition Agreement only) all conditions precedent to completion under the HK Acquisition Agreement (except for such condition that requires the fulfillment of the conditions precedent of the SNL 49% Acquisition Agreement) having been fulfilled or waived (if applicable);
- (e) (in relation to the SNL 51% Acquisition Agreement only) all conditions precedent to completion under the HK Acquisition Agreement and the SNL 49% Acquisition Agreement (except for such condition that requires the fulfillment of the conditions precedent of the SNL 51% Acquisition Agreement) having been fulfilled or waived (if applicable);
- (f) all necessary approvals, filings, authorizations and consents from any authorities or third parties (including the SASAC and the MOFCOM) in accordance with the applicable laws having been obtained; and
- (g) the relevant new business licence from the SAIC having been obtained by Sinotrans Container Lines.

Each of the conditions precedent above can only be waived with the agreement of all the contracting parties. The Company does not intend to agree to any waiver if the effect of such waiver would result in the disposal of any part of its marine transportation business as contemplated under any of the HK Acquisition Agreement, SNL Acquisition Agreements and the Sinotrans Sunnyexpress Acquisition Agreement not proceeding, subject always to compliance with PRC laws.

If any of the conditions precedent set out above has not been fulfilled or waived (as the case may be) on or before 31 December 2014, the SNL Acquisition Agreements will terminate automatically. As at the Latest Practicable Date, condition precedent (c) has been fulfilled.

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### *Completion*

Subject to all the conditions precedent as set out in the paragraph headed “Conditions Precedent” of the SNL Acquisition Agreements having been fulfilled or waived (as the case may be), completion of the SNL Acquisition Agreements will take place on the relevant Completion Date.

Sinotrans & CSC has agreed under the SNL Acquisition Agreements that if Trade Worlder and/or Marine Harvest are unable to complete their acquisitions but the approval by the Independent Shareholders at the EGM of the entering into of the SNL Acquisition Agreements and the HK Acquisition Agreement has been obtained, Sinotrans & CSC will instead acquire the relevant shareholdings and shareholders loans from the Group on a date to be agreed under the same terms of the SNL Acquisition Agreements and the HK Acquisition Agreement. Under such arrangement, the Company could ensure the completion of the disposal of its marine transportation business comprising Sinotrans Container Lines and the Target HK Companies.

Upon completion the SNL Acquisition Agreements, Sinotrans Container Lines will no longer not be a subsidiary of the Company and its accounts will not be consolidated into the accounts of the Company.

### *Debt Waiver Agreement*

In order to facilitate the completion of the HK Acquisition Agreement and the SNL Acquisition Agreements, on 28 October 2013, the Company and Sinotrans Container Lines entered into the Debt Waiver Agreement, pursuant to which the Company agreed to waive the amounts of approximately US\$106,421,000 owed by Sinotrans Container Lines to the Company as at 30 June 2013. If the completion of the HK Acquisition Agreement and the SNL Acquisition Agreements does not occur before 30 June 2014, the Debt Waiver Agreement will terminate and the amount owed by Sinotrans Container Lines to the Company as at 30 June 2013 will become outstanding and payable again. All debts arising after 30 June 2013 comprise the SNL 51% Loan and the SNL 49% Loan.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. The Sinotrans Sunnyexpress Acquisition Agreement

#### **Date**

25 March 2014

#### **Parties**

Vendor: The Company

Purchaser: Sinotrans & CSC

#### ***Subject Matter and Assets to be disposed of***

Under the Sinotrans Sunnyexpress Acquisition Agreement, the Company proposed to dispose of (i) the Sinotrans Sunnyexpress Equity Interests; and (ii) and the Sinotrans Sunnyexpress Loan, to Sinotrans & CSC.

#### ***Consideration and payment terms***

Under the Sinotrans Sunnyexpress Acquisition Agreement, the total initial consideration is RMB227,811,640.53 (equivalent to approximately HK\$288,552,000), representing RMB39,840,000 (equivalent to approximately HK\$50,463,000) for the disposal of the Sinotrans Sunnyexpress Equity Interests and RMB187,971,640.53 (equivalent to approximately HK\$238,089,000) for the disposal of the Sinotrans Sunnyexpress Loan.

The initial consideration would be adjusted upwards or downwards on a dollar for dollar basis by reference to the increase or (as the case may be) decrease of the net asset value (when disputed, the audited net asset value as stated in the Audited Completion Accounts) of the Sinotrans Sunnyexpress Equity Interests as at the Completion Date, when compared to their audited net asset value as of 30 June 2013, subject to a cap.

Payment of the consideration for the Sinotrans Sunnyexpress Equity Interests is to be made in two installments, the first within 5 Business Days after the Completion Date and the balance within 60 days after the Completion Date.

The initial consideration for the Sinotrans Sunnyexpress Loan is to be adjusted based on the actual amount stated in the Completion Accounts (when disputed, the amount as stated in the Audited Completion Accounts), subject to a cap. Payment of the consideration for the Sinotrans Sunnyexpress Loan is to be made within 60 days after the Completion Date.



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The following table summarises the initial consideration (subject to adjustment), the first installment and the balance consideration (before adjustment) payable in respect of the Sinotrans Sunnyexpress Equity Interests and the Sinotrans Sunnyexpress Loan:

	<b>Initial consideration (subject to adjustment)</b>	<b>First installment</b>	<b>Balance consideration (subject to adjustment)</b>
Sinotrans Sunnyexpress Equity Interests	RMB39,840,000 (equivalent to approximately HK\$50,463,000) <sup>1</sup>	RMB23,904,000 (equivalent to approximately HK\$30,278,000)	RMB15,936,000 (equivalent to approximately HK\$20,185,000) <sup>1</sup>
Sinotrans Sunnyexpress Loan	RMB187,971,640.53 (equivalent to approximately HK\$238,089,000) <sup>2</sup>	N/A	N/A

*Notes:*

*1 The amount of adjustment is subject to a cap of RMB100,000,000.*

*2 The amount of adjustment is subject to a cap of RMB50,000,000.*

### ***Entrustment Loans***

The Company has, through Bank of Communication, provided the Entrustment Loans to Sinotrans Sunnyexpress, without pledging any security by the Group. The Entrustment Loans entail seven separate agreements with the total amount of approximately RMB257 million. The interest rate of the Entrustment Loans was agreed at a rate which is 5% lower the three-year primary lending rate of the People's Bank of China (the "PBC"). As at 31 October 2013, the outstanding principal amount of the Entrustment Loans was RMB255,840,000 with annual an interest rate of 5.84%. The Entrustment Loans all have a term of three years and will expire from January 2015 to September 2016 in sequence.

Pursuant to the Sinotrans Sunnyexpress Acquisition Agreement, the Company will continue to provide the Entrustment Loans to Sinotrans Sunnyexpress.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Conditions precedent*

Completion of the Sinotrans Sunnyexpress Acquisition Agreement is subject to the fulfillment of the following conditions precedent:

- (a) the approval by the Independent Shareholders at the EGM of the entering into of the Sinotrans Sunnyexpress Acquisition Agreement and all transactions contemplated thereunder in accordance with the Listing Rules and the articles of association of the Company having been obtained;
- (b) the approval by the board of directors of Sinotrans & CSC of the entering into of the Sinotrans Sunnyexpress Acquisition Agreement and all transactions contemplated thereunder in accordance with its articles of association having been obtained;
- (c) the approval in respect of the change of the guarantor of the loan provided by the Shanghai Branch of the Bank of China to Sinotrans Sunnyexpress having been obtained;
- (d) all conditions precedent to completion under the SNL 51% Acquisition Agreement having been fulfilled or waived (if applicable); and
- (e) the relevant new business licence from the SAIC having been obtained by Sinotrans Sunnyexpress.

The Sinotrans Sunnyexpress Acquisition Agreement may be terminated upon the occurrence of certain events, including but not limited to a party to the Sinotrans Sunnyexpress Acquisition Agreement is in breach of its obligations thereunder and such breach is not rectified upon request within 30 days of the request notice.

Each of the conditions precedent above can only be waived with the agreement of all the contracting parties. The Company does not intend to agree to any waiver if the effect of such waiver would result in the disposal of any part of its marine transportation business as contemplated under any of the HK Acquisition Agreement, the SNL Acquisition Agreements and the Sinotrans Sunnyexpress Acquisition Agreement not proceeding, subject always to compliance with PRC laws.

If any of the conditions precedent set out above has not been fulfilled or waived (as the case may be) on or before 31 December 2014, the Sinotrans Sunnyexpress Agreement will terminate automatically. As at the Latest Practicable Date, condition precedent (b) has been satisfied.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Completion*

Subject to all the conditions precedent as set out in the paragraph headed “Conditions precedent” of the Sinotrans Sunnyexpress Acquisition Agreement having been fulfilled or waived (as the case may be), completion of the Sinotrans Sunnyexpress Acquisition Agreement will take place on the Completion Date.

Upon completion of the Sinotrans Sunnyexpress Acquisition Agreement, Sinotrans Sunnyexpress will no longer be a subsidiary of the Company and its accounts will not be consolidated into the accounts of the Company.

#### **4. Sale proceeds and financial effects of the Disposal**

The estimated gain of the sale of the Target HK Sale Shares held by Sinotrans (HK) Logistics is RMB1,680,000 (equivalent to approximately HK\$2,128,000). The basis for calculating this estimated gain is the difference between the initial consideration of the transaction and the book value of net assets of the Target HK Companies as at 30 June 2013.

The estimated gain of the sale of the SNL Equity Interests is RMB58,780,000 (equivalent to approximately HK\$74,453,000). The basis for calculating this estimated gain is the difference between the initial consideration of the transactions and the book value of net assets of Sinotrans Container Lines as at 30 June 2013.

The estimated gain of the sale of the Sinotrans Sunnyexpress Equity Interests is RMB160,000 (equivalent to approximately HK\$203,000). The basis for calculating this estimated gain is the difference between the initial consideration of the transaction and the book value of net assets of the Sinotrans Sunnyexpress as at 30 June 2013.

All the sale proceeds will be used to invest in the construction of warehouses and other logistics facilities for the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendations with regard to the Acquisition Agreements, we have taken into consideration the following principal factors and reasons:

#### 1. Background of the Disposal

##### 1.1 Information of the Group

The Company is a leading logistics service provider in the PRC whose core businesses include freight forwarding and shipping agency, complemented by supporting businesses in storage and terminal services, marine transportation and other services (mainly engaged in trucking transportation and express services).

The geographical areas covered by the Group's business operation include Guangdong, Fujian, Shanghai, Zhejiang, Jiangsu, Hubei, Lianyungang, Shandong, Tianjin, Liaoning, Anhui, Jiangxi, Sichuan, Chongqing and Hong Kong etc., being coastal regions and strategic locations under rapid growth in China. It also has an extensive domestic service network, as well as a large overseas agency network.

According to the annual report of the Company for the year ended 31 December 2012, the Group's revenue for the year amounted to approximately RMB47.5 billion, increased by 8.5% from approximately RMB43.7 billion for the year ended 31 December 2011 and the trend of revenue is still optimistic for the full year of 2013 given the Group has already achieved an unaudited revenue of approximately RMB25.1 billion for the six months ended 30 June 2013 as reported by the Company in its interim report for the six months ended 30 June 2013.

The table below sets out the revenue from each segment of the Group after inter-segment elimination extracted from the annual report of the Company for the year ended 31 December 2012 and the interim report of the Company for the six months ended 30 June 2013:

	For the year ended 31 December				For the six-month period ended 30 June	
	2011 (audited)		2012 (audited)		2013 (unaudited)	
	<i>(RMB million)</i>	(%)	<i>(RMB million)</i>	(%)	<i>(RMB million)</i>	(%)
Freight forwarding	36,210.9	82.8%	39,449.4	83.1%	21,263.7	84.7%
Shipping agency	669.3	1.5%	1,017.9	2.1%	335.3	1.3%
Storage and terminal services	1,699.1	3.9%	1,897.9	4.0%	895.9	3.6%
Marine transportation	3,752.5	8.6%	3,808.7	8.0%	1,953.5	7.8%
Other services	1,415.7	3.2%	1,308.1	2.8%	661.1	2.6%
<b>Total revenue</b>	<b>43,747.5</b>	<b>100%</b>	<b>47,482.0</b>	<b>100%</b>	<b>25,109.5</b>	<b>100%</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Freight forwarding segment, as one of the core business segments of the Group, has been the principal revenue segment of the Group. For the two years ended 31 December 2011 and 2012, revenue generated from freight forwarding segment amounted to approximately RMB36,211 million and RMB39,449 million respectively and accounted for approximately 82.8% and 83.1% respectively of the Group's total revenue. The upward trend continued and revenue from freight forwarding segment accounted for approximately 84.7% of the Group's revenue for the six months ended 30 June 2013.

Revenue generated from marine transportation segment, one of the complementary business segments of the Group, amounted to RMB3,753 million and RMB3,809 million for the years ended 31 December 2011 and 2012 respectively, representing a slight increase of 2.2%. Although there was a slight year-on-year increase, the contribution of this complementary business segment to the overall revenue of the Group recorded a decrease from approximately 8.6% of the Group's revenue for the year ended 31 December 2011 to approximately 8.0% for the year ended 31 December 2012 respectively. For the six months ended 30 June 2013, contribution from marine transportation segment to the overall revenue of the Group decreased further to approximately 7.8% of the Group's revenue.

Set out below is the segment results of the Group after inter-segment elimination extracted from the annual report of the Company for the year ended 31 December 2012 and the interim report of the Company for the six months ended 30 June 2013:

	For the year ended 31 December				For the six-month period ended 30 June	
	2011 (audited)		2012 (audited)		2013 (unaudited)	
	<i>(RMB million)</i>	<i>(%)</i>	<i>(RMB million)</i>	<i>(%)</i>	<i>(RMB million)</i>	<i>(%)</i>
Freight forwarding	674.7	68.7%	568.2	61.4%	417.1	61.6%
Shipping agency	297.1	30.3%	278.8	30.1%	116.2	17.2%
Storage and terminal services	317.6	32.3%	339.2	36.7%	171.9	25.4%
Marine transportation	(313.7)	(32.0%)	(257.5)	(27.8%)	(35.1)	(5.2%)
Other services	6.1	0.7%	(3.6)	(0.4%)	7.2	1.0%
<b>Consolidated segment results</b>	<b>981.8</b>	<b>100%</b>	<b>925.1</b>	<b>100%</b>	<b>677.3</b>	<b>100%</b>

As illustrated in table above, the principal freight forwarding segment contributed approximately 68.7%, 61.4% and 61.6% of the consolidated segment results of the Group for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013 respectively. The shipping agency and storage and terminal services segments also contributed significant portions to the consolidated segment results of the Group.

However, the marine transportation segment continued to make significant losses for the years ended 31 December 2011 and 2012. As such, a significant portion of the Group's consolidated results for each of such financial years was offset by the loss from this segment, which was mainly attributable to the continuing significant losses from Sinotrans Container Lines and Sinotrans Sunnyexpress as illustrated in the section 1.2 headed "Information of the Target Group" below. Although the loss of the marine transportation segment was decreased slightly for the six months ended 30 June 2013, it was the only loss making segment of the Group during that period.

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### 1.2 Information of the Target Group

#### *Sinotrans Container Lines Group*

Sinotrans Container Lines, as a wholly-owned subsidiary of the Company, is principally engaged in centralised operation of the international container transportation. Its services cover almost all the main cities and ports of the PRC to the overseas, including Japan, Korea, Hong Kong, Taiwan, Australia, Philippines, Singapore, Vietnam and Indonesia. It also operates branches in Beijing, Dalian, Fuzhou, Nanjing, Ningbo, Qingdao, Shenzhen, Tianjin and Xiamen in the PRC. As at 30 June 2013, Sinotrans Container Lines owned 2 vessels.

Set out below is the financial performance of Sinotrans Container Lines for the two years ended 31 December 2012 and the ten months ended 31 October 2013 as extracted from the Accountant's Report of Sinotrans Container Lines:

	For the year ended		For the ten
	31 December 2011	31 December 2012	months ended
	(audited)	(audited)	31 October 2013
	(US\$'000)	(US\$'000)	(audited)
			(US\$'000)
Revenue	589,972	620,516	476,408
– Revenue from container shipping business	536,216	574,471	435,389
– Revenue from other business	53,756	46,045	41,019
Operating loss	13,803	18,795	2,582
Loss attributable to owner of Sinotrans Container Lines	<u>13,729</u>	<u>18,722</u>	<u>2,519</u>

As illustrated in table above, the revenue of Sinotrans Container Lines for the year ended 31 December 2012 was approximately US\$621 million, of which approximately 93% was generated from container shipping business, representing an increase of approximately 5.3% from approximately US\$590 million for the year ended 31 December 2011, of which approximately 91% was generated from container shipping business.

Based on the discussions with the management of the Group, we understand that the increase of revenue was mainly due to the increase in the loading rate (裝載率) of Sinotrans Container Lines, and continuing operating losses for the two years ended 31 December 2012 were mainly due to the keen competition of the marine transportation industry and the high costs of the fuel, which is the principal cost of the marine transportation segment of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is the financial position of Sinotrans Container Lines as at 31 October 2013 extracted from the Accountant's Report of Sinotrans Container Lines:

	<b>As at 31 October 2013 (audited) (US\$'000)</b>
<b>Non-current assets:</b>	
Property, plant and equipment	4,893
<b>Current assets:</b>	
Inventories	8,491
Trade and other receivables	107,008
Cash and cash equivalents	15,865
<b>Total asset</b>	<b>136,257</b>
<b>Current liabilities:</b>	
Trade and other payables	162,798
Loans from the immediate holding company	89,621
Other taxes payables	78
<b>Total liability</b>	<b>252,497</b>
<b>Net liability</b>	<b>116,240</b>

As illustrated in table above, as at 31 October 2013, assets of Sinotrans Container Lines mainly comprise trading and other receivables which amounted to approximately US\$107 million and accounted for approximately 78.5% of its total assets.

Sinotrans Container Lines had a net liability of approximately US\$116 million and a working capital deficit of approximately US\$121 million as at 31 October 2013.

### *Yunhua Shipping, Yunfu Shipping, Yunrong Shipping and Yungui Shipping*

Yunrong Shipping, Yunhua Shipping, Yunfu Shipping and Yungui Shipping are all incorporated in Hong Kong on 11 May 2011. Each of the Target HK Company is an indirect wholly-owned subsidiary of the Group and is principally engaged in ship owning and chartering business.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The revenues of the Target HK Companies are from the provision of chartering services, which were their only business segment. Since the Target HK Companies only commenced their businesses in the second half of 2013, no revenue was generated by the Target HK Companies for the two years ended 31 December 2011 and 2012. According to the Accountant's Report, each of Yunrong Shipping, Yunhua Shipping, Yunfu Shipping and Yungui Shipping recorded revenue of approximately US\$434,000, US\$284,000, US\$450,000 and US\$52,000 respectively, with net profit being approximately US\$57,000, US\$9,000, US\$43,000 and US\$17,000 respectively for the ten months ended 31 October 2013.

The table below sets out the financial position of each of the Target HK Companies, as extracted from the respective Accountant's Report of each of the Target HK Companies as at 31 October 2013:

	<b>As at</b> <b>31 October 2013</b> <b>(audited)</b> <i>(US\$'000)</i>
<b>Yunrong Shipping</b>	
Container vessel	18,194
Total asset	18,717
Bank Loan	11,419
Amount due to immediate holding company	3,747
Total liabilities	18,659
Net asset/(liability)	58
<b>Yunhua Shipping</b>	
Container vessel	18,162
Total asset	18,523
Bank Loan	11,800
Amount due to immediate holding company	3,749
Total liabilities	18,513
Net asset/(liability)	10
<b>Yunfu Shipping</b>	
Container vessel	19,895
Total asset	20,437
Bank Loan	13,273
Amount due to immediate holding company	4,036
Total liabilities	20,393
Net asset/(liability)	44
<b>Yungui Shipping</b>	
Container vessel	19,489
Total asset	19,588
Bank Loan	13,137
Amount due to immediate holding company	4,033
Total liabilities	19,570
Net asset/(liability)	18

As illustrated in the table above, the main asset owned by each of the Target HK Companies as at 31 October 2013 was a container vessel.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Sinotrans Sunnyexpress*

Sinotrans Sunnyexpress is an indirect wholly-owned subsidiary of the Company, which is principally engaged in international shipping services, domestic container liner service in coastal areas and areas along the middle and lower reaches of the Yangtze River and the Pearl River Delta, the feeders for international lines, the shipping charter and management. As at 30 June 2013, Sinotrans Sunnyexpress owned 5 vessels and had 2 vessels under construction.

Set out below are (i) the financial position of Sinotrans Sunnyexpress extracted from the Special Audit Report of Sinotrans Sunnyexpress as at 30 June 2013; and (ii) the financial performance of Sinotrans Sunnyexpress extracted from the Sinotrans Sunnyexpress Report for the two years ended 31 December 2012 and the Special Audit Report of Sinotrans Sunnyexpress for the six months ended 30 June 2013:

	<b>As at 30 June 2013 (audited) (RMB'000)</b>		
<b>Non-current assets:</b>			
Vessels and vessels under construction	475,780		
Other non-current assets	4,941		
<b>Current assets:</b>			
Cash and cash equivalents	36,309		
Trade and other receivables	51,643		
Inventory	9,055		
Other current assets	4,894		
<b>Total asset</b>	<b>582,623</b>		
<b>Total liability</b>	<b>542,938</b>		
<b>Net asset</b>	<b>39,685</b>		
	<b>For the year ended</b>		<b>For the six</b>
	<b>31 December 2011</b>	<b>31 December 2012</b>	<b>months ended</b>
	<b>(audited)</b>	<b>(audited)</b>	<b>30 June 2013</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(unaudited)</b>
			<b>(RMB'000)</b>
Revenue	478,697	492,752	637,758
Operating loss	(165,656)	(94,654)	(17,917)
Loss after income tax	(165,055)	(78,858)	(15,046)
	<u>                    </u>	<u>                    </u>	<u>                    </u>

*Note: There is no material difference between HKFRS and PRC GAAP financial information.*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated above, as at 30 June 2013, Sinotrans Sunnyexpress had total assets of approximately RMB583 million, among which more than 82% were vessels and vessels under construction.

Despite the sustained increase of revenue from approximately RMB479 million for the year ended 31 December 2011 to approximately RMB638 million for the six months ended 30 June 2013, Sinotrans Sunnyexpress recorded losses inevitably for each of the two years and six months. According to the management of the Group, the loss was mainly due to keen competition of the domestic marine transportation market and the high expenditure of costs.

### *1.3 Information of the Purchasers*

Sinotrans & CSC (together with its subsidiaries, the “**Sinotrans & CSC Group**”), as the controlling shareholder of the Company and Sinotrans Shipping, provides integrated logistics services and marine transportation services mainly through its subsidiaries.

Trade Worlder and Marine Harvest are investment holding companies which are indirect wholly-owned subsidiaries of Sinotrans Shipping. Sinotrans Shipping is a shipping company whose shares are listed on the Main Board of the Stock Exchange. The core business of the Sinotrans Shipping group is dry bulk vessel chartering, which involves the chartering of self-owned vessels for the transportation of dry bulk cargo, such as iron ore, coal, grain and steel products and container vessels chartering.

### *1.4 Brief industry overview*

Freight rate is one of the factors affecting the container shipping industry. China (Export) Containerized Freight Index (“**CCFI**”), which was sponsored by the Ministry of Communications of the PRC and formulated by Shanghai Shipping Exchange, indicates the general trends of freight rates for shipping routes from China to other international ports for container shipping market. CCFI is formulated based on the freight rates collected from 16 major domestic and foreign shipping companies, selected from 11 international shipping lines. According to the “International Shipping Market Analysis Report” (the “**Report**”) issued by the Shanghai International Shipping Institute (上海國際航運研究中心), CCFI averaged 1081.8 points in 2013, representing a decrease of 7.61% compared with that in 2012. In 2013, CCFI showed an overall downward trend.

In addition, the CCFI peaked in the first quarter of 2013 at 1152.47 points, which was boosted by Chinese New Year, and then moved downwards in the second quarter. The freight rates rebounded in a short period in the third quarter of 2013 and continued to witness a slack in the fourth quarter of 2013 and ended at approximately 1113.73 points for 2013, which indicated that the shipping market is highly cyclical.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Moreover, freight rates in 2013 declined compared to 2012 among different shipping routes internationally, with the slow recovery of major economies and shipping volume. For instance, according to Shanghai Shipping Exchange, the freight rate dropped 8.22% for the route from China-Southeast Asia (Singapore) route as stated in the Report issued by Shanghai Shipping Exchange.

The global container shipping volume serves as another key indicator of the performance of the container shipping industry. According to the Report, global container shipping volume experienced a slow recovery, with only a minor increase of 4.77% to 160.2 million twenty-foot equivalent units (“TEU”) in 2013 compared to 152.9 million TEU in 2012. With the highly cyclical nature of the shipping market, declining freight rates and the minor increase of the global container shipping volume, it appears that the global container shipping market remain sluggish.

We note that competition in the container shipping market is keen and container vessels with larger capacity tend to capture a significant share of the market. According to the Report, as of October 2013, container vessels with capacity of more than 8,000 TEU has been the major type of vessels, accounted for 32.3% of total global capacity, of which vessels of capacity more than 10,000 TEU accounted for 14.5%. According to the Clarkson’s statistics, the average capacity of containerships had grown from approximately 1,000 TEU in 1980s to 3333.09 TEU in October 2013.

### **2. Reasons and benefits of the Disposal**

According to the Letter from the Board, the Company’s marine transportation business has over an extended period of time showed considerable volatility in performance and has been reporting losses, which has affected the Company’s overall performance and valuation. The Disposal allows the Company to realise its investment in its loss making marine transportation business and further improve the liquidity of the Group. The Company can then focus both its resources and the cash proceeds of the Disposal towards further developing its profitable core integrated logistic services business.

The Board (including all the independent non-executive Directors who have taken into account the advice from the Independent Financial Advisor) is of the view that the terms of the Acquisition Agreements are fair and reasonable and are on normal commercial terms, and that the Disposal, the Acquisition Agreements (including the continuation of the Entrustment Loans) and the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Principal factors considered regarding the Acquisition Agreements

#### 3.1 *Evaluation of the consideration and payment terms*

As advised by the Company, the considerations for the disposals of the Target HK Sale Shares, the SNL Equity Interests and Sinotrans Sunnyexpress Equity Interests (together, the “**Sale Interests**”), were arrived at after arm’s length negotiations and determined by the parties with reference to: (i) the NAV of each of the companies in the Target Group (ii) the financial performances of the companies in the Target Group; (iii) the Group’s perceived prospects of the shipping industry; (iv) the business strategy of the Group to focus its resources on its core integrated logistic services; (v) the perceived value of each of the companies in the Target Group. When entering into the SNL Acquisition Agreements, parties also considered the Debt Waiver Agreement.

The initial consideration for the Sinotrans (HK) Logistics Shareholders Loan and Sinotrans (HK) Shipping Loan, the SNL 51% Loan, the SNL 49% Loan and the Sinotrans Sunnyexpress Loan (the “**Sale Shareholders Loans**”) were determined based upon the actual amounts of the relevant loans as at 31 December 2013, which will be adjusted based on the actual amount stated in the Completion Accounts (when disputed, the amount as stated in the Audited Completion Accounts).

In assessing the fairness and reasonableness of the consideration for the Disposal, we have reviewed (i) the Special Audit Reports (ii) the Accountant’s Reports; and (iii) the Sinotrans Sunnyexpress Report. We have also had discussions with the management of the Group regarding, among others, the prospects of the shipping industry and the strategy of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) *The net asset value of the companies in the Target Group*

We understand from the management of the Group, the Special Audit Reports were prepared by independent auditors in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China for the purpose of the Disposal and submission to the SASAC.

Set out below are the net asset value of each of the companies in the Target Group as at 30 June 2013 contained in the Special Audit Reports and the initial consideration for the equity interest or share capital of each of the companies in the Target Group under the Acquisition Agreements:

<b>Name</b>	<b>Net asset value in the Special Audit Reports (RMB)</b>	<b>Initial consideration (RMB)</b>
Yunrong Shipping	(3,151)	450,000
Yunhua Shipping	(3,150)	1,200,000
Yunfu Shipping	(2,770)	1
Yungui Shipping	(2,976)	1
Sinotrans Container Lines	(57,780,551)	1,000,000
Sinotrans Sunny Express	39,684,761	39,840,000

*Note 1: Figures in brackets in table above signify negative figures.*

*Note 2: There is no material difference between HKFRS and PRC GAAP financial information except the recognition of the effect of the Debt Waiver Agreement, which is permitted and recognized above under PRC GAAP.*

As illustrated in table above, the net asset value of each of the companies in the Target Group except for Sinotrans Sunnyexpress was negative as at 30 June 2013, and the initial consideration for the equity interest or issued share capital of each of the companies of the Target Group is higher than the respective net asset value.

According to the Special Audit Report of Sinotrans Container Lines, the effects of the Debt Waiver Agreement have already been considered by the auditors when preparing the Special Audit Reports. As set out in section 1.2 headed "Information of the Target Group" above, Sinotrans Container Lines Group has been suffering prolonged substantial losses in the past years, the debt in the amount of approximately US\$106,421,000 to be waived under the Debt Waiver Agreement can be perceived as more analogous to equity element than debt element because it is unlikely that Sinotrans Container Lines is in a position to repay the debt in foreseeable future based on its net liability position.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, we also noted that the initial consideration for the Sale Shareholders Loans was determined based upon the actual amounts of the relevant loans as at 31 December 2013.

As such, we consider the initial consideration for the Sale Interests and the Sale Shareholders Loans to be fair and reasonable.

(ii) *Adjustment to the initial consideration and the cap*

We noted that the Acquisition Agreements included a term that the initial consideration for the Sale Interests would be adjusted upwards or downwards on a dollar for dollar basis by reference to the increase or decrease (as the case may be) of the net asset value (when disputed, the audited net asset value as stated in the Audited Completion Accounts) of that Target Group company as at the Completion Date, when compared to their audited net asset value as of 30 June 2013, subject to a cap.

We also noted that the initial consideration for the Sale Shareholders Loans is to be adjusted to the actual amount stated in the Completion Accounts (when disputed, the amount as stated in the Audited Completion Accounts), subject to (where relevant) a cap.

We consider that it is a common approach in the market that if consideration adjustment mechanism is included in a transaction in which net asset value is used as a basis of consideration, the net asset value on the completion date is usually used as a basis for consideration adjustment. As such, it is fair and reasonable to use the net asset value on the Completion Date to reflect the actual value and movement of the net asset value of the Target Group Companies for the purpose of adjustment mechanism under the Acquisition Agreements.

We also noted that the adjustment mechanism is to adjust the consideration of the Sale Shareholders Loans depending on the amount of the relevant Sale Shareholders Loans as at the Completion Date, which can be either higher or lower than the Sale Shareholders Loans as at 31 December 2013. We consider this is a common mechanism to determine the final consideration of the Sale Shareholders Loans.

According to the Letter from the Board, the adjustment caps for the Sale Interests were determined by taking into account of (i) the financial performance of each Target HK Company since its commencement of business in the second half of 2013; (ii) financial performance of Sinotrans Container Lines and Sinotrans Sunnyexpress over the past three years; and (iii) factors that may potentially affect the net assets value of each of the companies in the Target Group, including any possible fluctuation of the shipping market. The adjustment caps for the Sale Shareholders Loans were determined after taking into account the estimated demand for working capital for each of the companies in the Target Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have discussed with the management of the Group about the historic financial performance of the relevant companies and the assumptions in relation to the estimations of demand for working capital and reviewed the Accountant's Reports of Sinotrans Container Lines and Sinotrans Sunnyexpress for the years ended 31 December 2011 and 2012 and the unaudited management accounts of the Target Group companies for the year ended 31 December 2013 and we are of the view that the adjustment caps under the Acquisition Agreements are fair and reasonable.

*(iii) Payment terms*

The payment of the initial consideration for the Sale Interests is to be made within 5 Business Days after the Completion Date. Any adjustment is to be settled by the parties within 60 days after the Completion Date. The payment for the initial consideration for the Sale Shareholders Loans is to be made within 60 days after the Completion Date.

As discussed with the management of the Group, the payment terms were determined after arm's length negotiation among parties, and we take the view that the terms of payment are fair and reasonable and within the normal market practice.

*(iv) Debt Waiver Agreement*

As discussed with the management of the Group, we understand that the purpose of the entering into of the Debt Waiver Agreement was to reduce the amount of debt of Sinotrans Container Lines and facilitate the completion of the HK Acquisition Agreement and the SNL Acquisition Agreements and the waiver of debt forms part of the Disposal and without the waiver of debt, it is unlikely the Disposal would take place.

According to the Special Audit Report of Sinotrans Container Lines, after taking into account the debt in the amount of approximately US\$106,421,000 as of 30 June 2013 being waived pursuant to the Debt Waiver Agreement, the audited net liability of Sinotrans Container Lines would have been approximately US\$8,728,000.

We note that the waiver of debt forms part of the Disposal and without the waiver of debt, it is unlikely the Disposal would take place and the Company would continue to carry out the loss making operation in marine transportation segment, which is not in the interests of the Company and its Shareholders as a whole. As set out in paragraphs headed "The net asset value of the companies in the Target Group" above, due to pro-longed substantial losses in the past years of Sinotrans Container Lines, the debt in the amount of approximately US\$106,421,000 to be waived under the Debt Waiver Agreement can be perceived as more analogous to equity element than debt as it is unlikely that Sinotrans Container Lines is in a position to repay the debt in foreseeable future based on its net liability position. Therefore, considering the waiver of the debts and the Disposal as a whole, we are of the view that the waiver of the debts was fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(v) *Entrustment Loans*

As discussed with the management of the Group and after having reviewed the agreements of the Entrustment Loans, we understand that the purpose of the Entrustment Loans was to finance the construction of vessels of Sinotrans Sunnyexpress. Without such Entrustment Loans, Sinotrans Sunnyexpress would not have sufficient financial resources to finance the construction of the vessels.

The terms of the Entrustment Loans were agreed at the time Sinotrans Sunnyexpress was a wholly owned subsidiary of the Company. The Entrustment Loans were granted without the pledging of any security by the Group. Each of the Entrustment Loans has a term of three years and will expire from January 2015 to September 2016 in sequence. The interest rates of the Entrustment Loans have been 5% less than the 3-year primary lending rate offered by the PBC. In the case of lending to wholly owned subsidiaries, the interest income of the Company and the interest expenses incurred by Sinotrans Sunnyexpress would have been eliminated upon consolidation of the financial statements of the Company and its subsidiaries. Upon completion of the Sinotrans Sunnyexpress Acquisition Agreement, Sinotrans Sunnyexpress will no longer be a subsidiary of the Company and their financial statements will not be consolidated with that of the Company.

It was advised by the management of the Group, if the Company could act as lender under normal commercial term of the 3-year primary lending rate of the PBC as the benchmark, the amount of interest that could have earned by the Company would be approximately RMB1 million per annum more than the interest under the Entrustment Loans. Further, according to the management of the Group, we understand that assuming completion of the Sinotrans Sunnyexpress Acquisition Agreement takes place, with a guarantee provided by Sinotrans & CSC, Sinotrans Sunnyexpress can obtain loans facilities at the same interest rate as the Entrustment Loans. In addition, the continuation of the provision of the Entrustment Loans on their existing terms forms part of the Disposal.

We have reviewed the major terms of the Entrustment Loans, including the interest rates, and considered that although the interest rates do not make commercial sense to the Company where the borrower is not a member of the Group, on balance, taking the Disposal as a whole and the relief of the commitment of financial resources in continuous and significant capital expenditure to maintain and build vessels of the Target Group and the maintenance of the loans to the companies in the Target Group and the financial freedom of the proceeds from the Disposal to further develop its profitable core integrated logistic services business of the Group, they are fair and reasonable so far as the Independent Shareholders are concerned.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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#### **4. The assets quality of the Target Group**

As set out in section 1.2 headed “Information of the Target Group” above, we noted that (i) the major assets of Yunrong Shipping, Yunhua Shipping, Yunfu Shipping, Yungui Shipping as at 31 October 2013 were vessels; (ii) as at 31 October 2013, a substantial portion of assets of Sinotrans Container Lines were trading and other receivables, which were current though, and both the working capital and the equity of Sinotrans Container Lines were negative due a substantial balance of current liabilities, which mainly included accounts payables; (iii) as at 31 October 2013, Sinotrans Container Lines was in significant net liability position; and (iv) the major assets of Sinotrans Sunnexpress as at 30 June 2013 were also vessels and vessels under construction.

According to the management of the Group, we understand that the liquidity of aforesaid assets in a single transaction in the Target Group is relatively low as there may not be ready buyers in the market. We concur with the view of the management of the Group that the disposal of the Target Group with the assets set out above as a single transaction under the Acquisition Agreements is a rare opportunity by which the Company can achieve divestment of its marine transportation assets at a fair and reasonable price.

#### **5. Financial performance of the Target Group**

We also noted that (i) Sinotrans Container Lines has been making losses for the two years ended 31 December 2012 and the ten months ended 31 October 2013 from its principal container shipping business, (ii) Target HK Companies commenced its business in 2013 and made marginal net profit from provision of chartering services for the ten months ended 31 October 2013; and (iii) Sinotrans Sunnexpress recorded losses from its principal shipping business for each of the two years ended 31 December 2012 and six months ended 30 June 2013.

Therefore, we consider that financial performance of the Target Group was not satisfactory, as the shipping business under the Target Group has been loss making.

#### **6. The prospects of shipping industry and business strategy of the Group**

As set out in section 1.4 headed “Brief industry overview” above, container shipping market is highly cyclical, and although freight rates and shipping volume have shown a sign of a slow recovery in 2013, competition in the container shipping market remain keen and building container vessels with large capacity has been the industry trend. Based on discussion with the management of the Group, we understand that container shipping industry is a capital intensive industry. Accordingly, there would be significant pressure on commitment of financial burden and capital commitment of the Group if the Group continuously invest into the companies in the Target Group to build fleets of vessels with large capacity in order to achieve the effect of economic scale and maintain the competitiveness in the container shipping market.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group with the position as an integrated logistics service platform of Sinotrans & CSC, has endeavoured to develop integrated logistics business, among other things, to enhance profitability through business structure adjustment and optimization; and push forward the consolidation of integrated logistics resources while optimizing the allocation of internal resources, with an aim to enhance market competitiveness. The transactions contemplated under the Acquisition Agreements represent one of the reorganization steps with the Sinotrans & CSC Group with a view to consolidate the core business operations and related assets into the Group, to reduce potential competition between the Group and the rest of the Sinotrans & CSC Group.

We concur with the view with the management of the Group that the Disposal allows the Company to realise its investment in its loss making marine transportation business and further improve the liquidity of the Group. The Company can then focus both its resources and the cash proceeds of the Disposal towards further developing its profitable core integrated logistic services business. The sale of relevant subsidiaries on marine transportation business can push forward the consolidation of integrated logistics resources and accelerate the transformation of business structure to further enhance the profitability of the Company, which lays a good foundation for the prospects of the Company.

### VI. RECOMMENDATIONS

Having considered the above principal factors and reasons, we concur with the view of the Board (excluding all the independent non-executive Directors) that, although the Disposal is not in the ordinary and usual course of business of the Group, the Disposal is under normal commercial terms and that the terms of the Acquisition Agreements are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolution in relation to the Disposal at the EGM.

Yours faithfully,  
For and on behalf of  
**Asian Capital (Corporate Finance) Limited**  
**Larry CHAN**  
*Executive Director*

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS****I. Interests of Directors**

As at the Latest Practicable Date, so far as the Directors or supervisor of the Company are aware, none of the Directors or supervisor of the Company has interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

**II. Interests of Shareholders discloseable pursuant to the SFO**

As at the Latest Practicable Date, so far as is known to the Directors or supervisor of the Company and based on the Company's register required to be maintained pursuant to section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the following persons (other than a Director or supervisor of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group are as follows:

**(a) Interests in the Shares**

Name	Corporate Interests	Class of Shares	Percentage of the Company's Total Issued Share Capital	Percentage of the Company's Issued H Share Capital
SINOTRANS & CSC Holdings Co., Ltd., (Note 2)	2,461,596,200(L) 88,000,000(L)	Domestic Shares H Shares	57.93% 2.07%	— 4.92%
Deutsche Post AG (Note 3)	237,468,000(L)	H Shares	5.59%	13.30%
HSBC Global Asset Management (Hong Kong) Limited	161,423,000(L)	H Shares	3.80%	9.03%

\*Note 1: (L) Long Position

Note 2: Zhao Huxiang, Zhang Jianwei, Tao Suyun, are directors or employees of Sinotrans & CSC which is the controlling shareholder of the Company. The 88,000,000 H Shares are held by Sinotrans (Hong Kong) Holdings Ltd., a wholly-owned subsidiary of Sinotrans & CSC.

Note 3: This includes 201,852,000 Shares held by Deutsche Post Beteiligungen GmbH ("Deutsche GmbH") and 35,616,000 H Shares held by DHL Supply Chain (Hong Kong) Limited. Deutsche GmbH and DHL EXEL Supply Chain (Hong Kong) Limited are both 100% held by Deutsche Post AG.

**(b) Substantial Shareholders of other members of the Group**

As at the Latest Practicable Date, save as disclosed below and so far as is known to the Directors or supervisor of the Company, no person (not being a Director or supervisor of the Company) was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the other members of the Group.

Name of entitles holding 10% or more interest in a member of the Group	Interest in relevant company	Name of subsidiary of the Company
蘇州物流中心有限公司 (Suzhou Logistics Center Co., Ltd)	49%	中國外運蘇州物流中心有限公司 (Sinotrans Suzhou Logistics Center Co., Ltd)
香港金發船務有限公司 (Golden Shipping Co., Ltd)	33%	上海華發國際貨運有限公司 (Shanghai Huafa International Transportation Co., Ltd.)
上海化學工業區奉賢分區發展有限公司 (Shanghai Chemical Industrial Park Fengxian Sub-zone Development Co., Ltd)	16%	上海中外運化工國際物流有限公司 (Sinotrans Shanghai Chemical International Logistics Co. Ltd.)

Name of entitles holding 10% or more interest in a member of the Group	Interest in relevant company	Name of subsidiary of the Company
金發實業(香港)有限公司 (Golden Fortune Enterprising (HK) Company Limited)	10%	上海中外運化工國際物流有限公司 (Sinotrans Shanghai Chemical International Logistics Co. Ltd.)
上海森華貨運經營有限公司 (Shanghai Shumhua Freight Forwarding Operation Company Limited)	10%	華發騰飛國際貨運有限公司 (Huafa Tanefei International Transportation Company Limited)
日本通運株式會社 (Nippon Express Co., Ltd.)	49%	上海通運國際物流有限公司 (Shanghai Express International Co., Ltd.)
新加坡太平船務有限公司 (Pacific International Lines (Pte) Ltd.)	40%	上海華星國際集裝箱貨運有限公司 (Shanghai Huasing International Container Freight Transportation Co., Ltd.)
	45%	寧波太平國際貿易聯運有限公司 (Ningbo Taiping International Trade Transportation Company Limited)
	27%	寧波保稅區太平倉儲有限公司 (Ningbo Free Trade Zone Taiping Warehouse Co., Ltd.)
蘇州高新技術產業股份有限公司 (Suzhou New District New & Hi-Tech Industrial Co., Ltd.)	40%	中外運高新物流(蘇州)有限公司 (Sinotrans Gaoxin Logistics (Suzhou) Ltd.)
蘇州高新區經濟發展集團總公司 (Suzhou New District Economy Development (Group) Corporation)	25%	蘇州新區報關有限公司 (Suzhou New District Customs Broker Co., Ltd.)
寧波新世紀國際投資有限公司	24.5%	寧波大港新世紀貨櫃有限公司
以星綜合航運有限公司 (Zim Integrated Shipping Services Ltd.)	49%	上海運星國際船務代理有限公司 (Shanghai Yunsheng International Shipping Agency Company Limited)
阿聯船務代理(香港)有限公司 (Alian Shipping Agency (Hong Kong) Company Limited)	49%	上海中外運阿聯船舶代理有限公司 (Sinotrans Shanghai Alian Shipping Agency Company Limited)
	49%	寧波中外運阿聯船舶代理有限公司 (Sinotrans Ningbo Alian Shipping Agency Company Limited)

Name of entitles holding 10% or more interest in a member of the Group	Interest in relevant company	Name of subsidiary of the Company
寧波泛洋國際貨運代理有限公司職工持股會 (Ningbo Transocean International Forwarding Agency Ningbo Co. Ltd.)	40%	寧波泛洋國際貨運代理有限公司 (Ningbo Transocean International Forwarding Agency Company Limited)
寧波船務代理有限公司職工持股會 (China Marine Shipping Agency Ningbo Co. Ltd. Employee Shareholding Society)	40%	寧波船務代理有限公司 (China Marine Shipping Agency Ningbo Co., Ltd.)
寧波外運國際貨運代理有限公司職工持股會 (Sinotrans Ningbo International Freight Forward Agency Co., Ltd. Employee Shareholding Society)	40%	寧波外運國際貨運代理有限公司 (Sinotrans Ningbo International Freight Forwarding Agency Co., Ltd.)
寧波外運國際集裝箱貨運有限公司職工持股會 (Sinotrans Ningbo International Container Transportation Company Limited Employee Shareholding Society)	40%	寧波外運國際集裝箱貨運有限公司 (Sinotrans Ningbo International Container Transportation Company Limited)
廣東省食品進出口集團公司 (Guangdong Foodstuffs Imp & Exp (Group) Corporation)	20%	佛山中外運倉碼有限公司 (Sinotrans Foshan Company Limited)
廣東省南海食品進出口有限公司 (Guangdong Nanhai Foodstuffs Company Limited)	25%	佛山中外運倉碼有限公司 (Sinotrans Foshan Warehousing & Terminal Company Limited)
中山市岐江工業發展有限公司 (Zhongshan Qijiang Industry Development Co., Ltd.)	40.546%	中山中外運倉碼有限公司 (Sinotrans Zhongshan Warehousing & Terminal Corp., Ltd.)
東莞市石龍鎮工業總公司 (Dongguan Shilong Town Industry Co., Ltd.)	20%	東莞中外運物流有限公司 (Sinotrans Dongguan Logistics Co., Ltd.)
香港遠升有限公司 (Lailon Enterprises Ltd.)	25%	青島聯通報關有限公司 (Qingdao Liantong Customs Broker Co., Ltd.)
	25%	山東中外運弘志物流有限公司 (Sinotrans Shandong Hongzhi Logistics Co. Ltd.)
	25%	青島金運航空貨運代理有限公司 (Qingdao Jinyun Air Cargo Freight Forwarding Co. Ltd.)

Name of entitles holding 10% or more interest in a member of the Group	Interest in relevant company	Name of subsidiary of the Company
日本東海運株式會社 (Azuma Shipping Co., Ltd.)	30%	青島遠東儲運有限公司 (Qingdao Sinotrans-Azuma Logistics Co., Ltd.)
福州市國有資產經營公司 (Fuzhou City State-owned Assets Management Company)	30%	福州中外運大裕保稅倉儲有限公司 (Fuzhou Davu Bonded Storage Company Limited)
SIMME TRANSIT INTERNATIONAL	25%	吉布提運輸有限公司 (Djibouti Transit & Transport SARL)
MAMBUK TRADING AND LOGISTICS PRIVATE LIMITED	24%	吉布提運輸有限公司 (Djibouti Transit & Transport SARL)
老撾榮興國際進出口有限公司 (Lao Rong Xing International Import& Export Co., Ltd)	40%	中國外運榮興(老撾)物流有限公司 (Sinotrans Rong Xing (Lao) Logistics Co., Ltd)
韓進海運株式會社 (Hanjin Shipping Company Limited)	49%	上海星瀚船務代理有限公司 (Shanghai Shenhan Shipping Agency Company Limited)
成都高新投資集團有限公司 (Chengdu New District Investment Group Corporation)	45.71%	成都保稅物流投資有限公司 (Chengdu Bonded Logistics Investment Company Limited)
武漢東湖綜合保稅區建設投資有限公司 (Wuhan Eastlake Free Trade Zone Construction Investment Co. Ltd)	40%	武漢東湖綜保區保稅物流有限公司 (Wuhan East Lake Comprehensive Bonded Area Bonded Logistics Co. Ltd)
瀘州市興瀘投資集團有限公司 (Luzhou Xinglu Investment Group Co. Ltd)	40%	中外運瀘州港保稅物流有限公司 (Sinotrans Luzhou Port Bonded Logistics Co. Ltd.)
普菲斯億達(香港)集團有限公司 (PREFERRED (Hongkong) Group Co., Ltd.)	40%	中外運普菲斯億達(香港)集團有限公司 (Sinotrans PREFERRED (Hongkong) Group Co., Ltd.)
上海外高橋物流中心有限公司 (Shanghai Waigaoqiao Logistics Center Co., Ltd.)	20%	中外運外高橋上海(國際)物流有限公司 (Sinotrans Waigaoqiao Shanghai (International) Logistics Co., Ltd.)

Save as disclosed above, the Directors are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

As at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interests in any assets which have since 31 December 2013 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group;
- (ii) none of the Directors was materially interested in any contracts or arrangements entered into by any members of the Group subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

### **III. Directors' interests in competing business**

Jerry Hsu (a non-executive Director) is considered to have interests in other business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business as at the Latest Practicable Date, within the meaning of the Listing Rules. He is a representative nominated by DHL Worldwide Express BV, the strategic investor of the Company (the "Strategic Investor").

DHL Worldwide Express BV is a member of the Deutsche Post World Net Group whose business operations are global mail, express delivery, logistics and financial services serving both in Europe and around the world. While, for the purposes of the Listing Rules, Jerry Hsu is considered to have interests (by way of minority equity interests or stock options or directorships) in competing businesses (i.e. those of the Strategic Investor, being a major international company in the transportation and logistics industry), the Company has been and continues to carry on its business, management and operation independently of and at arms length from, those businesses and through its joint venture and cooperation arrangements with the Strategic Investor.



Zhao Huxiang, Zhang Jianwei, Tao Suyun, Li Jianzhang and Liu Jinghua are directors or employees of Sinotrans & CSC which is the controlling shareholder of the Company. Certain subsidiaries of the Sinotrans & CSC Group engage in the Group's "core businesses" (namely freight forwarding and shipping agency operations) in certain "core strategic regions" of the Group in the PRC which have only nominal operations which are the same as or similar to the "core businesses" of the Group. Details of the competition between the Sinotrans & CSC Group and the Group and the non-competition agreement entered into between the Sinotrans & CSC Group and the Company on 14 January 2003 are referred to in the section headed "Relationship with Sinotrans & CSC Group" in the prospectus of the Company dated 29th January 2003.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or supervisor of the Company, no other Directors or any of their respective associates had any interests in a business, which competes or may compete with the business of the Group.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had entered into or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

### 4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

### 5. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

### 6. EXPERT

The following is the qualification of Asian Capital, which has given its opinion or advice which is contained in this circular:

Name	Qualification
Asian Capital	a corporation licensed under the SFO to carry out Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities

As at the Latest Practicable Date, Asian Capital did not have:

- (a) any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Asian Capital has given and has not withdrawn its consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

#### **7. MISCELLANEOUS**

- (a) The secretary of the Company is Gao Wei. He is a senior fellow of both of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators (FCIS, FCS). In January 2012, Mr. Gao was elected to be a council member of the Hong Kong Institute of Chartered Secretaries.
- (b) The registered office and headquarters of the Company is situated at A43, Xizhimen Beidajie, Beijing, the PRC (Post Code 100082). The principal place of business of the Company in Hong Kong is situated at Units F & G, 20/F., MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.
- (c) The share registrars of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

#### **8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the HK Acquisition Agreement, the SNL Acquisition Agreements and the Sinotrans Sunnyexpress Acquisition Agreement will be available for inspection during normal business hours on any weekday (except public holidays) at the office of Reed Smith Richards Butler at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong from the date of this circular, for a period of 14 days.