THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in the Company, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

SINOTRANS & CSC

中外運航運有限公司
SINOTRANS SHIPPING LTD.

(Incorporated in Hong Kong with limited liability)
(Stock Code: 368)

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTIONS IN RESPECT OF THE DEPOSIT SERVICES UNDER THE 2018 MASTER FINANCIAL SERVICES AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

寶橋 BAOQIAO PARTNERS

BAOQIAO PARTNERS CAPITAL LIMITED

A letter from the Board is set out on pages 10 to 71 of this circular.

A notice convening the EGM of Sinotrans Shipping Limited to be held at Concord Room, 8/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong on Friday, 10 August 2018 at 2:30 p.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the registered office of the Company, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

24 July 2018

CONTENTS

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

"2016 CCT Master Agreements"	comprising: (a) the 2016 CMB Financial Services Agreement; (b) the 2016 CMG Energy Master Chartering Agreement; (c) the 2016 CMG Subsidiaries Master Services Agreements; (d) the 2016 Sinochart Master Chartering Agreement; (e) the 2016 Sinochart Master Services Agreement; (f) the 2016 Sinotrans Financial Services Framework Agreement; (g) the 2016 SNL Master Chartering Agreement; (h) the 2016 SNL Master Services Agreement; (i) the 2016 Supplemental Parent Master Chartering Agreement; (j) the 2016 Supplemental Parent Master Services Agreement; and (k) the 2016 Supplemental Renewed Master Tenancy and Property Management Agreement;
"2016 CMB Financial Services Agreement"	the financial services agreement dated 13 June 2016 entered into between the Company and China Merchants Bank;
"2016 CMG Energy Master Chartering Agreement"	the master chartering agreement dated 13 June 2016 entered into between the Company and China Merchants Energy;
"2016 CMG Subsidiaries Master Services Agreements"	comprising (a) the 2016 Hoi Tung Master Services Agreement; (b) the 2016 CMG Industrial Maintenance and Repairing Services Agreement; and (c) the 2016 CMG Logistic Services Agreement;
"2016 Hoi Tung Master Services Agreement"	the master services agreement dated 13 June 2016 entered into between the Company and HK Hoi Tung;

"2016 CMG Industrial Maintenance and Repairing Services Agreement"	the industrial maintenance and repairing services agreement dated 13 June 2016 entered into between the Company and CMG Industry;
"2016 CMG Logistic Services Agreement"	the logistic services agreement dated 13 June 2016 entered into between the Company and CMG Logistic;
"2016 Sinochart Master Chartering Agreement"	the Sinochart master chartering agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;
"2016 Sinochart Master Services Agreement"	the Sinochart master services agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;
"2016 Sinotrans Financial Services Framework Agreement"	the financial services framework agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;
"2016 SNL Master Chartering Agreement"	the SNL master chartering agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;
"2016 SNL Master Services Agreement"	the SNL master services agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;
"2016 Supplemental Parent Master Chartering Agreement"	the supplemental parent master chartering agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;
"2016 Supplemental Parent Master Services Agreement"	the supplemental parent master services agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;
"2016 Supplemental Renewed Master Tenancy and Property Management Agreement"	the supplemental renewed master tenancy and property management agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;

"2018 CCT Master Agreements"	comprising: (a) the 2018 Master Chartering Agreement; (b) the 2018 Sinochart Master Chartering Agreement; (c) the 2018 SNL Master Chartering Agreement; (d) the 2018 Master Services Agreement; (e) the 2018 Sinochart Master Services Agreement; (f) the 2018 SNL Master Services Agreement; (g) the 2018 Master Tenancy and Property Management Agreement; (h) the 2018 Master Financial Services Agreement; and (i) the 2018 Trademark License Agreement;
"2018 Master Chartering Agreement"	the master chartering agreement dated 23 July 2018 entered into between the Company and CMG;

"2018 Master Services Agreement"	the master services agreement dated 23 July 2018 entered into between the Company and CMG;
"2018 Master Tenancy and Property Management Agreement"	the master tenancy and property management agreement dated 23 July 2018 entered into between the Company and CMG;
"2018 Master Financial Services Agreement"	the master financial services agreement dated 23 July 2018 entered into between the Company and the Finance Company;
"2018 Sinochart Master Chartering Agreement"	the master chartering agreement dated 23 July 2018 entered into between the Company and Sinochart;
"2018 Sinochart Master Services Agreement"	the master services agreement dated 23 July 2018 entered into between the Company and Sinochart;
"2018 SNL Master Chartering Agreement"	the master chartering agreement dated 23 July 2018 entered into between the Company and Sinotrans Container Lines;
"2018 SNL Master Services Agreement"	the master services agreement dated 23 July 2018 entered into between the Company and Sinotrans Container Lines;
"2018 Trademark License Agreement"	the trademark license agreement dated 23 July 2018 entered into between the Company and Sinotrans & CSC;
"Announcement"	the announcement of the Company dated 23 July 2018 in relation to, among others, the 2018 CCT Master Agreements;
"BaoQiao Partners" or "Independent Financial Adviser"	BaoQiao Partners Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which is appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Charterring Agreement, the 2018 SNL Master Chartering Agreement, and the 2018 Master Financial Services Agreement;
"Board"	the board of Directors;

"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;
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) of the PRC;
"China Merchants Bank"	China Merchants Bank Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the A Shares of which are listed on the Shanghai Stock Exchange and the H shares of which are listed on the Stock Exchange;
"China Merchants Energy"	China Merchants Energy Shipping Co., Ltd., a company incorporated in the PRC with limited liability and is an indirect non-wholly owned subsidiary of CMG;
"CMG"	China Merchants Group Limited, a state wholly-owned enterprise established under the laws of the PRC under direct control of the State-owned Assets Supervision and Administration Commission of the State Council, which is an indirect controlling shareholder of the Company and directly owned the entire equity interest in Sinotrans & CSC as of the Latest Practicable Date;
"CMG Group"	CMG, its subsidiaries and associates (but excluding the Group);
"CMG Logistic"	China Merchants Logistics Holdings Co,. Ltd., a company established in the PRC with limited liability and is a an indirect non-wholly owned subsidiary of CMG as at the Latest Practicable Date;
"Combined Group A"	the Group excluding Sinochart Group;
"Combined Group B"	the Group excluding Sinotrans Container Lines Group;
"Company"	Sinotrans Shipping Limited (中外運航運有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange;
"Connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"C/V/E"	cable, victuals and entertainment;

"Deposit Services"	the provision of the deposit services by the CMG Group to the Group under the 2018 Master Financial Services Agreement;
"Director(s)"	the director(s) of the Company;
"EGM"	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder;
"Finance Company"	招商局集團財務有限公司 (China Merchants Group Finance Co., Ltd.*) (formerly known as Sinotrans & CSC Finance Co., Ltd.), a limited liability company established in the PRC and is an indirect wholly-owned subsidiary of CMG as at the Latest Practicable Date;
"Group"	the Company and its subsidiaries from time to time;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"HK Hoi Tung"	China Merchants Hoi Tung Trading Company Limited (formerly known as Hoi Tung Marine Machinery Supplies Ltd), a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of CMG as at the Latest Practicable Date;
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement, and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder;
"Independent Shareholder(s)"	in respect of the Shareholders other than Sinotrans & CSC and its associates (as defined under the Listing Rules);

"Independent Third party(ies)"	individual(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, are third parties independent of the Company and its connected persons;
"Latest Practicable Date"	18 July 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Loan Services"	the provision of the loan services by the CMG Group to the Group under the 2018 Master Financial Services Agreement;
"Marine Harvest"	Marine Harvest Shipping Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly owned subsidiary of the Company;
"Marine Peace"	Marine Peace Shipping Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly owned subsidiary of the Company;
"Other Financial Services"	the provision of financial services (other than the Deposit Services and the Loan Services) by the CMG Group to the Group under the 2018 Master Financial Services Agreement, including settlement services, notes services, foreign exchange services and other financial services;
"PBOC"	People's Bank of China;
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
"Properties"	Properties A and Property B;
"Properties A"	the properties to be leased by CMG to the Group pursuant to the 2018 Master Tenancy and Property Management Agreement, further details of the properties are set out in the paragraph headed "(1) 2018 Master Tenancy and Property Management Agreement" in this circular;

"Property B"	the property to be leased by the Group to CMG pursuant to the 2018 Master Tenancy and Property Management Agreement, further details of the property are set out in the paragraph headed "(1) 2018 Master Tenancy and Property Management Agreement" in this circular;
"Reorganisation"	the strategic reorganisation between CMG and Sinotrans & CSC which has been approved by the State-owned Assets Supervision and Administration Commission of the State Council on 29 December 2015 (please refer to the announcement of the Company dated 29 December 2015). As disclosed in the announcement of the Company dated 10 April 2017, the relevant legal procedures of the strategic reorganisation have been completed and Sinotrans & CSC has become a wholly-owned subsidiary of CMG and the Company has become a listed subsidiary of CMG;
"SFO"	Securities and Futures Ordinance (Cap. 571 of laws of Hong Kong);
"Shareholder(s)"	holders of the issued Shares;
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Sinochart"	China National Chartering Co., Ltd.（中國租船有限公司）, a limited liability company established in the PRC and is an indirect non-wholly owned subsidiary of the Company as at the Latest Practicable Date;
"Sinochart Group"	Sinochart and its subsidiaries;
"Sinotrans Container Lines"	Sinotrans Container Lines Co., Ltd.（中外運集裝箱運輸有限公司）, a limited liability company established in the PRC and is an indirect non-wholly owned subsidiary of the Company as at the Latest Practicable Date;
"Sinotrans Container Lines Group"	Sinotrans Container Lines and its subsidiaries;
"Sinotrans Tianze"	中外運天澤輪船有限公司 (Sinotrans Navigation Ltd.*), a limited liability company established in the PRC and is a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date;

"Sinotrans & CSC"	中國外運長航集團有限公司 (Sinotrans & CSC Holdings Corporation Limited*), a PRC state-owned enterprise which is wholly-owned by CMG and indirectly owns approximately 68.25% of the Company as at the Latest Practicable Date;
"Sinotrans & CSC Group"	Sinotrans & CSC, its subsidiaries and associates (but excluding the Group);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"US$"	United States dollar, the lawful currency of the United States.

中外運航運有限公司
SINOTRANS SHIPPING LTD.

(Incorporated in Hong Kong with limited liability)
(Stock Code: 368)

Executive Director:
Mr. Li Hua

Non-executive Directors:
Mr. Su Xingang *(Chairman)*
Mr. Liu Weiwu

Independent Non-Executive Directors:
Mr. Lee Peter Yip Wah
Mr. Zhou Qifang
Mr. Xu Zhengjun
Mr. Wu Tak Lung

Registered office:
21st Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

24 July 2018

To the Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
MAJOR TRANSACTIONS IN RESPECT OF
THE DEPOSIT SERVICES UNDER
THE 2018 MASTER FINANCIAL SERVICES AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with information in respect of, among others, the renewal of the 2016 CCT Master Agreements and the continuing connected transactions between the Group and CMG Group to enable you to make a decision on whether to vote for or against the relevant resolutions at the forthcoming EGM.

CONTINUING CONNECTED TRANSACTIONS

On 23 July 2018, the Company entered into the 2018 CCT Master Agreements with CMG, Sinochart, Sinotrans Container Lines, the Finance Company and/or Sinotrans & CSC (as the case may be).

Details of the 2018 CCT Master Agreements are as follows:

(1) 2018 Master Tenancy and Property Management Agreement

On 23 July 2018, the 2018 Master Tenancy and Property Management Agreement was entered into between the Company and CMG in respect of (a) the leasing of Properties A by CMG Group to the Group and the provision of property management services by CMG Group to the Group in respect of Properties A; and (b) the leasing of Property B by the Group to CMG Group.

The leasing of the Properties under the 2018 Master Tenancy and Property Management Agreement ensures that the Group will have a continuous and stable use of premises for its business operations at market rate without expending the resources and disruption that relocation inevitably entails.

Term and Scope

The term of the 2018 Master Tenancy and Property Management Agreement commences from 1 January 2019 and expires on 31 December 2021.

The 2018 Master Tenancy and Property Management Agreement provides a framework to govern the tenancy and/or property management arrangement to be provided between CMG Group and the Group. Members of the Group and CMG Group may enter into specific tenancy and property management agreements to specify the detailed terms and arrangements in line with the principles of the 2018 Master Tenancy and Property Management Agreement.

Pricing Policies and relevant Internal Control Measures

The aggregate rentals and/or management fees payable by the Group or CMG Group in respect of the respective Properties will be determined based on the following factors:

(a) with reference to the prevailing market rate;

(b) the rentals and management fees payable by the Group to CMG Group should not be higher than the rentals and management fees payable by Independent Third Parties to CMG Group; and

(c) the rentals and management fees which CMG Group charges the Group should be no less favourable than the rentals and management fees payable by Independent Third Parties to CMG Group.

All taxes and other fees and charges arising from the leasing of the Properties will be borne by the lessor of the Properties unless otherwise agreed. During the term of the 2018 Master Tenancy and Property Management Agreement, members of CMG Group and the Group may negotiate and adjust the size of the Properties for leasing and the scope of management services as long as the proposed annual caps are not exceeded.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the rentals and fees and terms of each transaction contemplated under the 2018 Master Tenancy and Property Management Agreement.

Before the Company determines to rent a property from CMG Group, the Company will obtain quotations of rental prices of similar properties located in the same building or at nearby location from at least two Independent Third Parties. Similarly, before the Company determines to obtain property management services in relation to a specific property from CMG Group, the Company will obtain quotations of property management fees from at least two Independent Third Parties. The Company will compare the terms of quotations and determine if the price and terms offered by CMG Group are fair and reasonable and obtain approval from the management of the Company prior to entering into new agreements.

In addition, the finance department of the Company will monitor the actual transaction amounts on an ongoing basis against the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Payment Term

Details of payment terms of the rentals and/or management fees will be set out in the agreements on the specific property to be entered into between the Group and CMG Group.

Historically payments for the rental and/or management fees of each of the Properties were made by the Group to the CMG Group in cash on a regular basis. The rental and/or management fees were negotiated and agreed by the parties on an arm's length basis with reference to the market rental and management fees of similar properties and recent rental transactions in the vicinity.

Option to renew

The Company has an option to renew the 2018 Master Tenancy and Property Management Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and CMG) before the expiry date of the 2018 Master Tenancy and Property Management Agreement, for a further period of three years. For each such renewal, such party will be deemed to have granted a new option to the other party for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Annual Caps

Historical transaction values

A) Provision of tenancy services by CMG Group to the Group

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the aggregate rentals paid by the Group for the leasing of Properties A (which CMG Group has been leasing under the 2016 Supplemental Renewed Master Tenancy and Property Management Agreement to the Group) from CMG Group were approximately US$1,912,000, US$2,144,000, US$3,158,000 and US$541,000, respectively.

Further details of the above transaction values are set out as follows:

		Historical figures			
		For the year ended 31 December			**For the two months ended 28 February**
	Property	**2015**	**2016**	**2017**	**2018**
		(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)* *(Note 1)*
(a)	21st Floor, Great Eagle Centre, No. 23 Harbour Road, Wanchai, Hong Kong (rented by the Company for commercial use)	1,168	1,168	1,168	195
(b)	14/F, Block B, Sinotrans Building, No. 5 An Ding Road, Chaoyang District, Beijing, the PRC (rented by Sinochart for commercial use)	nil	nil	751	133

	Property	Historical figures			
		For the year ended 31 December			For the two months ended 28 February
		2015	2016	2017	2018
		(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)* *(Note 1)*
(c)	Sinotrans Shanghai Tower, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (rented by Sinochart for commercial use)	nil	nil	nil	nil
(d)	Room 801, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (rented by Sinotrans Tianze for commercial use)	nil	nil	174	31
(e)	12/F-13/F, Fujian Waiyun Building, No. 79 East Lake Road, Fuzhou, the PRC (rented by Sinotrans Container Lines for commercial use)	45	46	55	10
(f)	24/F, Building A, No. 1032-1034 Xiahe Road, Si Ming District, Xiamen, the PRC (rented by Sinotrans Container Lines for commercial use)	82	78	83	13
(g)	20/F, 21/F, 23/F-25/F, No. 188 Fujian Middle Road, Shanghai, the PRC (rented by Sinotrans Container Lines for commercial use)	617	615	637	112
(h)	12/F., 10C, Guohua Mansion, Guodu Garden, No. 2056 Baoan South Road, Luohu District, Shenzhen, the PRC (rented by Sinotrans Container Lines for residential and commercial use)	nil	12	14	3
(i)	6E Tianyuan Building, No. 1029 Honggui Road, Shenzhen, the PRC (rented by Sinotrans Container Lines for commercial use)	nil	6	7	1
(j)	Room 101, 102 & 108, 11/F & 1/F Office Tower East, No. 86 Xingang Road, Tanggu District, Tianjin, the PRC (rented by Sinotrans Container Lines for commercial use)	nil	26	26	3

	Property	Historical figures			
		For the year ended 31 December			For the two months ended 28 February
		2015	**2016**	**2017**	**2018**
		(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)* *(Note 1)*
(k)	9/F, No. 85 Zhongshan Remin Road, Dalian, the PRC (rented by Sinotrans Container Lines for commercial use)	nil	56	56	5
(l)	15/F, Sinotrans Mansion, No. 129 Zhonghua Road, Nanjing City, Jiangsu, the PRC (rented by Sinotrans Container Lines for commercial use)	nil	43	57	10
(m)	Unit No. 40, Lane 666, Tian Tongan Road, Shanghai, the PRC (rented by Sinotrans Container Lines for residential use)	nil	94	130	23
(n)	Room 605, Changhang Building, No. 800 Zhang Yang Road, Shanghai, the PRC (rented by Sinotrans Container Lines for commercial use)	nil	nil	nil	2
(o)	Room A1, 10/F., Block A, Universal Towers, 18 Kin Wah Street, North Point, Hong Kong (rented by the Company for residential use)	nil	nil	nil	nil
(p)	Room F, 13/F., Block 4, Tanner Gardens, 18 Tanner Road, North Point, Hong Kong (rented by the Company for residential use)	nil	nil	nil	nil
(q)	Room 02, 8/F., Block C, Causeway Centre, 28 Harbour Road, Wan Chai, Hong Kong (rented by the Company for residential use)	nil	nil	nil	nil
Total:		1,912	2,144	3,158	541

Note:

1. The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.

B) Provision of property management services by CMG Group to the Group

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the aggregate property management fees paid by the Group for the property management services from CMG Group to Properties A (which CMG Group has been providing property management services under the 2016 Supplemental Renewed Master Tenancy and Property Management Agreement to the Group) were approximately US$181,000, US$277,000, US$175,000 and US$33,000, respectively.

Further details of the above transaction values are set out as follows:

		Historical figures			
		For the year ended 31 December			For the two months ended 28 February
	Property	**2015**	**2016**	**2017**	**2018**
		(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)* *(Note 1)*
(a)	14/F, Block B, Sinotrans Building, No. 5 An Ding Road, Chaoyang District, Beijing, the PRC (receipt of property management services by Sinochart)	nil	nil	nil	nil
(b)	Sinotrans Shanghai Tower, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (receipt of property management services by Sinochart)	nil	nil	nil	nil
(c)	Room 801, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (receipt of property management services by Sinotrans Tianze)	nil	nil	29	5
(d)	12/F-13/F, Fujian Waiyun Building, No. 79 East Lake Road, Fuzhou, the PRC (receipt of property management services by Sinotrans Container Lines)	16	17	16	3
(e)	20/F, 21/F, 23/F-25/F, No. 188 Fujian Middle Road, Shanghai, the PRC (receipt of property management services by Sinotrans Container Lines)	165	219	84	15

	Property	Historical figures For the year ended 31 December 2015 (US$'000)	2016 (US$'000)	2017 (US$'000)	For the two months ended 28 February 2018 (US$'000) (Note 1)
(f)	12/F., 10C, Guohua Mansion, Guodu Garden, No. 2056 Baoan South Road, Luohu District, Shenzhen, the PRC (receipt of property management services by Sinotrans Container Lines)	nil	1	1	nil
(g)	6E Tianyuan Building, No. 1029 Honggui Road, Shenzhen, the PRC (receipt of property management services by Sinotrans Container Lines)	nil	nil	nil	nil
(h)	Room 101, 102 & 108, 11/F & 1/F Office Tower East, No. 86 Xingang Road, Tanggu District, Tianjin, the PRC (receipt of property management services by Sinotrans Container Lines)	nil	15	18	6
(i)	9/F, No. 85 Zhongshan Remin Road, Dalian, the PRC (receipt of property management services by Sinotrans Container Lines)	nil	16	15	1
(j)	15/F, Sinotrans Mansion, No. 129 Zhonghua Road, Nanjing City, Jiangsu, the PRC (receipt of property management services by Sinotrans Container Lines)	nil	9	12	2
(k)	Room 605, Changhang Building, No. 800 Zhang Yang Road, Shanghai, the PRC (receipt of property management services by Sinotrans Container Lines)	nil	nil	nil	1
Total:		181	277	175	33

Note:

1. The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.

Proposed Annual Caps

A) Provision of tenancy services by CMG Group to the Group

It is expected that the aggregate rentals payable by the Group for the leasing of the Properties A from CMG Group will be approximately US$5,089,000, US$5,608,000 and US$6,183,000 for each of the three years ending 31 December 2021, respectively.

Further details of the above annual caps are set out as follows:

	Property	Proposed annual caps For the year ending 31 December			Basis of determination for the proposed annual caps
		2019	2020	2021	
		(US$'000)	*(US$'000)*	*(US$'000)*	
(a)	21st Floor, Great Eagle Centre, No. 23 Harbour Road, Wanchai, Hong Kong (rented by the Company for commercial use)	1,770	1,950	2,141	Based on the estimated steady increase in commercial rentals in the coming years, taking into account expected market rates of the similar type of tenancy.
(b)	14/F, Block B, Sinotrans Building, No. 5 An Ding Road, Chaoyang District, Beijing, the PRC (rented by Sinochart for commercial use)	871	871	871	Based on the estimated rate of monthly rental taking into account the size of the property.
(c)	Sinotrans Shanghai Tower, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (rented by Sinochart for commercial use)	37	37	37	Based on the estimated rate of monthly rental taking into account the size of the property.
(d)	Room 801, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (rented by Sinotrans Tianze for commercial use)	242	266	292	Based on the estimation of steady increase in rentals of about 10% for each year.

	Property	Proposed annual caps For the year ending 31 December 2019 (US$'000)	2020 (US$'000)	2021 (US$'000)	Basis of determination for the proposed annual caps
(e)	12/F-13/F, Fujian Waiyun Building, No. 79 East Lake Road, Fuzhou, the PRC (rented by Sinotrans Container Lines for commercial use)	120	140	160	Based on the estimated steady increase in commercial rentals in the coming years, taking into account expected market rates of the same type of tenancy.
(f)	24/F, Building A, No. 1032-1034 Xiahe Road, Si Ming District, Xiamen, the PRC (rented by Sinotrans Container Lines for commercial use)	160	190	210	Based on the estimation of steady increase in rentals for each year.
(g)	20/F, 21/F, 23/F-25/F, No. 188 Fujian Middle Road, Shanghai, the PRC (rented by Sinotrans Container Lines for commercial use)	1,190	1,360	1,570	Based on the estimation of steady increase in rentals for each year.
(h)	12/F., 10C, Guohua Mansion, Guodu Garden, No. 2056 Baoan South Road, Luohu District, Shenzhen, the PRC (rented by Sinotrans Container Lines for residential and commercial use)	27	31	35	Based on the estimation of steady increase in rentals for each year.
(i)	6E Tianyuan Building, No. 1029 Honggui Road, Shenzhen, the PRC (rented by Sinotrans Container Lines for commercial use)	20	22	25	Based on the estimation of steady increase in rentals for each year
(j)	Room 101, 102 & 108, 11/F & 1/F Office Tower East, No. 86 Xingang Road, Tanggu District, Tianjin, the PRC (rented by Sinotrans Container Lines for commercial use)	72	81	90	Based on the estimation of steady increase in rentals for each year.

	Property	Proposed annual caps For the year ending 31 December 2019 *(US$'000)*	2020 *(US$'000)*	2021 *(US$'000)*	Basis of determination for the proposed annual caps
(k)	9/F, No. 85 Zhongshan Remin Road, Dalian, the PRC (rented by Sinotrans Container Lines for commercial use)	140	160	190	Based on the estimation of steady increase in rentals for each year.
(l)	15/F, Sinotrans Mansion, No. 129 Zhonghua Road, Nanjing City, Jiangsu, the PRC (rented by Sinotrans Container Lines for commercial use)	132	145	160	Based on the estimation of steady increase in rentals for each year
(m)	Unit No. 40, Lane 666, Tian Tongan Road, Shanghai, the PRC (rented by Sinotrans Container Lines for residential use)	180	210	240	Based on the estimation of steady increase in rentals for each year.
(n)	Room 605, Changhang Building, No. 800 Zhang Yang Road, Shanghai, the PRC (rented by Sinotrans Container Lines for commercial use)	16	21	27	Based on the estimation of steady increase in rentals for each year.
(o)	Room A1, 10/F., Block A, Universal Towers, 18 Kin Wah Street, North Point, Hong Kong (rented by the Company for residential use)	39	43	47	Based on the estimated steady increase in residential rentals in the coming years, taking into account expected market rates of the similar type of tenancy.
(p)	Room F, 13/F., Block 4, Tanner Gardens, 18 Tanner Road, North Point, Hong Kong (rented by the Company for residential use)	39	43	47	Based on the estimated steady increase in residential rentals in the coming years, taking into account expected market rates of the similar type of tenancy.

	Property	Proposed annual caps For the year ending 31 December 2019 (US$'000)	2020 (US$'000)	2021 (US$'000)	Basis of determination for the proposed annual caps
(q)	Room 02, 8/F., Block C, Causeway Centre, 28 Harbour Road, Wan Chai, Hong Kong (rented by the Company for residential use)	34	38	41	Based on the estimated steady increase in residential rentals in the coming years, taking into account expected market rates of the similar type of tenancy.
Total:		5,089	5,608	6,183	

B) Provision of property management services by CMG Group to the Group

It is expected that the aggregate property management fees payable by the Group for the property management services from CMG Group to Properties A will be approximately US$693,000, US$760,000 and US$826,000 for each of the three years ending 31 December 2021, respectively.

Further details of the above annual caps are set out as follows:

	Property	Proposed annual caps For the year ending 31 December 2019 (US$'000)	2020 (US$'000)	2021 (US$'000)	Basis of determination for the proposed annual caps
(a)	14/F, Block B, Sinotrans Building, No. 5 An Ding Road, Chaoyang District, Beijing, the PRC (receipt of property management services by Sinochart)	121	121	121	Based on the estimated rate of property management services fee taking into account the size of the property.
(b)	Sinotrans Shanghai Tower, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (receipt of property management services by Sinochart)	13	13	13	Based on the estimated rate of property management services fee taking into account the size of the property.

	Property	Proposed annual caps For the year ending 31 December 2019 (US$'000)	2020 (US$'000)	2021 (US$'000)	Basis of determination for the proposed annual caps
(c)	Room 801, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (receipt of property management services by Sinotrans Tianze)	40	44	48	Based on the estimated 10% increase each year in property management services fee.
(d)	12/F-13/F, Fujian Waiyun Building, No. 79 East Lake Road, Fuzhou, the PRC (receipt of property management services by Sinotrans Container Lines)	33	37	40	Based on the estimation of steady increase in management services fee for each year.
(e)	20/F, 21/F, 23/F-25/F, No. 188 Fujian Middle Road, Shanghai, the PRC (receipt of property management services by Sinotrans Container Lines)	360	400	440	Based on the estimation of steady increase in management services fee for each year.
(f)	12/F., 10C, Guohua Mansion, Guodu Garden, No. 2056 Baoan South Road, Luohu District, Shenzhen, the PRC (receipt of property management services by Sinotrans Container Lines)	6	7	8	Based on the estimation of steady increase in management services fee for each year.
(g)	6E Tianyuan Building, No. 1029 Honggui Road, Shenzhen, the PRC (receipt of property management services by Sinotrans Container Lines)	4	5	6	Based on the estimation of steady increase in management services fee for each year.
(h)	Room 101, 102 & 108, 11/F & 1/F Office Tower East, No. 86 Xingang Road, Tanggu District, Tianjin, the PRC (receipt of property management services by Sinotrans Container Lines)	48	54	60	Based on the estimation of steady increase in management services fee for each year.

	Property	Proposed annual caps For the year ending 31 December 2019 *(US$'000)*	2020 *(US$'000)*	2021 *(US$'000)*	Basis of determination for the proposed annual caps
(i)	9/F, No. 85 Zhongshan Remin Road, Dalian, the PRC (receipt of property management services by Sinotrans Container Lines)	32	36	39	Based on the estimation of steady increase in management services fee for each year.
(j)	15/F, Sinotrans Mansion, No. 129 Zhonghua Road, Nanjing City, Jiangsu, the PRC (receipt of property management services by Sinotrans Container Lines)	26	30	34	Based on the estimation of steady increase in management services fee for each year.
(k)	Room 605, Changhang Building, No. 800 Zhang Yang Road, Shanghai, the PRC (receipt of property management services by Sinotrans Container Lines)	10	13	17	Based on the estimation of steady increase in management services fee for each year.
Total:		693	760	826	

Apart from the above, the proposed annual caps for the three years ending 31 December 2021 have been determined with reference to (i) the continuing tenancy and/or property management arrangement between the Group and CMG Group in the coming years; (ii) the respective historical amounts between members of CMG Group and members of the Group; and (iii) continuation of the tenancy and/or property management relationship between members of the Group and the members of CMG Group.

(2) 2018 Master Services Agreement

Since general shipping services will be continuously provided between CMG Group and the Group, on 23 July 2018, the 2018 Master Services Agreement was entered into between the Company and CMG to set out such general services to be provided.

The purpose of entering into the 2018 Master Services Agreement is to facilitate the cooperation between CMG Group and the Group and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other.

Term and Scope

The term of the 2018 Master Services Agreement commences from 1 January 2019 and expires on 31 December 2021.

The general services to be provided by the Group to CMG Group under the 2018 Master Services Agreement include (a) commercial management services; (b) corporate administrative services; (c) shipping agency services; (d) freight forwarding services; (e) cargo transportation services; and (f) shipping broker services. The general services to be provided by CMG Group to the Group under the 2018 Master Services Agreement include (a) commercial management services; (b) shipping broker services; (c) shipping agency services; (d) maintenance and repairing services; (e) supervisory services regarding construction of vessels; (f) crew management services; (g) insurance broker services; (h) refuelling services; (i) vessels inspection services; (j) freight forwarding services; (k) containers chartering services; (l) depot services; (m) supply of materials and components services; (n) container terminal services; and (o) tug services.

The 2018 Master Services Agreement provides a framework to govern the general services to be provided between CMG Group and the Group. Members of the Group and CMG Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 Master Services Agreement and the laws and regulations applicable to the Company and CMG. Such agreements should specify (amongst other things) the types of services, quantity of services, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

The prices of the services to be provided by the Group or CMG Group under the 2018 Master Services Agreement will be determined based on the following factors:

(a) the prices of the services to be provided must be fair and reasonable;

(b) the terms and conditions in relation to the general services to be provided by the Group to CMG Group should not be more favourable than those available to Independent Third Parties from the Group;

(c) the terms and conditions in relation to the general services to be provided by CMG Group to the Group should be no less favorable than those available to Independent Third Parties from CMG Group; and

(d) if the Group requests CMG Group to increase the amount of services to be provided under the 2018 Master Services Agreement, CMG shall use its best efforts to ensure members of CMG Group will provide such services under the 2018 Master Services Agreement, and vice versa.

The terms and conditions in respect of such services shall follow the general transaction principles and pricing terms as set out in the 2018 Master Services Agreement and shall be determined after arms length negotiations between the parties.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the price and terms of each transaction contemplated under the 2018 Master Services Agreement.

Before entering into any specific agreement for a new transaction under the 2018 Master Services Agreement, the services team of the Company will conduct checks as to pricing and payment terms of the agreement and consider whether the terms are in accordance with the principles of the 2018 Master Services Agreement and is no less favourable to the Group than those available to Independent Third Parties.

The services team of the Company will obtain from independent market sources the relevant market intelligence regarding pricing of different types of services in the shipping market reflecting what are the then market price of the corresponding services from Independent Third Parties prior to the Group entering into any new agreement. To the extent the Group cannot obtain such market price references from independent market sources, the Group would secure at least two quotes from Independent Third Parties which offer comparable pricing and quality services required by the Group or CMG Group. Under such circumstances, the Group and CMG Group will take reference of such price quotes for comparison purpose prior to the entering into any new agreement. The services team of the Company will also confirm historical transaction data with the finance department of the Company in order to determine the fairness and reasonableness of the pricing terms.

For the provision of general services by the Group to CMG Group, the Group must offer the terms of the supply of general services contracts to CMG Group no more favourable than, i.e. at price higher or equal to the market price of similar services that the Group will offer, to Independent Third Parties. The market price will be referenced to public resources available in the market on or about the time immediately before the date of entering into any new agreement. For instance: (i) in respect of the commercial management services (item (a)), corporate administrative services (item (b)) and shipping agency services (item (c)), the Company will obtain quotations of similar services provided by at least two service providers which are independent ship management companies through which the Company can make reference to, compare the terms of those quotations and pass to the management of the services team of the Company for approval; (ii) freight forwarding services (item (d)) will make reference to the contract price of similar services offered by at least two independent freight forwarders in the market; (iii) cargo transportation services (item (e)) will make reference to the transportation fees of similar services offered by at least two independent cargo transportation service providers in the market; and (iv) shipping broker services (item (f)) will make reference to the brokerage fees charged by at least two independent shipping broker service providers in the market.

Where there is no relevant market price, then the relevant price will be determined according to the historical price of the Group providing similar services or comparable market suppliers of similar size providing similar services in the past year. The services team of the Company will ensure that the terms of the supply of general services contracts to CMG Group should be no more favourable than such historical reference price.

For the provision of general services by CMG Group to the Group, the services team of the Group must obtain from independent market sources the relevant market intelligence regarding pricing of different types of services in the shipping market reflecting the then market price of the corresponding services from Independent Third Parties (or if such market data is not available, the Group will obtain at least two fee quotes from Independent Third Parties of similar scale offering similar services) to determine if the price and terms offered by CMG Group are fair and reasonable and around the ranges of those quotes offered by the Independent Third Parties and approved by the management of the Company prior to entering into any new agreement. The Group will also take into consideration such source of independent market data for similar services to ensure that the pricing of these services will be at market prices depending on the supply and demand for the relevant service and benchmarking against similar service offered by other comparable suppliers in the market and on normal commercial terms. If the terms of provision of general services offered by CMG Group to the Group are no less favourable than those offered by Independent Third Parties, the quality of service and long-term business relationship and cooperation between CMG Group and the Group will be considered, and the Group will select CMG Group as the general services provider.

After the pricing terms have been determined and with the approval from the management, the members of CMG Group and the Group will enter into specific agreements which set out the agreed terms of the transactions.

In addition, the finance department of the Company will monitor the actual transaction amounts on an ongoing basis against the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Payment Terms

Payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Group and CMG Group.

Historically settlement for these transactions were primarily one-off settlement in cash within three months after receipt of the relevant invoices.

Option to Renew

The Company has an option to renew the 2018 Master Services Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and CMG) before the expiry date of the 2018 Master Services Agreement, for a further period of three years. For each such renewal, such party will be deemed to have granted a new option to the other party for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Annual Caps

Historical transaction values

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the service fees charged by:

(a) the Group in relation to the provision of the general services to CMG Group amounted to approximately US$225,000, US$196,030,000, US$389,430,000 and US$61,125,000, respectively; and

(b) CMG Group in relation to the provision of the general services to the Group amounted to approximately US$426,913,000, US$32,301,000, US$40,335,000 and US$10,582,000, respectively.

Further details of the above charges are set out as follows:

A) Provision of general services by the Group to CMG Group

	Service	Historical figures For the year ended 31 December 2015 (US$'000)	2016 (US$'000)	2017 (US$'000)	For the two months ended 28 February 2018 (US$'000) *(Note 1)*	Current approved annual cap 2018 (US$'000)
(a)	commercial management services	nil	nil	nil	nil	200
(b)	corporate administrative services	1	1	1	nil	10
(c)	shipping agency services	3	3	nil	nil	30
(d)	freight forwarding services	221	236	183	22	1,069
(e)	cargo transportation services	nil	195,790	389,246	61,103	573,700#
(f)	shipping broker services	nil	nil	nil	nil	nil
	Total:	225	196,030	389,430	61,125	575,009

Notes:

1. The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.

2. The annual cap figure marked with # represents the aggregate annual cap of the relevant service provided by the Group to all members of CMG Group previously approved by the Board and the Shareholders (if applicable) for the year ending 31 December 2018.

B) Receipt of general services by the Group from CMG Group

	Service	**Historical figures**				**Current approved annual cap**
		For the year ended 31 December			**For the two months ended 28 February**	
		2015	**2016**	**2017**	**2018**	**2018**
		(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)* *(Note 1)*	*(US$'000)*
(a)	commercial management services	nil	nil	750	nil	2,500
(b)	shipping broker services	614	66	387	65	2,800#
(c)	shipping agency services	356,784	1,995	2,544	413	9,403#
(d)	maintenance and repairing services	nil	nil	97	48	8,401#
(e)	supervisory services regarding construction of vessels	1,540	390	1,280	380	3,200
(f)	crew management services	12,318	13,292	12,343	2,012	20,000
(g)	insurance broker services	nil	nil	nil	nil	4,530
(h)	refuelling services	nil	230	4,034	4,299	75,687#
(i)	vessels inspection services	nil	nil	1	nil	119#
(j)	freight forwarding services	43,045	3,360	5,234	676	19,245#
(k)	containers chartering services	12,382	9,980	9,747	1,628	21,238
(l)	depot services	230	2,988	2,783	863	11,323
(m)	supply of materials and components services	nil	nil	43	1	4,451#
(n)	container terminal services	nil	nil	1,058	197	11,334#
(o)	tug services	nil	nil	34	nil	445
	Total:	426,913	32,301	40,335	10,582	194,676

Notes:

1. The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the relevant annual cap for 2018.

2. The annual cap figure marked with # represents the aggregate annual cap of the relevant service provided by the Group to all members of CMG Group previously approved by the Board and the Shareholders (if applicable) for the year ending 31 December 2018.

Proposed Annual Caps

It is expected that the annual amount of the service fees charged by the Group in relation to the provision of the general services to CMG Group will not exceed approximately US$592,022,000, US$594,062,000 and US$596,586,000 for the three years ending 31 December 2021, respectively; and the annual amount of the service fees charged by CMG Group in relation to the provision of the general services to the Group will not exceed approximately US$242,214,000, US$262,837,000 and US$287,608,000 for the three years ending 31 December 2021, respectively.

Further details of the above annual caps are as follows:

A) Provision of general services by the Group to CMG Group

	Service	Proposed annual caps For the year ending 31 December 2019	2020	2021	Basis of determination for the proposed annual caps
		(US$'000)	*(US$'000)*	*(US$'000)*	
(a)	commercial management services	10,000	10,000	10,000	Taking into account the anticipated demand of such general commercial management services from CMG Group following the Reorganisation.
(b)	corporate administrative services	1	1	1	With reference to the historical transaction values.
(c)	shipping agency services	100	130	169	Based on (i) the expected increase in working capacity of the operation team of the Group which will be expanded; and (ii) the expected demand of shipping agency services indicated by CMG Group. *(Note 1)*
(d)	freight forwarding services	633	822	1,069	Based on (i) the expected increase in working capacity of the operation team of the Group which will be expanded; and (ii) the expected demand of freight forwarding services indicated by CMG Group.
(e)	cargo transportation services	579,438	581,159	583,397	Based on historical figures and the expected increase in the demand of cargo transportation services in the coming three years.
(f)	shipping broker services	1,850	1,950	1,950	Based on the expected demand of chartering services and the average rate of brokerage fee of 1.25% of the ocean freight.
	Total:	592,022	594,062	596,586	

Note:

1. The proposed annual caps of shipping agency services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) it is expected that the Group will provide shipping agency services for 100 voyages of CMG Group in 2019; (b) the expected fees for shipping agency services each time will be US$1,000; and (c) the operation team of the Group will expand and therefore their work capacity is expected to increase.

B) Receipt of general services by the Group from CMG Group

	Service	Proposed annual caps For the year ending 31 December 2019	2020	2021	Basis of determination for the proposed annual caps
		(US$'000)	*(US$'000)*	*(US$'000)*	
(a)	commercial management services	2,500	2,700	2,900	Based on the expected increase in demand of the general commercial management services.
(b)	shipping broker services	4,500	5,000	5,000	Based on the expected demand of chartering services and the average rate of brokerage fee of 1.25% of the ocean freight.
(c)	shipping agency services	4,582	4,983	5,423	Based on the expected increase in demand of the shipping agency services due to expected expansion of fleet size.
(d)	maintenance and repairing services	3,830	4,386	5,514	Based on the estimated demand of the Group for such services after the expansion of fleet size in the coming three years. *(Note 1)*
(e)	supervisory services regarding construction of vessels	2,500	2,500	2,500	Based on the anticipated increase in the number of vessels constructed by the Group, resulting in an increase in the demand for supervisory services from CMG Group.

	Service	Proposed annual caps For the year ending 31 December 2019 (US$'000)	2020 (US$'000)	2021 (US$'000)	Basis of determination for the proposed annual caps
(f)	crew management services	15,863	15,237	15,637	Based on the market rate, the expected increase in the wage level for the crew and the expected additional requirements of crew management services.
(g)	insurance broker services	9,002	11,138	13,838	Based on the estimated demand for such services in the coming three years.
(h)	refuelling services	144,626	155,476	168,081	Based on the historical transaction values and the estimated increase in demand for such services due to the expected increase in fleet size in the coming three years. *(Note 2)*
(i)	vessels inspection services	85	85	85	Based on the estimated demand for such services in the coming three years. *(Note 3)*
(j)	freight forwarding services	8,800	10,330	11,500	Based on the historical transaction values, and the expected growing demand for freight forwarding services.
(k)	containers chartering services	23,362	25,698	28,268	Based on the historical transaction values and the estimated increase in demand of about 10% per year for such services in the coming years.
(l)	depot services	4,000	4,500	5,500	Based on the historical transaction values and the expected increase in the quantity of containers to be transported in the coming years.
(m)	supply of materials and components services	4,991	5,175	5,372	Based on the expected expansion of fleet size in the coming three years. *(Note 4)*

	Service	Proposed annual caps For the year ending 31 December 2019	2020	2021	Basis of determination for the proposed annual caps
		(US$'000)	*(US$'000)*	*(US$'000)*	
(n)	container terminal services	13,128	15,184	17,545	Based on the historical transaction values and the estimated increase in demand for such services in the coming three years. *(Note 5)*
(o)	tug services	445	445	445	Based on the historical transaction values. *(Note 6)*
	Total:	242,214	262,837	287,608	

Notes:

1. The proposed annual caps of maintenance and repairing services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) it is estimated that the Group will place approximately 200, 160 and 200 orders in respect of maintenance of communication facilities in the years ending 31 December 2019, 2020 and 2021 respectively, at the average maintenance fees of approximately US$3,000 per order; and (b) it is estimated that the Group will require 10 times of large scale vessel maintenance services from CMG Group in the year ending 31 December 2019 at the average maintenance fees of approximately US$300,000 each time, and it is expected that the amount of maintenance services required will increase in the subsequent years in accordance with the expansion of fleet size.

2. The proposed annual caps of refuelling services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) it is expected that the annual fuel consumption of the Group is approximately 300,000 tonnes and the cost of fuel is approximately US$480 per tonne; and (b) it is assumed that the price of fuel will increase at a rate of 8% per annum.

3. The proposed annual caps of vessels inspection services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) the estimated demand of vessels inspection services per year from CMG Group; and (b) the average vessels inspection service fees in the last quarter of 2017.

4. The proposed annual caps of the supply of materials and components services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) it is expected that 25 vessels of the Group will require the supply of materials and components services in 2019 and the amount of services required by each vessel is approximately US$200,000; and (b) it is assumed that the inflation rate will be 3% per year.

5. The proposed annual caps of the container terminal services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 since historically the Company obtained most of the container terminal services through an Independent Third Party agent but it currently obtains such services directly from the container terminals operated by CMG Group for efficiency and long term stability reasons.

6. The proposed annual caps of the tug services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 since historically the Company obtained most of the tug services through an Independent Third Party agent but it currently obtains such services directly from the container terminals operated by CMG Group for efficiency and long term stability reasons.

Apart from the above, the proposed annual caps for the three years ending 31 December 2021 have been determined with reference to (i) the continuing business cooperation between the Group and CMG Group in the coming years; (ii) the respective historical amounts between members of CMG Group and members of the Group; (iii) continuation of certain services and working relationship between members of the Group and the members of CMG Group; and (iv) the expected growing need for general services between CMG Group and the Group after the Reorganisation.

(3) 2018 Sinochart Master Services Agreement

Since general shipping services will be continuously provided between Sinochart Group and the Combined Group A (i.e. the Group excluding Sinochart Group), on 23 July 2018, the 2018 Sinochart Master Services Agreement was entered into between the Company and Sinochart to set out such general services to be provided.

The purpose of entering into the 2018 Sinochart Master Services Agreement is to facilitate the cooperation between Sinochart Group and the Combined Group A and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other.

Term and Scope

The term of the 2018 Sinochart Master Services Agreement commences from 1 January 2019 and expires on 31 December 2021.

Pursuant to the 2018 Sinochart Master Services Agreement, members of the Combined Group A will provide (a) shipping agency services; (b) vessel technical management services; and (c) shipping broker services to Sinochart Group, and Sinochart Group will provide commercial management services to members of the Combined Group A.

The 2018 Sinochart Master Services Agreement provides a framework to govern the general services to be provided between Sinochart Group and the Combined Group A. Members of the Combined Group A and Sinochart Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 Sinochart Master Services Agreement and the laws and regulations applicable to the Company and Sinochart. Such agreements should specify (amongst other things) the types of services, quantity of services, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

The prices of the services to be provided by the Combined Group A or Sinochart Group under the 2018 Sinochart Master Services Agreement will be determined based on the following factors:

(a) the prices of the services to be provided must be fair and reasonable;

(b) the terms and conditions in relation to the general services to be provided by the Combined Group A to Sinochart Group should not be more favourable than those available to Independent Third Parties from the Combined Group A; and

(c) the terms and conditions in relation to the general services to be provided by Sinochart Group to the Combined Group A should be no less favourable than those available to Independent Third Parties from Sinochart Group.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the price and terms of each transaction contemplated under the 2018 Sinochart Master Services Agreement.

Before entering into any specific agreement for a new transaction under the 2018 Sinochart Master Services Agreement, the services team of the Company will conduct checks as to pricing and payment terms of the agreement and consider whether the terms are in accordance with the principles of the 2018 Sinochart Master Services Agreement and is no less favourable to the Combined Group A or Sinochart than those available to Independent Third Parties.

The services team of the Company will obtain from independent market sources the relevant market intelligence regarding pricing of different types of services in the shipping market reflecting what are the then market price of the corresponding services from Independent Third Parties prior to the Combined Group A entering into any new agreement. To the extent the Combined Group A cannot obtain such market price references from independent market sources, the Combined Group A would secure at least two quotes from Independent Third Parties which offer comparable pricing and quality services required by the Combined Group A or Sinochart. Under such circumstances, the Combined Group A and Sinochart will make reference to such price quotes for comparison purpose prior to the entering into any new agreement. The services team of the Company will also confirm historical transaction data with the finance department of the Company in order to determine the fairness and reasonableness of the pricing terms.

For the provision of general services by the Combined Group A to Sinochart, the Combined Group A must offer the terms of the supply of general services contracts to Sinochart no more favourable than to Independent Third Parties. The market price will be referenced to data and resources available in the market on or about the time immediately before the date of entering into any new agreement, for instance, in respect of shipping agency services, the Company will obtain quotations of similar services provided by at least two service providers which are independent ship management companies through which the Company can make reference to, compare the terms of those quotations and pass to the management of the services team of the Company for approval.

Where there is no relevant market price, then the relevant price will be determined according to the historical price of the Combined Group A providing such services or comparable market suppliers of similar size providing similar services in the past year. The services team of the Company will ensure that the terms of the supply of general services contracts to Sinochart Group should be no more favourable than such historical reference price.

For the provision of commercial management services by Sinochart to the Combined Group A, the services team of the Combined Group A will obtain quotations of similar services provided by at least two service providers which are independent ship management companies through which the Combined Group A can make reference to, compare the terms of those quotations and pass to the management of the services team of the Combined Group A for approval.

After the pricing terms have been determined and with the approval from the management, the members of Sinochart Group and the Combined Group A will enter into specific agreements which set out the agreed terms of the transactions.

In addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Payment Terms

Payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Combined Group A and Sinochart Group.

Historically settlement for these transactions were primarily one-off settlement in cash within three months after receipt of the relevant invoices.

Option to Renew

The Company has an option to renew the 2018 Sinochart Master Services Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and Sinochart) before the expiry date of the 2018 Sinochart Master Services Agreement, for a further period of three years. For each such renewal, such party will be deemed to have granted a new option to the other party for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Annual Caps

Historical transaction values

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the service fees charged by the Combined Group A in relation to the provision of the general services to Sinochart Group amounted to approximately US$279,000, US$176,000, US$126,000 and US$4,000, respectively.

There was no historical transaction of commercial management services provided by Sinochart Group to the Combined Group A for the three years ended 31 December 2017 and the two months ended 28 February 2018.

Further details of the above charges are set out as follows:

A) Provision of general services by the Combined Group A to Sinochart Group

		Historical figures				
		For the year ended 31 December			For the two months ended 28 February	Current approved annual cap
	Service	**2015**	**2016**	**2017**	**2018**	**2018**
		(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)* *(Note 1)*	*(US$'000)*
(a)	shipping agency services	63	51	40	4	304
(b)	vessel technical management services	216	125	86	nil	800
	Total:	279	176	126	4	1,104

Note:

1. The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.

B) Receipt of commercial management services by the Combined Group A from Sinochart Group

There was no historical transaction of commercial management services provided by the Sinochart Group to Combined Group A for the three years ended 31 December 2017 and the two months ended 28 February 2018.

Proposed Annual Caps

It is expected that the annual amount of the service fees to be charged by the Combined Group A in relation to the provision of the general services to Sinochart Group will not exceed approximately US$2,600,000, US$2,630,000 and US$2,669,000 for the three years ending 31 December 2021, respectively. The annual amount of the service fees to be charged by Sinochart Group in relation to the provision of commercial management services to the Combined Group A will not exceed approximately US$6,150,000, US$6,150,000 and US$6,150,000 for the three years ending 31 December 2021, respectively.

Further details of the above annual caps are as follows:

A) Provision of general services by the Combined Group A to Sinochart Group

		Proposed annual caps For the year ending 31 December		
	Service	**2019**	**2020**	**2021**
		(US$'000)	*(US$'000)*	*(US$'000)*
(a)	shipping agency services	100	130	169
(b)	vessel technical management services *(Note 1)*	2,500	2,500	2,500
	Total:	2,600	2,630	2,669

Note:

1. The proposed annual caps of vessel technical management services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) the expected demand of vessel technical management services for a certain vessel controlled by Sinochart as indicated by Sinochart; and (b) the annual estimated operating expenses of such vessel with some buffer for possible repair.

B) Receipt of commercial management services by the Combined Group A from Sinochart Group

	Proposed annual caps		
	For the year ending 31 December		
Service	**2019**	**2020**	**2021**
	(US$'000)	*(US$'000)*	*(US$'000)*
commercial management services	6,150	6,150	6,150

In respect of the provision of general services by the Combined Group A to Sinochart, (i) in terms of the vessel technical management services, the proposed annual caps are determined based on the number of vessels which may require such services from Sinochart and the actual demand expected for such vessels; and (ii) in terms of the shipping agency services, the proposed annual caps are determined based on (a) the expected increase in working capacity of the operation team of the Group which will be expanded; and (b) the expected demand for shipping agency services indicated by Sinochart Group.

In respect of the provision of commercial management services by Sinochart to the Combined Group A, although there is no historical transaction value for the three years ended 31 December 2017 which can be used for reference, the Company has determined the proposed annual caps based on the number of vessels which may require such services from the Combined Group A and the actual demand expected for such vessels.

(4) 2018 SNL Master Services Agreement

Since general shipping services will be continuously provided between Sinotrans Container Lines Group and the Combined Group B (i.e. the Group excluding Sinotrans Container Lines Group), on 23 July 2018, the 2018 SNL Master Services Agreement was entered into between the Company and Sinotrans Container Lines to set out such general services to be provided.

The purpose of entering into the 2018 SNL Master Services Agreement is to facilitate the cooperation between Sinotrans Container Lines Group and the Combined Group B and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other.

Term and Scope

The term of the 2018 SNL Master Services Agreement commences from 1 January 2019 and expires on 31 December 2021.

Pursuant to the 2018 SNL Master Services Agreement, members of the Combined Group B will provide container chartering services to Sinotrans Container Lines Group, and members of Sinotrans Container Lines Group will provide vessel technical management services to members of the Combined Group B.

The 2018 SNL Master Services Agreement provides a framework to govern the general services to be provided between Sinotrans Container Lines Group and the Combined Group B. Members of the Combined Group B and Sinotrans Container Lines Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 SNL Master Services Agreement and the laws and regulations applicable to the Company and Sinotrans Container Lines. Such agreements should specify (amongst other things) the types of services, quantity of services, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

The prices of the services to be provided by the Combined Group B or Sinotrans Container Lines Group under the 2018 SNL Master Services Agreement will be determined based on the following factors:

(a) the prices of the services to be provided must be fair and reasonable;

(b) the terms and conditions in relation to the container chartering service to be provided by the Combined Group B to Sinotrans Container Lines Group should not be more favourable than those available to Independent Third Parties from the Combined Group B; and

(c) the terms and conditions in relation to the vessel technical management services to be provided by Sinotrans Container Lines Group to the Combined Group B should be no less favorable than those available to Independent Third Parties from Sinotrans Container Lines Group.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the price and terms of each transaction contemplated under the 2018 SNL Master Services Agreement.

Before entering into any specific agreement for a new transaction under the 2018 SNL Master Services Agreement, the services team of the Company will conduct checks as to pricing and payment terms of the agreement and consider whether the terms are in accordance with the principles of the 2018 SNL Master Services Agreement and is no less favourable to the Combined Group B or Sinotrans Container Lines than those available to Independent Third Parties.

The services team of the Company will obtain from independent market sources the relevant market intelligence regarding pricing of different types of services in the shipping market reflecting what are the then market price of the corresponding services from Independent Third Parties prior to the Combined Group B entering into any new agreement. To the extent the Combined Group B cannot obtain such market price references from independent market sources, the Combined Group B would secure at least two quotes from Independent Third Parties which offer comparable pricing and quality services required by the Combined Group B or Sinotrans Container Lines. Under such circumstances, the Combined Group B and Sinotrans Container Lines will make reference to such price quotes for comparison purpose prior to the entering into any new agreement. The services team of the Company will also confirm historical transaction data with the finance department of the Company in order to determine the fairness and reasonableness of the pricing terms.

For the provision of container chartering services by the Combined Group B to Sinotrans Container Lines, the Combined Group B must offer the terms of the container chartering services contracts to Sinotrans Container Lines no more favourable than to Independent Third Parties. The market price will be referenced to the data and resources available in the market on or about the time immediately before the date of entering into any new agreement.

For the provision of vessel technical management services by Sinotrans Container Lines to the Combined Group B, the pricing of the vessel technical management services will make reference to the price of similar services offered by at least two other independent ship management companies, through which the Company can compare the terms of those quotations and pass to the management of the services team of the Company for approval.

After the pricing terms have been determined and with the approval from the management, the members of Sinotrans Container Lines Group and the Combined Group B will enter into specific agreements which set out the agreed terms of the transactions.

In addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Payment Terms

Payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Combined Group B and Sinotrans Container Lines Group.

Historically settlement for these transactions were primarily one-off settlement in cash within three months after receipt of the relevant invoices.

Option to Renew

The Company has an option to renew the 2018 SNL Master Services Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and Sinotrans Container Lines) before the expiry date of the 2018 SNL Master Services Agreement, for a further period of three years. For each such renewal, such party will be deemed to have granted a new option to the other party for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Annual Caps

Historical transaction values

There was no historical transaction of general services provided between the Combined Group B and Sinotrans Container Lines Group for the three years ended 31 December 2017 and the two months ended 28 February 2018.

Proposed Annual Caps

It is expected that the annual amount of the service fees charged by the Combined Group B in relation to the provision of the container chartering services to Sinotrans Container Lines Group will not exceed approximately US$23,362,000, US$25,698,000 and US$28,268,000 for the three years ending 31 December 2021, respectively. The annual amount of the service fees charged by Sinotrans Container Lines Group in relation to the provision of the vessel technical management services to the Combined Group B will not exceed approximately US$480,000, US$480,000 and US$480,000 for the three years ending 31 December 2021, respectively.

Further details of the above annual caps are as follows:

A) Provision of container chartering services by the Combined Group B to Sinotrans Container Lines Group

Service	Proposed annual caps For the year ending 31 December		
	2019	2020	2021
	(US$'000)	*(US$'000)*	*(US$'000)*
container chartering services	23,362	25,698	28,268

B) Receipt of vessel technical management services by the Combined Group B from Sinotrans Container Lines Group

Service	Proposed annual caps For the year ending 31 December		
	2019	2020	2021
	(US$'000)	*(US$'000)*	*(US$'000)*
vessel technical management services	480	480	480

In respect of the container chartering services by the Combined Group B to Sinotrans Container Lines, although there is no historical transaction value for the three years ended 31 December 2017 which can be used for reference, the parties have considered the following factors in order to determine the proposed annual caps: (a) the historical container chartering expenses of Sinotrans Container Lines was approximately US$26,167,000 for the year ended 31 December 2017; (b) it is expected that Sinotrans Container Lines will purchase containers in order to reduce the container chartering costs; and (c) it is expected that the container chartering fees will increase at a rate of approximately 10% per year in the coming three years.

In respect of the provision of vessel technical management services by Sinotrans Container Lines to the Combined Group B, although there is no historical transaction value for the three years ended 31 December 2017 which can be used for reference, the parties have determined the proposed annual caps based on the expected demand of such services by seven vessels of the Combined Group B at the service fees of US$480,000 per year in the coming three years.

(5) 2018 Master Chartering Agreement

On 23 July 2018, the 2018 Master Chartering Agreement was entered into between the Company and CMG to set out the chartering services to be provided between CMG Group and the Group. The purpose of entering into the 2018 Master

Chartering Agreement is to facilitate the cooperation between CMG Group and the Group and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other.

The vessels to be chartered by CMG Group to the Group are different from those owned by the Group in terms of carriage capacities, shipping routes or located in different piers globally. It provides the flexibility and serves the mutual business needs of CMG Group and the Group.

Term and Scope

The term of the 2018 Master Chartering Agreement commences from 1 January 2019 and expires on 31 December 2021.

The 2018 Master Chartering Agreement provides a framework to govern the chartering services to be provided between CMG Group and the Group. Members of the Group and CMG Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 Master Chartering Agreement and the laws and regulations applicable to the Company and CMG. Such agreements should specify (amongst other things) the types of vessels, number of vessels, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

The charter hire and C/V/E fees under the 2018 Master Chartering Agreement will be determined based on the following factors:

(a) the amount of charter hire and C/V/E fees must be fair and reasonable;

(b) the charter hire and C/V/E fees payable by the Group to CMG Group should not be higher than the charter hire and C/V/E fees payable by the Group to Independent Third Parties;

(c) the address commission (i.e. an expense item in the cost of operation, being the discount given by the ship owner to a charterer based on a certain percentage of the charter hire) which the Group charges CMG Group should not be lower than the address commission which the Group charges Independent Third Parties;

(d) the charter hire and C/V/E fees which the Group charges CMG Group should not be lower than the charter hire and C/V/E fees which the Group charges Independent Third Parties; and

(e) the address commission payable by the Group to CMG Group should not be higher than the address commission payable by the Group to Independent Third Parties.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the fees and terms of each transaction contemplated under the 2018 Master Chartering Agreement.

The services team of the Company, having market intelligence regarding pricing of chartering fees in the shipping market and receives daily report from the public shipbrokers, is responsible for reviewing and approving the pricing prior to entering into any new agreement. As there are alternative sources of supplies of chartering of vessels with comparable pricing and quality offered to/by the Group and CMG Group, both the Group and CMG Group will make reference to the fees of similar chartering services quoted from Independent Third Parties for comparison purpose prior to the entering into any new agreement.

For the chartering of vessels by the Group to CMG Group, the Group must offer the terms of the chartering contracts to CMG Group no more favourable than Independent Third Parties. The market price of chartering will be referenced to Baltic Dry Index or the average chartering fees in respect of similar vessel sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter according to the daily quotations as disclosed in more than 10 shipbroker reports received through emails. The Company will then compare the terms of such quotations and pass to the management of the services team of the Company for approval to ensure the terms of the chartering contracts to CMG Group are no more favourable than the Independent Third Parties.

For the chartering of vessels by CMG Group to the Group, the Group will take into consideration the prevailing market price of chartering with reference to independent market data such as the Baltic Dry Index or the average chartering fees in respect of similar vessels sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter according to the daily quotations provided by public shipbrokers, the constant business cooperation between the Group and CMG Group, and will ensure that the pricing of these chartering services will be at market prices and on normal commercial terms.

After the pricing terms have been determined and with the approval from the management, the members of CMG Group and the Group will enter into specific agreements which set out the agreed terms of the transactions.

In addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Payment Terms

Payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Group and CMG Group.

Historically for time charter, the charter hire was payable every 15 days in advance of the delivery; for voyage charter, approximately 90% to 95% of the freight fee less commission and brokerage fee was payable within seven Business Days after signing/releasing the relevant bills of lading. The remaining balance, together with demurrage and/or despatch, was settled within 30 days after completion of the charter.

Option to Renew

The Company has an option to renew the 2018 Master Chartering Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and CMG) before the expiry date of the 2018 Master Chartering Agreement, for a further period of three years. For each such renewal, CMG will be deemed to have granted a new option to the Company for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Annual Caps

Historical transaction values

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the charter hire and C/V/E fees charged by:

(a) the Group in relation to the provision of chartering services to CMG Group amounted to approximately US$12,300,000, US$2,502,000, US$459,000 and nil, respectively; and

(b) CMG Group in relation to the provision of chartering services to the Group amounted to approximately US$10,669,000, US$4,076,000, US$3,094,000 and US$417,000, respectively.

There was no historical payment of address commission by CMG Group to the Group in relation to the provision of chartering services by CMG Group to the Group for the three years ended 31 December 2017 and the two months ended 28 February 2018.

Details of which are set out as follows:

A) Chartering of vessels by the Group to CMG Group

	Historical figures				
	For the year ended 31 December			For the two months ended 28 February	Current approved annual cap
Service	**2015**	**2016**	**2017**	**2018**	**2018**
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)* *(Note 1)*	*(US$'000)*
Charter hire and C/V/E fee	12,300	2,502	459	nil	28,250#

Notes:

1. The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.

2. The annual cap figure marked with # represents the aggregate annual cap of the relevant service provided by the Group to all members of CMG Group previously approved by the Board and the Shareholders (if applicable) for the year ending 31 December 2018.

B) Chartering of vessels by CMG Group to the Group

		Historical figures				
		For the year ended 31 December			For the two months ended 28 February	Current approved annual cap
	Service	**2015**	**2016**	**2017**	**2018**	**2018**
		(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)* *(Note 1)*	*(US$'000)*
(a)	Charter hire and C/V/E fee	10,669	4,076	3,094	417	55,170#
(b)	Address commission	nil	nil	nil	nil	684#

Notes:

1. The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.

2. The annual cap figure marked with # represents the aggregate annual cap of the relevant service provided by the Group to all members of CMG Group previously approved by the Board and the Shareholders (if applicable) for the year ending 31 December 2018.

Proposed Annual Caps

It is expected that the charter hire and C/V/E fees charged by the Group in relation to the provision of chartering services to CMG Group will not exceed approximately US$10,000,000, US$12,000,000 and US$14,000,000 for the three years ending 31 December 2021, respectively; and the annual amount of the charter hire and C/V/E fees charged by CMG Group in relation to the provision of chartering services to the Group will not exceed approximately US$147,365,000, US$147,365,000 and US$147,365,000 for the three years ending 31 December 2021, respectively.

It is expected that the address commission to be paid by CMG Group to the Group in relation to the provision of chartering services to the Group will not exceed approximately US$5,376,000, US$5,376,000 and US$5,376,000 for the three years ending 31 December 2021, respectively.

Details of which are as follows:

A) Chartering of vessels by the Group to CMG Group

Service	**Proposed annual caps For the year ended 31 December**			**Basis of determination for the proposed annual caps**
	2019	**2020**	**2021**	
	(US$'000)	*(US$'000)*	*(US$'000)*	
Charter hire and C/V/E fee	10,000	12,000	14,000	Based on the expected increase in the demand for vessels chartering by the Group to CMG Group in the coming years.

B) Chartering of vessels by CMG Group to the Group

	Service	**Proposed annual caps For the year ended 31 December**			**Basis of determination for the proposed annual caps**
		2019	**2020**	**2021**	
		(US$'000)	*(US$'000)*	*(US$'000)*	
(a)	Charter hire and C/V/E fee	147,365	147,365	147,365	Based on the expected stable demand for vessels chartering by CMG Group to the Group in the coming years. *(Note 1)*

	Service	Proposed annual caps For the year ended 31 December 2019 (US$'000)	2020 (US$'000)	2021 (US$'000)	Basis of determination for the proposed annual caps
(b)	Address commission	5,376	5,376	5,376	There will be address commission, which is an expense item in the cost of operation, is the discount given by a ship owner (i.e. CMG Group) to a charterer (i.e. the Group) based on a certain percentage on the charter hire, which is calculated at a rate of 3.75% for all vessels according to the industry practice.

Note:

1. The proposed annual caps of charter hire and C/V/E fee have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) CMG Group will charter around 30 vessels to the Combined Group B at a charter hire ranging from approximately US$12,500 to US$13,000 per day; and (b) CMG Group will charter around three vessels to Sinotrans Container Lines at a charter hire fee of approximately US$3,700 per day on average.

Apart from the above, the proposed annual caps of the charter hire and the C/V/E fees charged by CMG Group to the Group and the proposed annual caps of charter hire and the C/V/E fees charged by the Group to CMG Group in relation to the chartering of the vessels for the three years ending 31 December 2021 have been determined with reference to (i) the expected growing need for vessels chartering services between CMG Group and the Group; (ii) the interest in developing continuous business relationship and cooperation between CMG Group and the Group; and (iii) the prevailing market rate of time charter of vessel of a similar class.

(6) 2018 Sinochart Master Chartering Agreement

On 23 July 2018, the 2018 Sinochart Master Chartering Agreement was entered into between the Company and Sinochart to set out the chartering services to be provided between Sinochart Group and the Combined Group A (i.e. the Group excluding the Sinochart Group). The purpose of entering into the 2018 Sinochart Master Chartering Agreement is to facilitate the cooperation between Sinochart Group and the Combined Group A and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other.

The vessels to be chartered by Sinochart Group to the Combined Group A are different from those owned by the Combined Group A in terms of carriage capacities, shipping routes or located in different piers globally. It provides the flexibility and serves the mutual business needs of Sinochart Group and the Combined Group A.

Term and Scope

The term of the 2018 Sinochart Master Chartering Agreement commences from 1 January 2019 and expires on 31 December 2021.

The 2018 Sinochart Master Chartering Agreement provides a framework to govern the chartering services to be provided between Sinochart Group and the Combined Group A. Members of the Combined Group A and Sinochart Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 Sinochart Master Chartering Agreement and the laws and regulations applicable to the Company and Sinochart. Such agreements should specify (amongst other things) the types of vessels, number of vessels, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

The charter hire and C/V/E fees under the 2018 Sinochart Master Chartering Agreement will be determined based on the following factors:

(a) the amount of charter hire and C/V/E fees must be fair and reasonable;

(b) the charter hire and C/V/E fees payable by the Combined Group A to Sinochart Group should not be higher than the charter hire and C/V/E fees payable by the Combined Group A to Independent Third Parties;

(c) the address commission (i.e. an expense item in the cost of operation, being the discount given by the ship owner to a charterer based on a certain percentage of the charter hire) which the Combined Group A charges Sinochart Group should not be lower than the address commission which the Combined Group A charges Independent Third Parties;

(d) the charter hire and C/V/E fees which the Combined Group A charges Sinochart Group should not be lower than the charter hire and C/V/E fees which the Combined Group A charges Independent Third Parties; and

(e) the address commission payable by the Combined Group A to Sinochart Group should not be higher than the address commission payable by the Combined Group A to Independent Third Parties.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the fees and terms of each transaction contemplated under the 2018 Sinochart Master Chartering Agreement.

The services team of the Company, having market intelligence regarding pricing of chartering fees in the shipping market and receives daily report from the public shipbroker, is responsible for reviewing and approving the pricing prior to entering into any new agreement. As there are alternative sources of supplies of chartering of vessels with comparable pricing and quality offered to/by the Combined Group A and Sinochart, both the Combined Group A and Sinochart will make reference to the fees of similar chartering services quoted from the Independent Third Parties for comparison purpose prior to the entering into any new agreement.

For the chartering of vessels by the Combined Group A to Sinochart, the Combined Group A must offer the terms of the chartering contracts to Sinochart no more favourable than Independent Third Parties. The market price of chartering will be referenced to Baltic Dry Index or the average chartering fees in respect of similar vessel sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter according to the daily quotations as disclosed in more than 10 shipbroker reports received through emails. The Company will then compare the terms of such quotations and pass to the management of the services team of the Company for approval to ensure the terms of the chartering contracts to Sinochart are no more favourable than the Independent Third Parties.

For the chartering of vessels by Sinochart to the Combined Group A, the Combined Group A will take into consideration the prevailing market price of chartering with reference to independent market data such as the Baltic Dry Index or the average chartering fees in respect of similar vessels sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter according to the daily quotations provided by public shipbrokers, the constant business cooperation between the Combined Group A and Sinochart, and will ensure that the pricing of these chartering services will be at market prices and on normal commercial terms.

After the pricing terms have been determined and with the approval from the management, the members of Sinochart Group and the Combined Group A will enter into specific agreements which set out the agreed terms of the transactions.

In addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Payment Terms

Payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Combined Group A and Sinochart Group.

Historically for time charter, the charter hire was payable every 15 days in advance of the delivery; for voyage charter, approximately 90% to 95% of the freight fee less commission and brokerage fee was payable within seven Business Days after signing/releasing the relevant bills of lading. The remaining balance, together with demurrage and/or despatch, was settled within 30 days after completion of the charter.

Option to Renew

The Company has an option to renew the 2018 Sinochart Master Chartering Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and Sinochart) before the expiry date of the 2018 Sinochart Master Chartering Agreement, for a further period of three years. For each such renewal, Sinochart will be deemed to have granted a new option to the Company for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Annual Caps

Historical transaction values

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the charter hire and C/V/E fees charged by:

(a) the Combined Group A in relation to the provision of chartering services to Sinochart Group amounted to approximately US$11,243,000, US$6,316,000, US$8,723,000 and US$1,281,000, respectively; and

(b) Sinochart Group in relation to the provision of chartering services to the Combined Group A amounted to nil, nil, approximately US$407,000 and US$1,569,000, respectively.

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the address commission to be paid by:

(a) the Combined Group A to Sinochart Group in relation to the provision of chartering services to Sinochart Group amounted to approximately US$412,000, US$231,000, US$335,000 and nil, respectively; and

(b) Sinochart Group to the Combined Group A in relation to the provision of chartering services to the Combined Group A amounted to nil, nil, nil and nil, respectively.

Details of which are set out as follows:

A) Chartering of vessels by the Combined Group A to Sinochart Group

		Historical figures				
		For the year ended 31 December			For the two months ended 28 February	Current approved annual cap
	Service	**2015**	**2016**	**2017**	**2018**	**2018**
		(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)* *(Note 1)*	*(US$'000)*
(a)	Charter hire and C/V/E fee	11,243	6,316	8,723	1,281	49,400
(b)	Address commission	412	231	335	nil	1,853

Note:

1. The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.

B) Chartering of vessels by Sinochart Group to the Combined Group A

		Historical figures				
		For the year ended 31 December			For the two months ended 28 February	Current approved annual cap
	Service	**2015**	**2016**	**2017**	**2018**	**2018**
		(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)* *(Note 1)*	*(US$'000)*
(a)	Charter hire and C/V/E fee	nil	nil	407	1,569	99,245
(b)	Address commission	nil	nil	nil	nil	3,726

Note:

1. The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.

Proposed Annual Caps

It is expected that the charter hire and C/V/E fees charged by the Combined Group A in relation to the provision of chartering services to Sinochart Group will not exceed approximately US$49,400,000, US$49,400,000 and US$49,400,000 for the three years ending 31 December 2021, respectively; and the annual amount of the charter hire and C/V/E fees charged by Sinochart Group in relation to the provision of chartering services to the Combined Group A will not exceed approximately US$127,400,000, US$150,800,000 and US$181,220,000 for the three years ending 31 December 2021, respectively.

It is expected that the address commission to be paid by the Combined Group A to Sinochart Group in relation to the provision of chartering services to Sinochart Group will not exceed approximately US$1,853,000, US$1,853,000 and US$1,853,000 for the three years ending 31 December 2021, respectively; and the address commission to be paid by Sinochart Group to the Combined Group A in relation to the provision of chartering services to the Combined Group A will not exceed approximately US$1,853,000, US$1,853,000 and US$1,853,000 for the three years ending 31 December 2021, respectively.

Details of which are as follows:

A) Chartering of vessels by the Combined Group A to Sinochart Group

	Service	**Proposed annual caps For the year ended 31 December**		
		2019	**2020**	**2021**
		(US$'000)	*(US$'000)*	*(US$'000)*
(a)	Charter hire and C/V/E fee	49,400	49,400	49,400
(b)	Address commission	1,853	1,853	1,853

B) Chartering of vessels by Sinochart Group to the Combined Group A

	Service	**Proposed annual caps For the year ended 31 December**		
		2019	**2020**	**2021**
		(US$'000)	*(US$'000)*	*(US$'000)*
(a)	Charter hire and C/V/E fee *(Note 1)*	127,400	150,800	181,220
(b)	Address commission	1,853	1,853	1,853

Note:

1. The proposed annual caps of charter hire and C/V/E fee have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) 10 vessels of the Combined Group A will require chartering services from Sinochart Group at a charter hire and C/V/E fee of approximately US$13,500 per day; and (b) it is expected that there will be 39 voyages to be chartered by Sinochart Group to the Combined Group A in 2019 at a charter hire and C/V/E fee of approximately US$2,000,000 per voyage.

The proposed annual caps of the charter hire, the C/V/E Fee and the address commission in relation to the chartering of the vessels for the three years ending 31 December 2021 have been determined with reference to (i) the continuing need expressed by Sinochart to the Combined Group A for vessels chartering for each of the three years ending 31 December 2021; (ii) the continuing need expressed by the Combined Group A to Sinochart for vessels chartering for each of the three years ending 31 December 2021; (iii) the interest in developing further business relationship between the Combined Group A and Sinochart; (iv) the prevailing market rate of time charter of a vessel of a similar class; (v) the average rate of the address commission charged by third parties, which is calculated at a rate of 3.75% of the Charter Hire and C/V/E Fee; and (vi) mutual agreement between Sinochart and the Combined Group A.

(7) 2018 SNL Master Chartering Agreement

On 23 July 2018, the 2018 SNL Master Chartering Agreement was entered into between the Company and Sinotrans Container Lines to set out the chartering services to be provided by the Combined Group B (i.e. the Group excluding Sinotrans Container Lines Group) to Sinotrans Container Lines Group. The purpose of entering into the 2018 SNL Master Chartering Agreement is to offer chartering services provided by members of the Combined Group B to Sinotrans Container Lines and to maintain a steady flow of income into the Combined Group B.

Term and Scope

The term of the 2018 SNL Master Chartering Agreement commences from 1 January 2019 and expires on 31 December 2021.

The 2018 SNL Master Chartering Agreement provides a framework to govern the chartering services to be provided by the Combined Group B to Sinotrans Container Lines Group. Members of the Combined Group B and Sinotrans Container Lines Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 SNL Master Chartering Agreement and the laws and regulations applicable to the Company and Sinotrans Container Lines. Such agreements should specify (amongst other things) the types of vessels, number of vessels, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

The charter hire and C/V/E fees under the 2018 SNL Master Chartering Agreement will be determined based on the following factors:

(a) the amount of charter hire and C/V/E fees must be fair and reasonable;

(b) the charter hire and C/V/E fees which the Combined Group B charges Sinotrans Container Lines Group should not be lower than the charter hire and C/V/E fees which the Combined Group B charges Independent Third Parties; and

(c) the address commission payable by the Combined Group B to Sinotrans Container Lines Group should not be higher than the address commission payable by the Combined Group B to Independent Third Parties.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the fees and terms of each transaction contemplated under the 2018 SNL Master Chartering Agreement.

The services team of the Company, having market intelligence regarding pricing of chartering fees in the shipping market and receives daily report from the public shipbroker, is responsible for reviewing and approving the pricing prior to entering into any new agreement. As there are alternative sources of supplies of chartering services with comparable pricing and quality, the Combined Group B and Sinotrans Container Lines will make reference to the fees of similar chartering services in respect of similar vessel sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter quoted from Independent Third Parties for comparison purpose prior to the entering into any new agreement. For the chartering of vessels by the Combined Group B to Sinotrans Container Lines, the Combined Group B must offer the terms of the chartering contracts to Sinotrans Container Lines no more favourable than Independent Third Parties. The market price of chartering will be referenced to the container chartering fee index announced by Clarkson Research Services Limited or the average chartering fees in respect of similar vessel sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter according to the daily quotations as disclosed in more than 10 shipbroker reports received through emails. The Company will then compare the terms of such quotations and pass to the management of the services team of the Company for approval to ensure the terms of the chartering contracts to Sinotrans Container Lines are no more favourable than the Independent Third Parties.

After the pricing terms have been determined and with the approval from the management, the members of Sinotrans Container Lines Group and the Combined Group B will enter into specific agreements which set out the agreed terms of the transactions.

In addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Payment Terms

Payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Combined Group B and Sinotrans Container Lines Group.

Historically for time charter, the charter hire was payable every 15 days in advance of the delivery; for voyage charter, approximately 90% to 95% of the freight fee less commission and brokerage fee was payable within seven Business Days after signing/releasing the relevant bills of lading. The remaining balance, together with demurrage and/or despatch, was settled within 30 days after completion of the charter.

Option to Renew

The Company has an option to renew the 2018 SNL Master Chartering Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and Sinotrans Container Lines) before the expiry date of the 2018 SNL Master Chartering Agreement, for a further period of three years. For each such renewal, Sinotrans Container Lines will be deemed to have granted a new option to the Company for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Annual Caps

Historical transaction values

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the charter hire and C/V/E fees charged by the Combined Group B in relation to the provision of chartering services to Sinotrans Container Lines Group amounted to approximately US$18,606,000, US$23,338,000, US$27,020,000 and US$5,758,000, respectively.

There was no historical payment of address commission paid by the Combined Group B to Sinotrans Container Lines Group in relation to the provision of chartering services to Sinotrans Container Lines Group for the three years ended 31 December 2017 and the two months ended 28 February 2018.

Details of which are set out as follows:

		Historical figures				
		For the year ended 31 December			For the two months ended 28 February	Current approved annual cap
	Service	2015	2016	2017	2018	2018
		(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)* *(Note 1)*	*(US$'000)*
(a)	Charter hire and C/V/E fee	18,606	23,338	27,020	5,758	73,000
(b)	Address commission	nil	nil	nil	nil	2,738

Note:

1. The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.

Proposed Annual Caps

It is expected that the charter hire and C/V/E fees charged by the Combined Group B in relation to the provision of chartering services to Sinotrans Container Lines Group will not exceed approximately US$47,450,000, US$54,750,000 and US$54,750,000 for the three years ending 31 December 2021, respectively.

It is expected that the address commission to be paid by the Combined Group B to Sinotrans Container Lines Group in relation to the provision of chartering services to Sinotrans Container Lines Group will not exceed approximately US$1,187,000, US$1,369,000 and US$1,369,000 for the three years ending 31 December 2021, respectively.

Details of which are as follows:

		Proposed annual caps		
	Service	For the year ended 31 December		
		2019	2020	2021
		(US$'000)	*(US$'000)*	*(US$'000)*
(a)	Charter hire and C/V/E fee	47,450	54,750	54,750
(b)	Address commission	1,187	1,369	1,369

The proposed annual caps of the charter hire, the C/V/E Fee and the address commission in relation to the chartering of the vessels for the three years ending 31 December 2021 have been determined with reference to (i) the continuing need expressed by Sinotrans Container Lines to the Combined Group B for vessels chartering which will be about 13, 15 and 15 vessels to be chartered from the Combined Group B for each of the three years ending 31 December 2021 at an estimated charter hire fee of US$10,000 per day for each vessel; (ii) the interest in developing further business relationship between the Combined Group B and

Sinotrans Container Lines; (iii) the prevailing market rate of time charter of a vessel of a similar class; and (iv) the average rate of the address commission charged by third parties, which is calculated at a rate of 2.5% of the Charter Hire and C/V/E Fee.

(8) 2018 Master Financial Services Agreement

On 23 July 2018, the Company and the Finance Company entered into the 2018 Master Financial Services Agreement in relation to the provision of financial services by the Finance Company to the Group.

Term and Scope

The term of the 2018 Master Financial Services Agreement commences from 1 January 2019 and expires on 31 December 2021.

The Group may from time to time obtain the following financial services from the Finance Company:

1. Deposit Services: provision of deposit services to the Group on normal commercial terms.

2. Loan Services: subject to the applicable laws and regulations, provision of loan services to the Group on normal commercial terms.

3. Other Financial Services:

   (a) Settlement services: provision of settlement services to the Group on normal commercial terms.

   (b) Notes services: provision of notes services (including but not limited to bank acceptance bill, commercial acceptance bill and related business) on normal commercial terms on application of the Group.

   (c) Foreign exchange services: the Finance Company may on application of the Company provide foreign exchange settlement services on normal commercial terms.

   (d) The Finance Company may also provide other financial services to the Group within the business scope of the relevant entity on normal commercial terms.

Proposed Annual Caps for the Deposit Services

For the years ended 31 December 2015, 31 December 2016, 31 December 2017 and the two months ended 28 February 2018, the maximum daily outstanding balance placed by the Group with the Finance Company were approximately RMB347,128,000, RMB345,213,000, RMB349,633,000 and RMB349,061,000 respectively. Having taken into account the historical figures and the business needs of the Group (including the desirability of allowing some flexibility for members of the Group in establishing its commercial banking relationships), it is provided under the 2018 Master Financial Services Agreement that the maximum daily outstanding balance of deposits placed by the Group with the Finance Company (including accrued interests and surcharges, but not including any loans advanced by the Finance Company) for each of the three years ending 31 December 2021 will not exceed RMB2 billion, respectively.

The proposed annual caps for the three years ending 31 December 2021 represent approximately 42.1% of the cash and cash balances of the Group as at 31 December 2017, and are determined by reference to (i) the historical amounts deposited by the Group to the Finance Company; (ii) the possible deposit amounts that will be placed by them in the Finance Company in the coming three years; and (iii) the interest rates of such deposits which are determined at rates not less favorable than the benchmark rates set by the PBOC or the average interest rates set by the major financial institutions in the relevant jurisdictions from time to time.

Internal Control and Risk Management Measures

1) The Group utilises the services of the Finance Company on a voluntary, non-exclusive basis and is not obliged to engage the Finance Company for any services. The Finance Company is merely one of the financial institutions which provide services to the Group.

2) In accordance with the compliance and disclosure requirements to which the Group is subject, the Finance Company will provide, to the extent necessary, all legal documents, agreements, government approvals, financial data and other information relating to the performance of the 2018 Master Financial Services Agreement.

3) The Finance Company has obligation to keep confidential the Group's unpublished information that it has obtained in the course of its provision of financial services to the Group under the 2018 Master Financial Services Agreement, except as otherwise required by applicable laws and regulations (including the Listing Rules).

4) The Finance Company will strictly comply with the relevant laws and regulations and requirements imposed by the regulatory authority and ensure the security of funds of the Group.

As advised by the Finance Company:

1) the Finance Company is regulated by the PBOC and the CBIRC. Supervision check by the CBIRC includes regular examination of the audited financial statements and other relevant documents required to be filed by the Finance Company, on-site inspections and interviews with the senior management of the Finance Company. The Finance Company is also required to meet certain financial ratios set by the CBIRC; and

2) the Finance Company has established a series of internal control and management measures. A risk control committee has been established to (a) monitor the risk control implementation of each business activity of the Finance Company; and (b) report to the board of directors of the Finance Company.

In addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Pricing Mechanism for the Deposit Services

In respect of the Deposit Services, the interest rates shall be higher than or equal to the general interest rates set by the PBOC (if applicable) for the same term of deposit in the same period, and the average interest rate provided by major financial institutions in the PRC, for the same term of deposit in the same period. Before placing the deposits to the Finance Company, the finance department of the Group will (i) obtain the latest general interest rates set by the PBOC for the same term of deposit in the same period; and (ii) make enquiries with major financial institutions to obtain up-to-date information of the interest rates on deposit. In view of the availability of sufficient comparable market data for interest rate quotes for the same term of deposit in the same period, and the finance team of the Group taking steps to ensure that the interest rate offered by the Finance Company would be no less favourable than the average interest rate offered by other major financial institutions to the Group or the general interest rates set by the PBOC, the Board is of the view that the aforesaid arrangement could ensure that the interest rate offered by the Finance Company would be no less favourable than that offered by Independent Third Parties.

(9) 2018 Trademark License Agreement

On 23 July 2018, the Company and Sinotrans & CSC entered into the 2018 Trademark License Agreement in relation to the licensing of the trademarks by Sinotrans & CSC to the Company.

Term

The term of the 2018 Trademark License Agreement commences from 1 January 2019 and expires on 31 December 2021.

Scope

Sinotrans & CSC agreed to grant to the Company and its subsidiaries and joint ventures a non-exclusive and non-transferrable right to use certain trademarks registered by the Sinotrans & CSC Group for the business purpose of the Group (including but not limited to advertising, promotion and exhibition) worldwide at no consideration. Such trademarks are essential for the Group to conduct its business.

The 2018 Trademark License Agreement covers trademarks in various jurisdictions, including but not limited to the United Kingdom, Germany, Hong Kong, Japan, Macau, the PRC, Singapore, Taiwan and the United States.

SUFFICIENCY OF INTERNAL CONTROL MEASURES

In view of the internal control measures implemented in respect of the transactions contemplated under the 2018 CCT Master Agreements as set out in the section headed "Continuing Connected Transactions" above, in particular:

(a) the Group will only provide services to CMG Group, Sinochart Group and/or Sinotrans Container Lines Group if the terms and conditions are no more favourable than that offered by the Group to Independent Third Parties according to the general pricing policies;

(b) the Group will only receive services from CMG Group, Sinochart Group and/or Sinotrans Container Lines Group if the terms and conditions offered by them are fair and reasonable and around the ranges of quotes offered by the Independent Third Parties;

(c) the finance department of the Company will monitor the actual transaction amounts in respect of the transactions contemplated under the 2018 CCT Master Agreements against the proposed annual caps on an ongoing basis and will ensure that the proposed annual caps will not be exceeded;

(d) if any of the proposed annual caps is exceeded, the finance department of the Company will inform the management and revise the annual caps, and the Company will re-comply (where applicable) with the reporting and announcement requirements under Chapter 14A of the Listing Rules;

(e) the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company; and

(f) the independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

The Directors are of the view that the existing internal control measures and mechanisms are sufficient to ensure that the transactions contemplated under the 2018 CCT Master Agreements will be conducted on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders.

BASIS OF PROPOSED ANNUAL CAPS

The proposed annual caps in respect of the transactions contemplated under the 2018 CCT Master Agreements as set out in the section headed "Continuing Connected Transactions" above have generally taken into account the following factors:

(a) historical transaction values of the relevant services have been obtained (if available) for the three years ended 31 December 2017 and the two months ended 28 February 2018;

(b) quotations from at least two Independent Third Parties have been obtained (where applicable) for comparison purpose;

(c) the current and expected fleet size over the next three years, and the demand of relevant services of CMG Group, Sinochart Group and/or Sinotrans Container Lines Group; and

(d) the expected increase in demand of the relevant services in the coming three years following the Reorganisation.

Based on the above, the Directors are of the view that the proposed annual caps of all transactions under the 2018 CCT Master Agreements are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

The proposed annual caps for most of the transactions as contemplated under the 2018 CCT Master Agreements have increased as compared to the historical transaction values for the three years ended 31 December 2017. This is mainly attributable to the change in the corporate structure of CMG Group and the Group following the Reorganisation, which leads to an increase in the fleet size and an increase in the demand of the various shipping services by CMG Group and the Group. The proposed annual caps are determined after considering the historical transaction values of the relevant services and the impact of the Reorganisation. For the reasons of significant increments of the proposed annual caps of certain transactions, please refer to the section headed "Continuing Connected Transactions" above.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS CONTEMPLATED UNDER THE 2018 CCT MASTER AGREEMENTS

The 2018 CCT Master Agreements provide a general framework governing certain continuing connected transactions which have been taking place between the Group and CMG Group for years. These continuing connected transactions are essential for the continued business operation and development of the Group.

The leasing of the Properties under the 2018 Master Tenancy and Property Management Agreement allows continuous and stable use by the Group of premises for its business operations at market rate without expending the resources and the disruption that relocation inevitably entails.

Some of the general services provided by CMG Group to the Group under the 2018 Master Services Agreement will enable the Group to provide end-to-end general services to customers covering locations in which the Group does not have operations. The Group requires some of general services from CMG Group because such services to be provided by CMG Group are different in terms of technicality, service scope, physical locations in which the Group does not have available vessels. On the other hand, the Group is able to provide services to members of CMG Group, who are not in the same line of business or who do not operate in the areas in which the Group has its core operations.

The 2018 Master Chartering Agreement facilitates the cooperation between CMG Group and the Group in respect of chartering services and allows for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other. The vessels to be chartered by CMG Group to the Group are different from those owned by the Group in terms of carrying capacities, shipping routes or located in different piers globally, the entering into of the 2018 Master Chartering Agreement provides the flexibility and serves the mutual business needs of CMG Group and the Group.

The purpose of entering into the 2018 Sinochart Master Services Agreement and the 2018 Sinochart Master Chartering Agreement is to facilitate the cooperation between Sinochart Group and the Group and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to both Sinochart Group and the Group. Similarly, the entering into of the 2018 SNL Master Services Agreement and the 2018 SNL Master Chartering Agreement helps facilitate the cooperation between Sinotrans Container Lines Group and the Group and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to both Sinotrans Container Lines Group and the Group.

The Group maintains deposits with and engages commercial banks for financial services from time to time as part of its treasury activities and to satisfy its business needs in its ordinary and usual course of business. The Directors consider that the Finance

Company is able to provide a variety of banking and related services in support of the Group's business and treasury activities. There is no restriction under the 2018 Master Financial Services Agreement on the Group's ability to secure the services of other banks or financial institutions of its choice. The entering into of the 2018 Master Financial Services Agreement shall not limit the Group's choice of banks or financial institutions and the Group can decide the extent of use of Deposit Services and other financial services from the Finance Company as long as the relevant proposed annual caps are not exceeded. The Group may make its selection according to the fees being charged and the quality of services being delivered.

Considering that (i) the Finance Company is a state-owned financial institution and an indirect wholly-owned subsidiary of CMG, which is a state wholly-owned enterprise with sound credit rating; and (ii) the internal control and risk management measures referred to in the paragraph headed "(8) 2018 Master Financial Services Agreement – Internal Control and Risk Management Measures" have been adopted, the Group expects that it would not be exposed to high credit risk for depositing in the Finance Company.

The 2018 Trademark License Agreement authorises the Group to use, for no consideration, the trademarks registered by the Sinotrans & CSC Group worldwide. Such trademarks are essential for the Group to conduct its business.

Given that the entering into of the 2018 CCT Master Agreements enable the Group to manage and optimise the use of resources via the platform of CMG Group and create synergies between the CMG Group and the Group, the Directors consider that transactions contemplated under the 2018 CCT Master Agreements are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable, and are in the interest of the Group and the Shareholders as a whole.

INFORMATION OF THE COMPANY AND COUNTERPARTIES

The Company is principally engaged in dry bulk shipping, container shipping, liquefied natural gas shipping, vessel time chartering and cargo voyage chartering businesses.

CMG is a state wholly-owned enterprise and is supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. As an integrated enterprise with diversified businesses, CMG is currently focusing on three core business sectors – transportation (ports and related services, toll roads, shipping, logistics, offshore engineering and trade), finance (banking, securities, funds, insurance) and property development.

Sinochart is a limited liability company established in the PRC and is an indirect non-wholly owned subsidiary of the Company. It is principally engaged in dry bulk shipping.

Sinotrans Container Lines is a limited liability company established in the PRC and is an indirect non-wholly owned subsidiary of the Company. It is principally engaged in providing international container liner services.

The Finance Company is a limited liability company established in the PRC and is an indirect wholly-owned subsidiary of CMG. Its business scope includes: (i) financial consultancy services, credit appraisal and other relevant advice; (ii) payment and settlement services; (iii) guarantees, bills acceptance and discounting services; (iv) loans and finance lease services; (v) deposit services; (vi) corporate bond underwriting services for members of the CMG Group; and (vii) other financial services approved by regulators in the PRC.

Sinotrans & CSC is a PRC state-owned enterprise which indirectly owns approximately 68.25% of the Company as at the Latest Practicable Date. It is the biggest comprehensive logistics service provider in the PRC with logistics as its core business, followed by shipping and shipbuilding.

IMPLICATIONS UNDER THE LISTING RULES

Sinotrans & CSC is the controlling shareholder interested in approximately 68.25% of all the issued shares of the Company as at the Latest Practicable Date, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

CMG, through its direct ownership of the entire equity interest in Sinotrans & CSC, is an indirect controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

Accordingly, the transactions contemplated under each of the 2018 CCT Master Agreements (which are entered into between the Company and CMG) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Finance Company is an indirect wholly-owned subsidiary of CMG and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2018 Master Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Sinochart and Sinotrans Container Lines are non wholly-owned subsidiaries of the Company as each of Marine Peace and Marine Harvest has appointment and removal right for a majority of the board of directors of each of Sinochart and Sinotrans Container Lines, respectively. Sinotrans & CSC is a joint venture party to and holds 51% equity interest of each of Sinochart and Sinotrans Container Lines. Accordingly, Sinochart and Sinotrans Container Lines are deemed to be connected persons of the Company for the purpose of Rule 14A.16(1) of the Listing Rules and the transactions with Sinochart and Sinotrans Container Lines constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In relation to the 2018 Master Tenancy and Property Management Agreement, given that some of the applicable percentage ratios for the transactions contemplated thereunder on an annual basis are expected to be more than 0.1% but all of the applicable percentage ratios are less than 5%, such transactions will be exempted from the Independent Shareholders' approval requirement and will be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

In relation to the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement and the 2018 SNL Master Services Agreement, given that some of the applicable percentage ratios for the transactions contemplated thereunder on an annual basis, when aggregated under Rule 14A.81 of the Listing Rules are expected to be more than 5%, such transactions will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In relation to the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement and the 2018 SNL Master Chartering Agreement, given that some of the applicable percentage ratios for the transactions contemplated thereunder on an annual basis are expected to be more than 5%, such transactions will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In relation to the 2018 Master Financial Services Agreement, as one or more of the applicable percentages calculated in accordance with the Listing Rules in respect of the maximum daily outstanding balance of the Deposit Services will be higher than 5% and the annual caps exceed HK$10,000,000, the maximum daily outstanding balance of the Deposit Services is therefore subject to the reporting, annual review, announcement and the approval from Independent Shareholders requirements under Chapter 14A of the Listing Rules. In addition, the deposits made in the Finance Company are provision of financial assistance by the Company under Rule 14.04(1)(e) of the Listing Rules. As some of the percentage ratios in respect of the placing of deposits in the Finance Company exceed 25% but are all below 100% on an annual basis, such placing of deposits also constitute major transactions of the Company which are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Loan Services, which is on normal commercial terms (similar or better than those offered by Independent Third Parties for comparable services), and no security over the assets of the Group will be required for the credit facility services, will amount to financial assistance by a connected person for the benefit of the Group which is exempt under the Rule 14A.90 of the Listing Rules from reporting, annual review, announcement and Independent Shareholders' approval requirements.

The annual transaction amount of the Other Financial Services to be provided by the Finance Company to the Group under the 2018 Master Financial Services Agreement will fall within the de minimis threshold for exemption set forth in the Rule 14A.76(1) of the Listing Rules. Thus, the provision of the Other Financial Services by the Finance Company to the Group is exempt from reporting, annual review, announcement and approval from Independent Shareholders requirements under the Listing Rules. The Company will comply with the applicable requirements of reporting, annual review, announcement and approval from Independent Shareholders under the Listing Rules if the transaction amount of any Other Financial Services would exceed the relevant threshold.

In relation to the 2018 Trademark License Agreement, given there is no charge for licensing the trademarks thereunder, such transactions will be exempted from reporting, annual review, announcement and approval from the Independent Shareholders requirements under the Listing Rules.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on, among others, the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder. BaoQiao Partners has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Sinotrans & CSC and its associates will abstain from voting at the EGM.

BaoQiao Partners has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to, among others, the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder, in accordance with the Listing Rules. Such appointment has been approved by the Independent Board Committee.

None of the Directors has a material interest in the 2018 CCT Master Agreements and the transactions contemplated thereunder. Pursuant to the articles of association of the Company, all the executive Directors and the non-executive Directors (other than the independent non-executive Directors) were required to abstain from voting on the relevant resolutions of the Board in relation to the transactions contemplated under the 2018 CCT Master Agreements. The Directors (including the independent non-executive Directors who have expressed their view after receiving advice from BaoQiao Partners) are of the view that the terms of the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at Concord Room, 8/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong on Friday, 10 August 2018 at 2:30 p.m. is set out on pages EGM-1 to EGM-4 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolutions as set out therein. Voting at the EGM will be by poll.

A form of proxy for use by the Shareholders at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit at the registered office of the Company at 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

Sinotrans & CSC and its associates, which held as to approximately 68.25% of all the issued shares of the Company as at the Latest Practicable Date, are required to abstain from voting for the resolution approving the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder. Save for Sinotrans & CSC and its associates, no other Shareholder is required to abstain from voting for the resolution to approve the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder.

CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

To ascertain Shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 7 August 2018 to Friday, 10 August 2018, both dates inclusive, during which period no Share transfers will be effected.

In order to qualify to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 6 August 2018 for registration.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 72 to 73 of this circular which contains its recommendations to the Independent Shareholders on the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder. Your attention is also drawn to the letter of advice from BaoQiao Partners which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder as set out from pages 74 to 152 of this circular.

The Directors consider that the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder, are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM.

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

By Order of the Board
Sinotrans Shipping Limited
LI HUA
Executive Director

中外運航運有限公司
SINOTRANS SHIPPING LTD.
(Incorporated in Hong Kong with limited liability)
(Stock Code: 368)

24 July 2018

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTIONS IN RESPECT OF THE DEPOSIT SERVICES UNDER THE 2018 MASTER FINANCIAL SERVICES AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular of the Company to the Shareholders dated 24 July 2018 (the "**Circular**"), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as defined in the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder, are entered into on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and in the interests of the Shareholders as a whole.

We wish to draw your attention to the letter of advice from BaoQiao Partners as set out on pages 74 to 152 of the Circular. BaoQiao Partners has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder.

Having considered, among other matters, the terms of the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement, and the 2018 Master Financial Services Agreement, the factors and reasons considered by, and the opinion of BaoQiao Partners as stated in its letter of advice, we consider that the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder, are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder, to be proposed at the EGM.

Yours faithfully
The Independent Board Committee of
Sinotrans Shipping Limited
Mr. Lee Peter Yip Wah
Mr. Zhou Qifang
Mr. Xu Zhengjun
Mr. Wu Tak Lung
Independent non-executive Directors

The following is the letter of advice from BaoQiao Partners Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.

寶橋 BAOQIAO PARTNERS

BAOQIAO PARTNERS CAPITAL LIMITED

Unit 601, 6/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

24 July 2018

*To the Independent Board Committee and
the Independent Shareholders of Sinotrans Shipping Limited*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTIONS IN REPECT OF THE DEPOSIT SERVICES UNDER THE 2018 MASTER FINANCIAL SERVICES AGREEMENT

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 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement (collectively, the "**2018 CCT 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 issued by the Company to the Shareholders dated 24 July 2018 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 23 July 2018, the Company entered into the 2018 CCT Agreements with CMG, Sinochart, Sinotrans Container Lines, the Finance Company and/or Sinotrans & CSC (as the case may be).

As disclosed in the Letter from the Board, the transactions contemplated under the 2018 CCT Agreements constitute continuing connected transactions of the Company and the Deposit Services under the 2018 Master Financial Services Agreement also constitute major transactions of the Company. Accordingly, the transactions contemplated under the 2018 CCT Agreements are subject to the reporting, announcement, annual review, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lee Peter Yip Wah, Mr. Zhou Qifang, Mr. Xu Zhengjun and Mr. Wu Tak Lung, has been formed to advise the Independent Shareholders as to whether the 2018 CCT Agreements and the transactions contemplated thereunder are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, BaoQiao Partners Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

In the last two years, prior to the Latest Practicable Date, there was no engagement between the Group and BaoQiao Partners Capital Limited. As at the Latest Practicable Date, we do not have any relationship with, or have any interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser in relation to the 2018 CCT Agreements and the transactions contemplated thereunder, no other arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the annual report of the Company for the year ended 31 December 2016 (the "**2016 Annual Report**") the annual results announcement (the "**2017 Annual Results Announcement**") and the annual report (the "**2017 Annual Report**") of the Company for the year ended 31 December 2017, the announcement of the Company dated 23 July 2018, the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Management in the Circular were reasonably made after due enquiries and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Directors and/or the Management, which have been provided to us.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Group in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs, financial condition and future prospects of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into the 2018 CCT Agreements and the transactions contemplated thereunder. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the facts, information, representations and opinions made available to us, at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of approving the 2018 CCT Agreements and the transactions contemplated thereunder, and this letter, except for its inclusion in the Circular and for inspection as required under the Listing Rules, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the 2018 CCT Agreements and the transactions contemplated thereunder, we have taken into consideration the following factors and reasons:

1. Information of the Group

1.1 Background of the Group

Business of the Group

The Company and its subsidiaries are principally engaged in dry bulk shipping, container shipping, liquefied natural gas shipping, shipping agency and ship management.

The Reorganisation between Sinotrans & CSC and CMG Group

With reference to the Letter from the Board, Sinotrans & CSC is a PRC state-owned enterprise which indirectly owns approximately 68.25% of the Company as at the Latest Practicable Date. It is the biggest comprehensive logistics service provider in the PRC with logistics as its core business, followed by shipping and shipbuilding.

As disclosed in the announcement of the Company dated 29 December 2015, the State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**") approved the strategic reorganisation between Sinotrans & CSC and CMG (the "**Reorganisation**"), according to which, Sinotrans & CSC would be administratively allocated (for no consideration) into, and become a wholly-owned subsidiary of, CMG. The Reorganisation was aimed to achieve economies of scale and synergies in particular in the areas of logistics, energy and bulk shipping, property development, ports and marine and offshore engineering between the two groups to speed up the development of an internationally competitive leading enterprise.

As disclosed in the announcement of the Company dated 10 April 2017, the relevant legal procedures of the Reorganisation have been completed and CMG becomes the ultimate holding company of the Company thereafter.

Overview of the shipping industry

As disclosed in the 2017 Annual Report, the world economy has entered a normal recovery track in 2017, the advanced economies such as Europe, the United States and Japan started to recover at the same time. The emerging economies headed by China and India had maintained steady growth. With the thriving international trade and increasing prices of major commodities, seaborne demand started to pick up. On the other hand, the growth rate of shipping supply was quite low, supply and demand balance continued to improve. The dry bulk and container shipping markets showed a good momentum of recovery, stepping out from the historical low in 2016. The overall market performance was on the uptrend along with volatility. The average Baltic Dry Index ("**BDI**"), which reflects the condition of dry bulk shipping market, was 1,145 points in 2017, representing an increase of 70% as compared with the lowest average of 673 points in 2016. Meanwhile, the container shipping market in Intra-Asia area was stable and on uptrend as the economic growth in Asia continued to outperform the global average. The competition landscape was relatively stable, supply and demand balance has been improving, and the freight rates steadily increased. The Directors are of the view that the trend of steady recovery of domestic and world economies is expected to keep up while the growth in world trade is expected to accelerate, thus sustaining the steady economic growth in general, which will lay a solid foundation for the further recovery of the shipping market.

Fleet size of the Group

With reference to the 2017 Annual Results Announcement, the total controlled fleet of the Group as at 31 December 2017 was 113 vessels, among which 51 vessels were owned by the Group and 62 vessels were chartered-in. Among the above 113 controlled vessels of the Group, there were 81 dry bulk vessels with total shipping capacity of approximately 6.64 million DWT and 31 containers vessels with total shipping capacity of approximately 42,000 TEU. In addition, there were 10 vessels on the order book of the Group as at 31 December 2017, which were expected to be delivered in 2018 and 2019. As confirmed by the Management, 4 new vessels among the above-mentioned 10 vessels have been delivered to the Group prior to the Latest Practicable Date.

According to the Thirteenth Five Year (2016-2020) Business Development Plan of the Group approved by Sinotrans & CSC (the "**Thirteenth Five Year Plan of the Group**"), the total controlled shipping capacity of the Group by 2020 for dry bulk vessels and container vessels are planned to reach 10 million DWT and 58,000 TEU respectively. After reviewing the relevant corporate documents, it is noted that the planned total controlled shipping capacity of the Group by 2020 for dry bulk vessels and container vessels represent an increase of approximately 50.6% and 38.1% as compared to the total controlled shipping capacity of the Group as at 31 December 2017 of approximately 6.64 million DWT for 81 controlled dry bulk vessels and approximately 42,000 TEU for 31 controlled container vessels.

1.2 Financial information of the Group

Set out below is the financial information of the Group for the years ended 31 December 2015 ("**FY2015**"), 31 December 2016 ("**FY2016**") and 31 December 2017 ("**FY2017**") extracted from the 2016 Annual Report and 2017 Annual Report:

	For the year ended 31 December		
	2015	**2016**	**2017**
	US$'000	*US$'000*	*US$'000*
Revenue	999,774	841,461	1,006,395
– Dry bulk shipping (Note)	*503,331*	*368,691*	*489,102*
– Container shipping	*495,895*	*473,333*	*517,930*
– Others	*2,228*	*1,060*	*1,032*
Profit/(loss) for the year	(81,537)	(242,114)	40,002

Note: Segment revenue includes revenue derived from joint ventures measured at proportionate consolidated basis. Segment revenue subtracted the revenues derived from joint ventures measured at proportionate consolidated basis to arrive at total revenues per the consolidated statement of profit or loss and other comprehensive income.

	As at 31 December		
	2015	**2016**	**2017**
	US$'000	*US$'000*	*US$'000*
Total assets	2,353,225	2,074,342	2,188,946
Cash and bank balances	630,102	643,978	726,491
– Non-current bank deposits	*121,714*	*–*	*–*
– Cash and cash equivalents	*154,978*	*283,243*	*199,074*
– Short-term bank deposits	*353,302*	*360,627*	*527,302*
– Restricted cash	*108*	*108*	*115*
Total liabilities	296,231	278,099	355,052
Net assets	2,056,994	1,796,243	1,833,894

Financial Performance of the Group

FY2016 versus FY2015

The revenue of the Group decreased by approximately 15.8% from approximately US$999.77 million for FY2015 to approximately US$841.46 million for FY2016. Such decrease in revenue of the Group for FY2016 as compared to FY2015 was mainly due to the decrease in revenue from dry bulk shipping segment.

In FY2016, revenue of the Group from dry bulk shipping was approximately US$368.69 million (FY2015: approximately US$503.33 million), among which ocean freight income recorded approximately US$275.61 million (FY2015: approximately US$400.16 million), and charter hire income recorded approximately US$93.08 million (FY2015: approximately US$103.17 million). The shipping volume was approximately 41.32 million tons during FY2016 (FY2015: approximately 42.36 million tons). The average daily charter hire rate/time charter equivalent (TCE) rate of dry bulk vessels was approximately US$6,521 (FY2015: approximately US$8,424), representing a year-on-year decrease of approximately 22.6%.

The loss attributable to the owners of the Company increased by approximately 246.1% from approximately US$66.33 million for FY2015 to approximately US$229.58 million for FY2016, mainly due to the non-cash impairment loss of approximately US$162.79 million on self-owned dry bulk vessels in FY2016.

FY2017 versus FY2016

The operating results of the Group improved significantly during FY2017, achieved profit turnaround. The revenue of the Group increased by approximately 19.6% from approximately US$841.46 million for FY2016 to approximately US$1,006.40 million for FY2017, which is mainly attributable to the increase in revenue from both dry bulk shipping and container shipping.

In FY2017, revenue of the Group from dry bulk shipping was approximately US$489.10 million (FY2016: approximately US$368.69 million), among which charter hire income recorded approximately US$199.42 million, representing an increase of approximately 114.2% as compared to approximately US$93.08 million for FY2016 and ocean freight income recorded approximately US$289.68 million as compared to approximately US$275.61 million for FY2016. The shipping volume was approximately 41.70 million tons during FY2017 (FY2016: approximately 41.32 million tons). The average daily charter hire rate/time charter equivalent (TCE) rate of dry bulk vessels for FY2017 was approximately US$10,458 (FY2016: approximately US$6,521), representing a year-on-year increase of approximately 60.4%.

The Group has made a turnaround from a loss attributable to owners of the Company of approximately US$229.58 million for FY2016 to a profit attributable to owners of the Company of approximately US$32.27 million for FY2017.

Financial Position of the Group

As shown in the above table, the net assets of the Group decreased by approximately 12.7% from approximately US$2,056.99 million as at 31 December 2015 to approximately US$1,796.24 million as at 31 December 2016, and net assets of the Group increased by approximately 2.1% from approximately US$1,796.24 million as at 31 December 2016 to approximately US$1,833.89 million as at 31 December 2017.

As at 31 December 2017, the total assets of the Group were approximately US$2,188.95 million, which mainly comprised of, among others, (i) property, plant and equipment of approximately US$1,130.70 million; (ii) short-term bank deposits of approximately 527.30 million; (iii) cash and cash equivalents of approximately US$199.07 million; (iv) trade and other receivables of approximately US$169.26 million; and (v) investments in joint ventures of approximately US$89.58 million.

As at 31 December 2017, the total liabilities of the Group were approximately US$355.05 million, which mainly comprised of, among others, (i) trade and other payables of approximately 278.61 million; and (ii) borrowings of approximately US$63.15 million.

2. Information about CMG, Sinochart, Sinotrans Container Lines and the Finance Company

Information about CMG

As disclosed in the Letter from the Board, CMG is a state wholly-owned enterprise and is supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. As an integrated enterprise with diversified businesses, CMG is currently focusing on three core business sectors – transportation (ports and related services, toll roads, shipping, logistics, offshore engineering and trade), finance (banking, securities, funds, insurance) and property development.

As disclosed on the website of CMG (www.cmhk.com), (i) for shipping segment, the total shipping capacity of the fleet of CMG Group reached 32,950,000 DWT (deadweight tonnage) and CMG Group had, among others, 43 VLCC (very large crude carrier), 8 VLOC (very large ore carrier) and several LNG carriers in operation and 30 vessels on order book as at 31 December 2017, ranking the third in the world; (ii) for ports and related services segment, CMG Group is a world-class comprehensive port service provider and operates 50 ports internationally in 19 countries and regions and is the largest public port operator in the PRC; (iii) for marine repairing segment, CMG Group operates the largest dockyard in South China and the largest dockyard in Hong Kong; (iv) for trading segment, CMG Group is one of the biggest supplier of marine products in the PRC providing marine equipments, port machineries, communication and navigation equipments, marine components and materials and providing marine products installation, testing, repairing and maintenance; and (v) for finance segment, CMG Group covers banking, securities, insurance and asset management.

Information about Sinochart

Sinochart is a limited liability company established in the PRC and is an indirect non-wholly owned subsidiary of the Company. It is principally engaged in dry bulk shipping.

As disclosed on the website of Sinochart (chart.sinotrans-csc.com), we noted that Sinochart described itself as a large and renowned dry bulk operator with usual operation of around 60 vessels and maximum of 130 vessels in history.

Information about Sinotrans Container Lines

Sinotrans Container Lines is a limited liability company established in the PRC and is an indirect non-wholly owned subsidiary of the Company. It is principally engaged in providing international container liner services.

Information about the Finance Company

The Finance Company is a limited liability company established in the PRC and is an indirect wholly-owned subsidiary of CMG. Its business scope includes: (i) financial consultancy services, credit appraisal and other relevant advice; (ii) payment and settlement services; (iii) guarantees, bills acceptance and discounting services; (iv) loans and finance lease services; (v) deposit services; (vi) corporate bond underwriting services for members of CMG Group; and (vii) other financial services approved by regulators in the PRC.

Information about Sinotrans & CSC

Sinotrans & CSC is a PRC state-owned enterprise which indirectly owns approximately 68.25% of the Company as at the Latest Practicable Date. It is the biggest comprehensive logistics service provider in the PRC with logistics as its core business, followed by shipping and shipbuilding.

3. Reasons for and benefits of entering into the 2018 CCT Agreements

As disclosed in the Letter from the Board, the 2018 CCT Agreements provide a general framework governing certain continuing connected transactions which have been taking place between the Group and CMG Group for years. These continuing connected transactions are essential for the continued business operation and development of the Group.

As disclosed in the Letter from the Board, some of the general services provided by CMG Group to the Group under the 2018 Master Services Agreement will enable the Group to provide end-to-end general services to customers covering locations in which the Group does not have operations. The Group requires some of general services from CMG Group because such services to be provided by CMG Group are different in terms of technicality, service scope, physical locations in which the Group does not have available vessels. On the other hand, the Group is able to provide services to members of CMG Group, who are not in the same line of business or who do not operate in the areas in which the Group has its core operations.

As disclosed in the Letter from the Board, the 2018 Master Chartering Agreement facilitates the cooperation between CMG Group and the Group in respect of chartering services and allows for better utilisation of internal resources to increase competitiveness, which is mutually beneficial to each other. The vessels to be chartered by the Group from CMG Group are different from those owned by the Group in terms of carrying capacities, shipping routes or located in different piers globally, the entering into of the 2018 Master Chartering Agreement provides the flexibility and serves the mutual business needs of CMG Group and the Group.

As disclosed in the Letter from the Board, the purpose of entering into the 2018 Sinochart Master Services Agreement and the 2018 Sinochart Master Chartering Agreement is to facilitate the cooperation between Sinochart Group and the Group and allow for better utilisation of internal resources to increase competitiveness, which is mutually beneficial to both Sinochart Group and the Group. Similarly, the entering into of the 2018 SNL Master Services Agreement and the 2018 SNL Master Chartering Agreement helps facilitate the cooperation between Sinotrans Container Lines Group and the Group and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to both Sinotrans Container Lines Group and the Group.

As disclosed in the Letter from the Board, the Group maintains deposits with and engages commercial banks for financial services from time to time as part of its treasury activities and to satisfy its business needs in its ordinary and usual course of business. The Directors consider that the Finance Company is able to provide a variety of banking and related services in support of the Group's business and treasury activities. There is no restriction under the 2018 Master Financial Services Agreement on the Group's ability to secure the services of other banks or financial institutions of its choice. The entering into of the 2018 Master Financial Services Agreement shall not limit the Group's choice of banks or financial institutions and the Group can decide the extent of receipt of Deposit Services and other financial services from the Finance Company as long as the relevant proposed annual caps are not exceeded. The Group may make its selection according to the fees being charged and the quality of services being delivered. Considering that (i) the Finance Company is a state-owned financial institution and an indirect wholly-owned subsidiary of CMG, which is a state wholly-owned enterprise with sound credit rating; and (ii) the internal control and risk management measures referred to in the paragraph headed "(8) 2018 Master Financial Services Agreement – Internal Control and Risk Management Measures" have been adopted, the Group expects that it would not be exposed to high credit risk for depositing in the Finance Company.

As disclosed in the Letter from the Board, given that the entering into of the 2018 CCT Agreements enable the Group to manage and optimise the use of resources via the platform of CMG Group and create synergies between CMG Group and the Group, the Directors consider that transactions contemplated under the 2018 CCT Agreements are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable, and are in the interest of the Group and the Shareholders as a whole.

In view of the above reasons, we concur with the Directors that the transactions contemplated under the 2018 CCT Agreements entered into on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable, and are in the interest of the Group and the Shareholders as a whole.

4. Principal terms of the 2018 CCT Agreements

4.1 2018 Master Services Agreement

As disclosed in the Letter from the Board, since general shipping services will be continuously provided between CMG Group and the Group, on 23 July 2018, the 2018 Master Services Agreement was entered into between the Company and CMG to set out such general services to be provided.

The purpose of entering into the 2018 Master Services Agreement is to facilitate the cooperation between CMG Group and the Group and allow for better utilisation of internal resources to increase competitiveness, which is mutually beneficial to each other.

Term and Scope

The term of the 2018 Master Services Agreement commences from 1 January 2019 and expires on 31 December 2021.

As disclosed in the Letter from the Board, the general services to be provided by the Group to CMG Group under the 2018 Master Services Agreement include (a) commercial management services; (b) corporate administrative services; (c) shipping agency services; (d) freight forwarding services; (e) cargo transportation services; and (f) shipping broker services. The general services to be provided by CMG Group to the Group under the 2018 Master Services Agreement include (a) commercial management services; (b) shipping broker services; (c) shipping agency services; (d) maintenance and repairing services; (e) supervisory services regarding construction of vessels; (f) crew management services; (g) insurance broker services; (h) refuelling services; (i) vessels inspection services; (j) freight forwarding services; (k) containers chartering services; (l) depot services; (m) supply of materials and components services; (n) container terminal services; and (o) tug services.

With reference to the Letter from the Board, the 2018 Master Services Agreement provides a framework to govern the general services to be provided between CMG Group and the Group. Members of the Group and CMG Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 Master Services Agreement and the laws and regulations applicable to the Company and CMG. Such agreements should specify (amongst other things) the types of services, quantity of services, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

As disclosed in the Letter from the Board, the prices of the services to be provided by the Group or CMG Group under the 2018 Master Services Agreement will be determined based on the following factors:

(a) the prices of the services to be provided must be fair and reasonable;

(b) the terms and conditions in relation to the general services to be provided by the Group to CMG Group should not be more favourable than those available to Independent Third Parties from the Group;

(c) the terms and conditions in relation to the general services to be provided by CMG Group to the Group should be no less favorable than those available to Independent Third Parties from CMG Group; and

(d) if the Group requests CMG Group to increase the amount of services to be provided under the 2018 Master Services Agreement, CMG shall use its best efforts to ensure members of CMG Group will provide such services under the 2018 Master Services Agreement, and vice versa. The terms and conditions in respect of such additional services shall follow the general transaction principles and pricing terms as set out in the 2018 Master Services Agreement and shall be determined after arms length negotiations between the parties.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the price and terms of each transaction contemplated under the 2018 Master Services Agreement.

With reference to the Letter from the Board, before entering into any specific agreement for a new transaction under the 2018 Master Services Agreement, the services team of the Company will conduct checks as to pricing and payment terms of the agreement and consider whether the terms are in accordance with the principles of the 2018 Master Services Agreement and is no less favourable to the Group than those available to Independent Third Parties.

As disclosed in the Letter from the Board, the services team of the Company will obtain from independent market sources the relevant market intelligence regarding pricing of different types of services in the shipping market reflecting what are the then market price of the corresponding services from Independent Third Parties prior to entering into any new agreement. To the extent the Group cannot obtain such market price references from independent market sources, the Group would secure at least two quotes from Independent Third Parties which offer comparable pricing and quality services required by the Group or CMG Group. Under such circumstances the Group and CMG Group will take reference of such price quotes for comparison purpose prior to the entering into any new agreement. The services team of the Company will also confirm historical transaction data with the finance department of the Company in order to determine the fairness and reasonableness of the pricing terms.

For the provision of general services by the Group to CMG Group, we noted from the Letter from the Board that the Group must offer the terms of the supply of general services contracts to CMG Group no more favourable than, i.e. at price higher or equal to the market price of similar services that the Group will offer, to Independent Third Parties. The market price will be referenced to public resources available in the market on or about the time immediately before the date of entering into any new agreement. For instance: (i) in respect of the commercial management services (item (a)), corporate administrative services (item (b)) and shipping agency services (item (c)), the Company will obtain quotations of similar services provided by at least two service providers which are independent ship management companies through which the Company can make reference to, compare the terms of those quotations and pass to the management of the services team of the Company for approval; (ii) freight forwarding services (item (d)) will make reference to the contract price of similar services offered by at least two independent freight forwarders in the market; (iii) cargo transportation services (item (e)) will make reference to the transportation fees of similar services offered by at least two independent cargo transportation service providers in the market; and (iv) shipping broker services (item (f)) will make reference to the brokerage fees charged by at least two independent shipping broker service providers in the market.

As disclosed in the Letter from the Board, where there is no relevant market price, then the relevant price will be determined according to the historical price of the Group providing similar services or comparable market suppliers of similar size providing similar services in the past year. The services team of the Company will ensure that the terms of the supply of general services contracts to CMG Group should be no more favourable than such historical reference price.

With reference to the Letter from the Board, for the provision of general services by CMG Group to the Group, the services team of the Group must obtain from independent market sources the relevant market intelligence regarding pricing of different types of services in the shipping market reflecting the then market price of the corresponding services from Independent Third Parties (or if such market data is not available, the Group will obtain at least two fee quotes from Independent Third Parties of similar scale offering similar services) to determine if the price and terms offered by CMG Group are fair and reasonable and around the ranges of those quotes offered by the Independent Third Parties and approved by the management of the Company prior to entering into any new agreement. The Group will also take into consideration such source of independent market data for similar services to ensure that the pricing of these services will be at market prices depending on the supply and demand for the relevant service and benchmarking against similar service offered by other comparable suppliers in the market and on normal commercial terms. If the terms of provision of general services offered by CMG Group to the Group are no less favourable than those offered by Independent Third Parties, the quality of service and long-term business relationship and cooperation between CMG Group and the Group will be considered, and the Group will select CMG Group as the general services provider.

As disclosed in the Letter from the Board, after the pricing terms have been determined and with the approval from the management, the members of CMG Group and the Group will enter into specific agreements which set out the agreed terms of the transactions.

With reference to the Letter from the Board, in addition, the finance department of the Company will monitor the actual transaction amounts on an ongoing basis against the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

For our due diligence purpose, we have obtained and reviewed, on a sample basis, more than 10 sets of historical transactions documents between CMG Group and the Group and more than 10 sets of historical same or similar transactions documents between the Group and other Independent Third Parties during the six months ended 31 December 2017, which we consider are representative. It is noted from the above samples that the historical pricing of those transactions between CMG Group and Group were determined with reference to the then prevailing market prices or by obtaining at least two fee quotes from Independent Third Parties of similar scale offering similar services and the prices offered by CMG Group were not less favourable than the market prices or the fee quotes from the quoted Independent Third Parties from the Group's perspective. During our review, we have not identified any material unfavourable terms which cause our attention.

In light of the above, especially (i) if there is market price for relevant services from independent market intelligence, the Group will only proceed with the transactions under the 2018 Master Services Agreement if the service fee is no less favourable than the market price; (ii) if the Group cannot obtain market price from independent market intelligence, the Group would secure at least two quotes from Independent Third Parties which offer comparable pricing and quality services; (iii) if there is no market price or quotations from Independent third Parties, the Group will proceed with the transactions under the 2018 Master Services Agreement according to the historical price of the Group providing similar services or comparable market suppliers of similar size providing similar services in the past; (iv) the finance department of the Company will monitor the actual transaction amounts against any excess of the approved annual caps; (v) the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company; and (vi) the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transaction, we consider that the Company has effective internal control measures to help ensure that the pricing and terms of the transactions contemplated under the 2018 Master Services Agreement are on normal commercial terms and are fair and reasonable so far as the independent Shareholder are concerned.

Payment Terms

As disclosed in the Letter from the Board, payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Group and CMG Group. Historically settlement for these transactions were primarily one-off settlement in cash within three months after receipt of the relevant invoices.

Option to Renew

The Company has an option to renew the 2018 Master Services Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and CMG) before the expiry date of the 2018 Master Services Agreement, for a further period of three years. For each such renewal, such party will be deemed to have granted a new option to the other party for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Cap Amounts

As disclosed in the Letter from the Board, the proposed annual caps for the three years ending 31 December 2021 have been determined with reference to (i) the continuing business cooperation between the Group and CMG Group in the coming years; (ii) the respective historical amounts between members of CMG Group and members of the Group; (iii) continuation of certain services and working relationship between members of the Group and the members of CMG Group; and (iv) the expected growing need for general services between CMG Group and the Group after the Reorganisation.

As discussed above under the subsection headed "The Reorganisation between Sinotrans & CSC and CMG Group", the Reorganisation was aimed to achieve economies of scale and synergies in particular in the areas of logistics, energy and bulk shipping, property development, ports and marine and offshore engineering between the two groups to speed up the development of an internationally competitive leading enterprise. And the Directors are of the view that the entering into of the 2018 Master Services Agreements will enable the Group to manage and optimise the use of resources via the platform of CMG Group and create synergies between

CMG Group and the Group. As advised by the Management, after the completion of the relevant legal procedures of the Reorganisation in April 2017, both the Group and CMG Group have expressed their intentions to increase the demand of services from each other based on arm's length negotiations for achieving the economics of scale and synergies effect.

A) Provision of general services by the Group to CMG Group

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2017 and the two months ended 28 February 2018 and the current approved annual cap ended 31 December 2018; and (ii) the proposed annual caps for the three years ending 31 December 2021, regarding the provision of general services by the Group to CMG Group.

		Historical figures				
		For the year ended 31 December			**For the two months ended 28 February**	**Current approved annual cap**
	Service	**2015**	**2016**	**2017**	**2018**	**2018**
		(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*
(a)	commercial management services	nil	nil	nil	nil	200
(b)	corporate administrative services	1	1	1	nil	10
(c)	shipping agency services	3	3	nil	nil	30
(d)	freight forwarding services	221	236	183	22	1,069
(e)	cargo transportation services	nil	195,790	389,246	61,103	573,700
(f)	shipping broker services	nil	nil	nil	nil	nil
	Total:	225	196,030	389,430	61,125	575,009

	Service	Proposed annual caps For the year ending 31 December 2019	2020	2021
		(US$'000)	*(US$'000)*	*(US$'000)*
(a)	commercial management services	10,000	10,000	10,000
(b)	corporate administrative services	1	1	1
(c)	shipping agency services	100	130	169
(d)	freight forwarding services	633	822	1,069
(e)	cargo transportation services	579,438	581,159	583,397
(f)	shipping broker services	1,850	1,950	1,950
	Total:	592,022	594,062	596,586

Details of the basis for the determination of the proposed annual caps for the three years ending 31 December 2021 regarding the Provision of General Services (as defined below) are set out under the sub-section headed "Proposed Annual Caps – A) Provision of general services by the Group to CMG Group" under the section headed "2018 Master Services Agreement" in the Letter from the Board.

In order to assess the reasonableness of the proposed annual caps under the 2018 Master Services Agreement, we have performed certain works and discussed with the Management on the basis and assumptions underlying the determination of the proposed annual caps.

We have obtained and reviewed a list for the determination of the proposed annual caps for the three years ending 31 December 2021 under the 2018 Master Services Agreement prepared and reported by the senior management/experienced staff of the relevant operating units of the Company according to their industry experience and/or discussions with CMG Group and reviewed by the Management, showing (i) the names and natures of services to be demanded by the CMG Group from the Group (the "**Provision of General Services**"); and (ii) the estimated demand for each service under the Provision of General Services and the detailed reasons and basis for that.

(a) Commercial management services

As disclosed in the Letter from the Board, the proposed annual caps regarding the provision of commercial management services by the Group to CMG Group of US$10 million for each of the three years ending 31 December 2021 were decided after taking into account the anticipated demand of such commercial management services from CMG Group following the Reorganisation. We have discussed with the Management and we are given to understand that after the Reorganisation, it is CMG's intention to integrate the resources available to CMG Group and the Group, and CMG Group plans to assign around 70 dry bulk vessels to the Group for commercial management with fixed management fee of approximately US$150,000 per vessel for each year, making the total amount of commercial management services estimated to be approximately US$10 million. As advised by the Management, the estimated demands of such services under CMG Group are mainly from China Merchants Energy Shipping Co., Ltd. ("**CMES**", a company listed on the Shanghai Stock Exchange, stock code: 601872) and Shanghai Changhang Shipping Co., Ltd. ("**Shanghai Changhang**"), a subsidiary of Sinotrans & CSC. As noted from the annual report of CMES for the year ended 31 December 2017 and from the website of Shanghai Changhang (scsco.sinotrans-csc.com), CMES owned, among others, 27 dry bulk vessels with 20 extra dry bulk vessels on order book as at March 2018 while Shanghai Changhang disclosed that it owns around 50 vessels. As such, we are of the view that the planned numbers of dry bulk vessels to be assigned from CMG Group to the Group for such services are practicable. In terms of the estimated fixed management fee per vessel, we understand from the Management that it was estimated based on the historical management fee charged by Independent Third Parties for such similar services provided to the Group. We have obtained and reviewed the agreement for the above mentioned transaction and noted that the historical management fee was the same as used in the estimation. As such, we are of the view that the proposed annual caps regarding the provision of commercial management service by the Group to CMG Group for the three years ending 31 December 2021 are fair and reasonable.

(b) Corporate administrative services

According to the Letter from the Board, the proposed annual caps of provision of corporate administrative services by the Group to CMG Group of US$1,000 for each of the three years ending 31 December 2021 were determined with reference to the historical transactions amounts provided by the Group to the CMG Group. Having considered (i) the historical transaction amount of corporate administrative services provided by the Group to CMG Group was US$1,000 for each of the three years ended 31 December 2017; and (ii) the continuing business cooperation between the Group and CMG Group, we are of the view that the proposed annual caps regarding corporate administrative services for the coming three years are fair and reasonable.

(c) Shipping agency services

As disclosed in the Letter from the Board, the proposed annual caps of provision of shipping agency services by the Group to CMG Group of US$100,000, US$130,000 and US$169,000 for each of the three years ending 31 December 2021 were decided based on (i) the expected increase in working capacity of the operation team of the Group which will be expanded; and (ii) the expected demand of shipping agency services indicated by CMG Group, and the proposed annual caps have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (i) it is expected that the Group will provide shipping agency services for 100 voyages of CMG Group in 2019; (ii) the expected fees for shipping agency services each time will be US$1,000; and (iii) the expected increase in working capacity of the operation team of the Group which will be expanded.

For our due diligence purpose, we have discussed with the Management and understand that based on the discussions between CMG Group and the Group, CMG Group estimates that it will demand around 100 voyages of shipping agency services in 2019 with an expected annual increase rate of 30% after the Reorganisation. As advised by the Management, the demands of such services under CMG Group are mainly from CMES, Shanghai Changhang and Nanjing Tanker Corporation ("**Nanjing Tanker**"). As noted from the website of the Nanjing Tanker (njtc.sinotrans-csc.com), Nanjing Tanker is principally engaged in petrochemical transportation business and it owned 62 vessels as at June 2017. As discussed above, CMES had 20 dry bulk vessels on order book as at March 2018, which represented approximately 74% of the then total owned 27 dry bulk vessels while Shanghai Changhang owns around 50 vessels. According to the experience of the Management, we were advised that each dry bulk vessel on average can ship around 4 to 6 voyages. Hence, the Management estimates that the total potential demand for shipping agency services from CMG Group are more than 600 voyages. Based on the above information, we are of the view that the estimated 100, 130 and 169 voyages of such services to be provided by the Group to CMG Group for the coming three years are reasonable. As advised by the Management, the expected increase of such services per year from the CMG Group is based on the expected increase of the operation team of the Group gradually in order to meet the growing demand from CMG Group. We have been provided with the expansion plan of the relevant operation team of the Group by the Management and noted that the expected increases in services are in line with the above expansion plan. We have also obtained and reviewed the historical cost charged by the Group for such services to CMG Group and noted that the estimated price of US$1,000 is in line with the historical cost. After considering the above factors, we are of the view that the proposed annual caps of provision of shipping agency services by the Group to CMG Group for the three years ending 31 December 2021 are fair and reasonable.

(d) Freight forwarding services

As disclosed in the Letter from the Board, the proposed annual caps regarding the provision of freight forwarding services by the Group to CMG Group of US$633,000, US$822,000 and US$1,069,000 for each of the three years ending 31 December 2021 were determined based on (i) the expected increase in working capacity of the operation team of the Group which will be expanded; and (ii) the expected demand of freight forwarding services indicated by CMG Group.

We understand from the Management that the historical transaction figures of freight forwarding services provided by the Group to both connected parties and Independent Third Parties were approximately US$655,000 for FY2017 and the Group plans to increase the proportion of the services to be provided to CMG Group according to its capacity. We have been provided with the correspondences between the relevant operation team of the Group and the Group by the Management and noted that due to the continuous business support from CMG Group and the growing demand of freight forwarding services from CMG Group, the operation team has expanded over 30% for FY2017 and is expected to continue expanding in order to meet the growing demand from CMG Group with the impact of One Belt One Road Initiatives. In view of the (i) existing business capacity of the Group in respect of the freight forwarding services; (ii) the growing demand of such services from the CMG Group; and (iii) expected growth of the operation team of the Group, we are of the view that the proposed annual caps regarding the freight forwarding services to be provided by the Group to CMG Group for the three years ending 31 December 2021 are fair and reasonable.

(e) Cargo transportation services

According to the Letter from the Board, we noted that the estimated demand on cargo transportation services by CMG Group from the Group of approximately US$579.44 million, US$581.16 million and US$583.40 million for each of the three years ending 31 December 2021 constitute over 98% of the total proposed annual caps of the Provision of General Services for the same period. According to the Letter from the Board, the proposed annual caps of cargo transportation services are determined based on historical figures and the expected increase in the demand of cargo transportation services in the coming three years.

As noted from the Letter from the Board, the actual transaction amount of cargo transportation services provided by the Group to CMG Group was approximately US$389.25 million for FY2017. As advised by the Management, the Management estimates that the demand of cargo transportation services by CMG Group from the Group will increase to the level of approximately US$579.44 million, US$581.16 million and US$583.40 million for each of the three years ending 31 December 2021, after considering the expected increase in the demand of cargo transportation services in the global market in the coming three years. As discussed under the section headed "Overview of the Shipping Industry" above, the seaborne demand started to pick up as a result of global economy recovery while the net growth rate of shipping supply was quite low. As a result of the global economy recovery, the Group's revenue recorded approximately US$1,006 million for FY2017, representing an increase of approximately 20% as compared to the revenue of approximately US$841 million for FY2016. As such, we are of the view that the expected increase in demand of cargo transportation services is in line with the market trend and the Group's revenue growth trend.

In addition, according to the Thirteenth Five Year Plan of the Group as discussed above under the subsection headed "Fleet size of the Group", the total controlled shipping capacity of the Group by 2020 for dry bulk vessels and container vessels are planned to reach 10 million DWT and 58,000 TEU respectively, representing an increase of approximately 50.6% and 38.1% as compared to the total controlled shipping capacity of the Group as at 31 December 2017 of approximately 6.64 million DWT for 81 controlled dry bulk vessels and approximately 42,000 TEU for 31 controlled container vessels. As such, we are of the view that such increase in demand of cargo transportation services are also in line with the planned expansion of the fleet size of the Group.

In view of (i) the historical transaction amount of approximately US$389.25 million demanded by CMG Group from the Group for FY2017; (ii) the global seaborne demand started to pick up as a result of the global economy recovery and the Group's revenue increased; and (iii) the Group has plans to expand its fleet size according to the Thirteenth Five Year Plan of the Group, we are of the view that the above proposed annual caps are fair and reasonable.

(f) Shipping broker services

With reference to the Letter from the Board, the proposed annual caps regarding the provision of shipping broker services by the Group to CMG Group of approximately US$1.85 million, US$1.95 million and US$1.95 million for each of the three years ending 31 December 2021 are determined based on the expected demand of chartering services and the average rate of brokerage fee of 1.25% of the ocean freight. We have discussed with the Management and we are given to understand that based on the discussions between the CMG Group and the Group, CMG Group is expected to demand such services from the Group for around 19 vessels of the CMG Group under chartering services. The Management further estimated that the ocean freight amount are expected to be approximately US$152 million based on (i) each vessel's estimated 4 voyages of shipping per year; and (ii) an average chartering cost of around US$2 million per voyage. The proposed annual caps were finally arrived after applying the shipping brokerage rate of 1.25% to the estimated ocean freight.

According to the Company's record, the total historical transaction amount regarding the brokerage services provided by Group to connected parties and Independent Third Parties was approximately US$36.46 million for FY2017. In this regard, we understand that the Group has enough capacity to provide such services to CMG Group. As advised by the

Management, the estimated demands of such services under CMG Group are mainly from CMES and Shanghai Changhang. As discussed above, CMES under CMG Group disclosed in its latest annual report that it owned, among others, 27 dry bulk vessels with 20 extra dry bulk vessels on order book as at March 2018 while Shanghai Changhang under Sinotrans & CSC disclosed in its website that it owns 50 vessels. In addition, we understand from the Management the above estimated number of voyages each vessel can ship per year is a modest estimation based on Management's experience that each dry bulk vessel on average can ship around 4 to 6 voyages per year. Hence, the Management estimates that CMG Group has the potential to ship at least around 400 voyages in each of the coming three years and the estimated number of voyages that the Group will provide shipping broker services to the CMG Group only represents around 19% of the total potential demand. In view of the above factors, we are of the view that the above estimated number of voyages used in the estimation is reasonable. For our due diligence purpose, we have also obtained and reviewed the sample invoices regarding the shipping brokerage rate charged by Independent Third Parties and noted that the rate of 1.25% used in the estimation are not less than the that charged by Independent Third Parties. We have also obtained a market intelligence report ("**Clarkson Market Intelligence Report**") generated by the Management in April 2018 from Clarkson Research Services Limited ("**Clarkson**"), an independent provider of integrated shipping services, showing the recent market charter hire rate under voyage chartering is around US$2 million per voyage. Having considered the above, we are of the view that the proposed annual caps of the shipping broker services are fair and reasonable.

Taking into account the above factors, we are of the view that the proposed annual caps regarding the Provision of General Services by the Group to CMG Group for the three years ending 31 December 2021 are fair and reasonable.

B) Receipt of general services by the Group from CMG Group

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2017 and the two months ended 28 February 2018 and the current approved annual cap ended 31 December 2018; and (ii) the proposed annual caps for the three years ending 31 December 2021, regarding the receipt of general services by the Group from CMG Group.

	Service	Historical figures				
		For the year ended 31 December			For the two months ended 28 February	Current approved annual cap
		2015	**2016**	**2017**	**2018**	**2018**
		(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*
(a)	commercial management services	nil	nil	750	nil	2,500
(b)	shipping broker services	614	66	387	65	2,800
(c)	shipping agency services	356,784	1,995	2,544	413	9,403
(d)	maintenance and repairing services	nil	nil	97	48	8,401
(e)	supervisory services regarding construction of vessels	1,540	390	1,280	380	3,200
(f)	crew management services	12,318	13,292	12,343	2,012	20,000
(g)	insurance broker services	nil	nil	nil	nil	4,530
(h)	refuelling services	nil	230	4,034	4,299	75,687
(i)	vessels inspection services	nil	nil	1	nil	119
(j)	freight forwarding services	43,045	3,360	5,234	676	19,245
(k)	containers chartering services	12,382	9,980	9,747	1,628	21,238
(l)	depot services	230	2,988	2,783	863	11,323
(m)	supply of materials and components services	nil	nil	43	1	4,451
(n)	container terminal services	nil	nil	1,058	197	11,334
(o)	tug services	nil	nil	34	nil	445
	Total:	426,913	32,301	40,335	10,582	194,676

	Service	Proposed annual caps For the year ending 31 December 2019 *(US$'000)*	2020 *(US$'000)*	2021 *(US$'000)*
(a)	commercial management services	2,500	2,700	2,900
(b)	shipping broker services	4,500	5,000	5,000
(c)	shipping agency services	4,582	4,983	5,423
(d)	maintenance and repairing services	3,830	4,386	5,514
(e)	supervisory services regarding construction of vessels	2,500	2,500	2,500
(f)	crew management services	15,863	15,237	15,637
(g)	insurance broker services	9,002	11,138	13,838
(h)	refuelling services	144,626	155,476	168,081
(i)	vessels inspection services	85	85	85
(j)	freight forwarding services	8,800	10,330	11,500
(k)	containers chartering services	23,362	25,698	28,268
(l)	depot services	4,000	4,500	5,500
(m)	supply of materials and components services	4,991	5,175	5,372
(n)	container terminal services	13,128	15,184	17,545
(o)	tug services	445	445	445
	Total:	242,214	262,837	287,608

Details of the basis for the determination of the proposed annual caps for the three years ending 31 December 2021 regarding the Receipt of General Services (as defined below) are set out under the sub-section headed "Proposed Annual Caps – B) Receipt of general services by the Group from CMG Group" under the section headed "2018 Master Services Agreement" in the Letter from the Board.

In order to assess the reasonableness of the proposed annual caps under the 2018 Master Services Agreement, we have performed certain works and discussed with the Management on the basis and assumptions underlying the determination of the proposed annual caps.

We have obtained and reviewed a list for the determination of the proposed annual caps for the three years ending 31 December 2021 under the 2018 Master Services Agreement prepared and reported by the senior management/experienced staff of the relevant operating unit of the Company according to their past experience and/or discussions with CMG Group and reviewed by the Management, showing (i) the names and natures of services to be received by the Group from CMG Group (the "**Receipt of General Services**"); and (ii) the estimated demand of each service under the Receipt of General Services and the detailed reasons and basis for that.

(a) Commercial management services

With reference to the Letter from the Board, the proposed annual caps for commercial management services of US$2.50 million, US$2.70 million and US$2.90 million are determined based on the expected increase in demand of such services by the Group from CMG Group for the coming years.

As advised by the Management, the Group historically demanded commercial management services for 5 vessels of the Group from the CMG Group at a total cost of approximately US$750,000 and an average cost of approximately US$150,000 per vessel for FY2017. As also advised by the Management, the expected increase in demand of such services by the Group from CMG Group for the coming three years are mainly attributable to the planned expansion of fleet size of the Group for the coming years, among which, 12 extra vessels are expected to require such services from CMG Group. As discussed above under the subsection headed "Fleet size of the Group", according to the Thirteenth Five Year Plan of the Group, the total controlled shipping capacity of the Group by 2020 for dry bulk vessels and container vessels are planned to reach 10 million DWT and 58,000 TEU respectively, representing an increase of approximately 50.6% and 38.1% as compared to the total controlled shipping capacity of the Group as at 31 December 2017 of approximately 6.64 million DWT for 81 controlled dry bulk vessels and approximately 42,000 TEU for 31 controlled container vessels. In view of the above planned expansion of fleet size of the Group by 2020, we are of the view that expected increase in the number of vessels which will require commercial management services from CMG Group are reasonable. In terms of the estimated fixed management fee per vessel, we understand from the Management that it was estimated based on the historical management fee of approximately US$150,000 per vessel charged by Independent Third Parties for such similar services provided to the Group. We have obtained and reviewed the agreement for the above mentioned historical transaction and noted that the historical management fee was the same as used in the estimation. After considering the above factors, we are of the view that the proposed annual caps for the commercial management services for the coming three years are fair and reasonable.

(b) Shipping broker services

With reference to the Letter from the Board, the proposed annual caps for shipping broker services of US$4.50 million, US$5.00 millon and US$5.00 million for each of the three years ending 31 December 2021, are determined based on the expected increase in demand of such services by the Group from CMG Group for the coming years.

As advised by the Management, CMG Group can provide shipping broker services to the Group in terms of introducing charterers, shippers or receivers to use the shipping services provided by the Group and CMG Group is entitled to receive a brokerage rate of 1.25% based on the ocean freight or daily hire as an industry practice. Based on the proposed annual caps for shipping broker services and the brokerage rate of 1.25%, the Management expects that CMG Group will introduce shipping business of approximately US$360 million, US$400 million and US$400 million to the Group for each of the coming three years. In view of the (i) shipping revenue of the Group was approximately US$1,006 million for FY2017; and (ii) the fleet size of the Group is expanding according to the order book of the Group and is planned to expand according to the Thirteenth Five Year Plan of the Group as discussed above, we are of the view that the shipping broker services to be provided by CMG Group to the Group will bring revenue to the Group and are in the interests of the Company and the Shareholders as a whole as long as the brokerage rate paid by the Group to CMG Group are not more favourable than the rates paid to Independent Third Parties. We have also obtained and reviewed the sample invoices regarding the shipping brokerage rate charged by Independent Third Parties and noted that the rate of 1.25% to be charged by CMG Group used in the estimation are not less than that charged by Independent Third Parties. Having considered the above, we are of the view that the aforesaid proposed annual caps are fairly and reasonably determined.

(c) Shipping agency services

With reference to the Letter from the Board, the proposed annual caps for receipt of shipping agency services by the Group from CMG Group of approximately US$4.58 million, US$4.98 million and US$5.42 million for each of the three years ending 31 December 2021 are determined based on the expected increase in demand of such services by the Group from CMG Group due to the expected expansion of fleet size of the Group.

According to the Company's record, the total shipping agency expenses of the Group for FY2017 was approximately US$5.13 million for 113 self-owned and chartered-in vessels of the Group as at 31 December 2017. As advised by the Management, such demand of shipping agency services will increase from year 2019 after considering that (i) the 10 vessels on the order book of the Group as at 31 December 2017 as disclosed in the 2017 Annual Results Announcement, among which 4 vessels have been delivered to the Group as at the Latest Practicable Date and the remaining vessels are expected to be delivered in 2018 and 2019; and (ii) the planned expansion of the fleet size of the Group by 2020 according to the Thirteenth Five Year Plan of the Group as discussed above under the subsection headed "Fleet size of the Group". For our due diligence purpose, we have (i) obtained and reviewed the Thirteenth Five Year Plan of the Group and noted that the planned total controlled shipping capacity of the Group by 2020 for dry bulk vessels and container vessels represent an increase of approximately 50.4%

and 38.1% respectively as compared to the total controlled shipping capacity of Group for dry bulk vessels and container vessels as at 31 December 2017; and (ii) looked into the website of Sinochart (chart.sinotrans-csc.com), a principal subsidiary of the Group which charters vessels, and noted that Sinochart described itself as a large and renowned dry bulk operator with usual operation of around 60 vessels and maximum of 130 vessels in history. After considering the above factors, we are of the view that the aforesaid proposed annual caps are fairly and reasonably determined.

(d) Maintenance and repairing services

With reference to the Letter from the Board, the proposed annual caps for receipt of maintenance and repairing services by the Group from the CMG Group of approximately US$3.83 million, US$4.39 million and US$5.51 million for each of the three years ending 31 December 2021 are determined based on the estimated demand of the Group for such services after expansion of fleet size in the coming three years and the proposed caps have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) it is estimated that the Group will place approximately 200, 160 and 200 orders in respect of maintenance of communication facilities in the years ending 31 December 2019, 2020 and 2021 respectively, at the average maintenance fees of approximately US$3,000 per order; and (b) it is estimated that the Group will require 10 times of large scale vessel maintenance services from CMG Group in the year ending 31 December 2019 at the average maintenance fees of approximately US$300,000 each time, and it is expected that the amount of maintenance services required will increase in the subsequent years in accordance with the expansion of fleet size.

As advised by the Management, the historical expenses of maintenance and repairing services of the Group for FY2017 were approximately US$5.31 million. We further understand from the Management that the vessels of the Group require regular dry docking maintenance and the Group keeps schedules for that. We have obtained and reviewed the dry docking schedule of the Combined Group B for year 2019 and noted that Combined Group B is scheduled to receive 7 dry docking maintenances for year 2019. In addition, we were advised by Management that Sinotrans Container Lines Group is scheduled to receive 3 dry docking maintenances for year 2019. We have also obtained and reviewed the record of the dry docking maintenances of the Group for FY2017 and noted that the average expenses per dry docking maintenance were around US$300,000. Furthermore, since CMG Group operates the largest dockyard in South China and the largest dockyard in Hong Kong (where the Group's headquarter is located at) as disclosed above, we are of the view that it will provide the Group with flexibility in choosing CMG Group as the maintenance and repairing services provider if the terms provided CMG Group is not less favourable than the terms provided by Independent Third Parties. For maintenance of communication facilities, we have obtained and reviewed the breakdown of the expenses of maintenance of communication facilities of the Group for FY2017 and we noted that the total expenses were approximately US$920,000 and the average price per order was approximately US$3,000. Having considered the above factors and the fact that the fleet size of the Group is expanding, we are of the view that the proposed annual caps for the maintenance and repairing services for the coming three years are fair and reasonable.

(e) Supervisory services regarding construction of vessels

As disclosed in the Letter from the Board, the proposed annual caps for supervisory services regarding construction of vessels of US$2.50 million for each of the three years ending 31 December 2021, are based on the anticipated increase in the number of vessels constructed by the Group, resulting in an increase in the demand for such services from CMG Group.

As advised by the Management, the proposed annual caps were determined based on the projected around 10 new vessels to be constructed from 2018 to 2020 and based on the historical supervisory services fee charged by CMG Group to the Group of around US$250,000 per vessel. In addition, we understand from the Management that the Group may construct more vessels during the coming three years depending on the then market situations. We have obtained and reviewed the Thirteenth Five Year Plan of the Group and noted that the above projected number of vessels are within the planned fleet size expansion. We have also obtained and reviewed the sample contract of supervisory services provided by CMG Group to the Group regarding the supervisory fee, which were consistent with the above. We further understand from the Management that delay in vessel constructions happens from time to time due to various factors, thus it is necessary to keep the proposed annual caps for each of the coming three years. After considering the above factors, we are of the view that the proposed annual caps for such services for the coming three years are fair and reasonable.

(f) Crew management services

As disclosed in the Letter from the Board, the proposed annual caps for crew management services of approximately US$15.86 million, US$15.24 million and US$15.64 million for each of the three years ending 31 December 2021 are based on the market rate, the expected increase in the wage level for the crew and the expected additional requirements of crew management services.

As noted from the Letter from the Board, the historical transaction amount of crew management services was approximately US$12.32 million, US$13.29 million and US$12.34 million for each of the three years ended 31 December 2017. Having considered that (i) if only considering the 10 vessels on order book of the Group as at 31 December 2017, which were expected to be delivered in or before year 2019, the self-owned vessels of the Group will increase by approximately 20% by year 2019 as compared with the 51 self-owned vessels of the Group as at 31 December 2017, resulting in more crew management services demanded by the Group; and (ii) the possible increase in wage level, we are of the view that the proposed annual caps of the above services are determined in fair and reasonable way.

(g) Insurance broker services

In terms of the proposed annual caps for receipt of insurance broker services by the Group from CMG Group of approximately US$9.00 million, US$11.14 million and US$13.84 million for each of the three years ending 31 December 2021, we noted from the Letter from the Board that the proposed annual caps are determined based on the estimated demand for such services in the coming three years. Though the historical transaction amounts of receipt of insurance broker services by the Group from CMG Group was nil for FY2017, the Group's total expenses for demanding such services from Independent Third Parties for FY2017 was approximately US$5.64 million for around 113 controlled vessels of the Group as at 31 December 2017 according to the Company's record.

As advised by the Management, the Group will purchase insurance for the vessels controlled by the Group through professional insurance brokers. We understand from the Management that CMG Group's insurance broker business is principally operated by CM Houlder Insurance Brokers Limited ("**CM HIB**", together with its group companies, "**CM HIB Group**"), a wholly-owned subsidiary of CMG. As advised by the Management, the Directors are of the view that it is beneficial to the Group to receive more insurance broker services from CM HIB Group in the coming three years after considering the industry experience and reputation of CM HIB Group. As disclosed on the website of CM HIB (www.cmhoulder.com), CM HIB Group described itself as an international comprehensive insurance broker group with rich experience in providing commercial insurance broker services to major shipping companies including CMG Group, China Ocean Shipping (Group) Company and Orient Overseas (International) Limited and other large group companies such as China Guodian Corporation, Hutchison Whampoa Limited and Shougang Corporation. After considering the background and the rich experience of CM HIB Group in insurance broker services industry, we concur with the view of Directors that it is beneficial to the Group to receive more insurance broker services from CM HIB Group in the coming three years as long as the terms offered by CM HIB Group are not less favourable than the terms offered by Independent Third Parties.

As advised by the Management, the increase in demand of insurance broker services by the Group for the coming three years are mainly attributable to the expected expansion of the fleet size of the Group due to (i) the 10 vessels on the order book of the Group as at 31 December 2017 as disclosed in the 2017 Annual Results Announcement, among which 4 vessels have been delivered to the Group and the remaining vessels are expected to be delivered in 2018 and 2019; and (ii) the planned expansion of fleet size of the Group according to the Thirteenth Five Year Plan of the Group. As discussed above, we have (i) obtained and reviewed the Thirteenth Five Year Plan of the Group and noted that the planned total controlled shipping capacity of the Group by 2020 for dry bulk vessels and container vessels represent an increase of approximately 50.4% and 38.1% respectively as compared to the total controlled shipping capacity of Group for dry bulk vessels and container vessels as at 31 December 2017; and (ii) looked into the website of Sinochart (chart.sinotrans-csc.com), a principal subsidiary of the Group which charters vessels, and noted that Sinochart described itself as a large and renowned dry bulk operator in the PRC with usual operation of around 60 vessels and maximum of 130 vessels in history. After considering (i) the expected expansion of the fleet size of the Group for the coming three years; and (ii) the background and industry experience of the CM HIB Groups, we are of the view that the aforesaid proposed annual caps are fairly and reasonably determined.

(h) Refuelling services

It is noted from the Letter from the Board that the proposed annual caps of receipt of refuelling services by the Group from CMG Group of approximately US$144.63 million, US$155.48 million and US$168.08 million for each of the three years ending 31 December 2021 constitute around 50% of the total proposed annual caps in relation to the Receipt of General Services. According to the Letter from the Board, the proposed annual caps of refuelling services for the three years ending 2021 are determined based on the historical transportation values and the estimated increase in demand for such services due to expected increase in fleet size in the coming three years. As disclosed in the Letter from the Board, the proposed annual caps of refuelling services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (i) it is expected that the annual fuel consumption of the Group is approximately 300,000 tonnes and the unit cost of fuel is approximately US$480 per tonne; and (ii) it is assumed that the price of fuel will increase at a rate of 8% per annum.

We have reviewed the historical bunker prices in Singapore for the past five years from Clarkson and noted that the bunker prices fluctuated during the past five years with (i) the lowest price of approximately US$148 per tonne; (ii) the highest price of approximately US$626 per tonne; and (iii) the average price of approximately US$385 per tonne. In view of the recent increasing bunker prices to over US$400 per tonne and historical price fluctuations, we are of the view that the Management's estimations of the unit cost of fuel of US$480 per tonne are reasonable. We also noted from Clarkson that the recent bunker price in Singapore of approximately US$440 per tonne in May 2018 increased by approximately 42% as compared to the bunker price of approximately US$310 per tonne in May 2017. As such, we are of the view that the estimated annual bunker price increase rate of 8% is modest. As disclosed in the 2017 Annual Report and as advised by the Management, the historical fuel consumption of the Group for FY2017 was approximately 400,000 tonnes at the total expenses of approximately US$140 million. In addition, we understand from the Management that (i) CMG Group is able to provide more refuelling services to Group after the Reorganisation in certain of the Group's key shipping routes including Singapore, Yangtze River and certain coastal areas of the PRC; and (ii) the Group would benefit from the secured and stable supply from CMG Group in a timely manner if the terms offered by CMG Group is not less favourable than those from Independent Third Parties. Based on the above factors and expected needs of the Group, the Management estimated that the annual fuel consumption of the Group from the CMG Group is approximately 300,000 tonnes. After considering the above factors, we are of the view that the proposed annual caps of refuelling services from CMG Group for the three years ending 31 December 2021 are fair and reasonable.

(i) Vessels inspection services

With reference to the Letter from the Board, the proposed annual caps of vessels inspection services of approximately US$85,000 for each of the three years ending 31 December 2021 are determined based on the estimated demand for such services in the coming three years and the proposed annual caps have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) the estimated demand of vessels inspection services per year from CMG Group; and (b) the average vessels inspection service fees in the last quarter of 2017.

For our due diligence purpose, we have obtained and reviewed a list regarding all historical transactions of vessels inspection services received by the Group for FY2017 and noted that (i) the total transaction amount was approximately US$1.18 million; and (ii) there are approximately 600 transactions for FY2017 and the average transaction cost was around US$2,000 and US$1,400 respectively for the whole year and the last quarter of 2017. As advised by the Management, the Group estimated that it will demand around 60 times of vessels inspection services from the CMG Group for each of the coming three years. After considering the historical demand of such services of the Group and the average historical transaction cost, we are of the view that the proposed annual caps of vessels inspection services for the coming three years are fair and reasonable.

(j) Freight forwarding services

According to the Letter from the Board, the proposed annual caps for freight forwarding services of approximately US$8.80 million, US$10.33 million and US$11.50 million, for each of the three years ending 31

December 2021, are determined based on the historical transaction values and the expected increase in demand of such services by the Group in coming years.

According to the Company's record, the historical freight forwarding expenses of the Group for FY2017 was approximately US$13.56 million, among which approximately US$5.23 million were freight forwarding services received by the Group from CMG Group. We have obtained and reviewed the determination calculations of the proposed annual caps prepared by the Management and we noted that the proposed annual caps were determined after considering (i) the expected increase in the percentage of freight forwarding services to be provided by CMG Group; and (ii) the expected increase in the revenue of the relevant operating business unit of the Group. In view of (i) the continuing business cooperation between the Group and CMG Group in the coming years; (ii) the historical freight forwarding expenses of the Group for FY2017 was much larger than the proposed annual caps of the freight forwarding services to be provided by CMG Group to the Group; and (iii) the expected growth of the business of the Group given the global economy recovery, we are of the view that the proposed annual caps for freight forwarding services are fair and reasonable.

(k) Containers chartering services

With reference to the Letter from the Board, the proposed annual caps for containers chartering services of approximately US$23.36 million, US$25.70 million and US$28.27 million for each of the three years ending 31 December 2021 are based on the historical transaction values and the estimated increase in demand of about 10% per year for such services in the coming years.

As noted from the 2017 Annual Report, the historical container chartering expenses of the Group was approximately US$26.17 million for FY2017. In addition, we understand from the Management that the Group's estimated number of containers to be chartered is in line with its expected container shipping volume. As advised by the Management, the estimated increase in demand of about 10% per year for such services in the coming three years was based on the increase of the container shipping volume of the Group for FY2017 as compared to FY2016. As noted from the 2017 Annual Report, the container shipping volume of the Group was approximately 1,006,000 TEU during FY2017, representing an annual increase of approximately 14.4% as compared to the container shipping volume of approximately 879,000 TEU for FY2016. As such, we are of the view that the estimated increase in demand of about 10% per year for such services in the coming three years is reasonable. Having considered the above as well as the expected increase in demand of services by the Group from CMG Group due to (i) the expected increase in seaborne demand after the global economy recovery; and (ii) the expansion of the fleet size of the

Group in the coming years, we are of the view that the proposed annual caps for provision of container chartering services for the upcoming three years are fair and reasonable.

(l) Depot services

According to the Letter from the Board, the proposed annual caps for receipt of depot services by the Group from the CMG Group of US$4.0 million, US$4.5 million and US$5.5 million for each of the three years ending 31 December 2021 are determined based on the historical transaction values and the expected increase in the quantity of containers to be transported in the coming years.

As advised by the Management, depot services are required along with the Group's container shipping business principally operated by Sinotrans Container Lines and the historical depot expenses of the Group for FY2017 was approximately US$13.18 million with corresponding container shipping volume of approximately 1,006,000 TEU for FY2017. According to the 2017 Annual Report, the container shipping volume of the Group of approximately 1,006,000 TEU for FY2017 increased by approximately 14.4% as compared to the container shipping volume of the Group of approximately 879,000 TEU for FY2016. As advised by the Management, given the growth of the Group's container shipping business and the continuing business cooperation relationship between the Group and CMG Group, the Management expects to demand more and increase the proportion of depot services from the CMG Group. After considering that (i) the historical expenses of container depot of the Group for FY2017 was much larger than the proposed annual caps for the year ending 31 December 2019; (ii) the growth of the Group's container shipping business in FY2017 as compared to FY2016; and (iii) the continuing business cooperation relationship between the Group and CMG Group, we are of the view that the proposed annual caps of the depot services are fair and reasonable.

(m) Supply of materials and components services

As disclosed in the Letter from the Board, the proposed annual caps of receipt of materials and components services by the Group from CMG Group of approximately US$4.99 million, US$5.18 million and US$5.37 million for each of the coming three years are based on the expected expansion of fleet size of the Group in the coming three years and the proposed annual caps have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) it is expected that 25 vessels of the Group will require the supply of materials and components services in 2019 and the amount of services required by each vessel is approximately US$200,000; and (b) it is assumed that the inflation rate will be 3% per year.

We have discussed with the Management and we are given to understand that (i) the Group's historical materials and components expenses for FY2017 was approximately US$13.82 million and (ii) the Group has the intention to purchase materials and components from CMG Group for 25 vessels of the Group after the Reorganisation if the terms offered by CMG Group is not less favourable than the terms offered by Independent Third Parties. We have obtained and reviewed the historical cost of materials and components and we noted that the average cost per vessel was around US$200,000. In order to assess the reasonableness of the assumed inflation rate of 3% used in the estimation, we have looked into the producer price index ("**PPI**") of China for the first five months of 2018 from the website of National Bureau of Statistics of China (data.stats.gov.cn). As noted from the above website, the PPI for May, April, March, February and January 2018 increased by approximately 4.1%, 3.4%, 3.1%, 3.7% and 4.3% as compared to the corresponding month in 2017 and the average of the above increase rates is approximately 3.7%. As such, we are of the view that the assumed inflation rate of 3% per year used in the estimation is reasonable. In addition, we noted from the website of CMG that CMG Group described itself as one of the biggest suppliers of marine products in the PRC providing marine equipments, port machineries, communication and navigation equipments, marine components and materials and providing marine products installation, testing, repairing and maintenance as discussed under the sub-section headed "Information about CMG" above. Based on above factors, we are of the view that proposed annual caps of receipt of materials and components services for the coming three years are fair and reasonable.

(n) Container terminal services and (o) tug services

As disclosed in the Letter from the Board, (i) the proposed annual caps of the receipt of container terminal services by the Group from the CMG Group of approximately US$13.13 million, US$15.18 million and US$17.55 million for each of the three years ending 31 December 2021 are based on the historical transaction amounts and the estimated increase in demand for such services in the coming three years; and (ii) the proposed annual caps of receipt of the tug services by the Group from the CMG Group of approximately US$445,000 for each of the three years ending 31 December 2021 are determined based on the historical transaction amounts of the Group. The above proposed annual caps have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 since historically the Company obtained most of the container terminal services and tug services through an Independent Third Party agent but it currently obtains such services directly from the container terminals operated by CMG Group for efficiency and long term stability reasons.

As advised by the Management, the historical expenses of container terminal services and tug services for FY2017 were approximately US$180 million and US$6 million respectively. And the Directors are of the view that it is in the Company's interest to obtain such services directly from CMG Group for cost and time efficiency reasons. As such, we are of the view that the proposed annual caps of the container terminal services and tug services for the coming three years are fair and reasonable.

Taking into account the above factors, we are of the view that the proposed annual caps regarding the provision of general services by the Group to CMG Group for the three years ending 31 December 2021 are fair and reasonable.

Having considered that (i) the Company has effective internal control measures in monitoring the pricing and the terms of the transactions contemplated under the 2018 Master Services Agreement will be on normal commercial terms; and (ii) the proposed annual caps for the three years ending 31 December 2021 are fairly and reasonably determined, we consider that the term of the 2018 Master Services Agreement is on normal commercial terms, fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

4.2 2018 Sinochart Master Services Agreement

As disclosed in the Letter from the Board, since general shipping services will be continuously provided between Sinochart Group and the Combined Group A (i.e. the Group excluding Sinochart Group), on 23 July 2018, the 2018 Sinochart Master Services Agreement was entered into between the Company and Sinochart to set out such general services to be provided.

The purpose of entering into the 2018 Sinochart Master Services Agreement is to facilitate the cooperation between Sinochart Group and the Combined Group A and allows for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other.

Term and Scope

The term of the 2018 Sinochart Master Services Agreement commences from 1 January 2019 and expires on 31 December 2021.

As disclosed in the Letter from the Board, pursuant to the 2018 Sinochart Master Services Agreement, members of the Combined Group A will provide (a) shipping agency services; and (b) vessel technical management services to Sinochart Group, and Sinochart Group will provide commercial management services to members of the Combined Group A.

As disclosed in the Letter from the Board, the 2018 Sinochart Master Services Agreement provides a framework to govern the general services to be provided between Sinochart Group and the Combined Group A. Members of the Combined Group A and Sinochart Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 Sinochart Master Services Agreement and the laws and regulations applicable to the Company and Sinochart. Such agreements should specify (amongst other things) the types of services, quantity of services, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

As disclosed in the Letter from the Board, the prices of the services to be provided by the Combined Group A or Sinochart Group under the 2018 Sinochart Master Services Agreement will be determined based on the following factors:

(a) the prices of the services to be provided must be fair and reasonable;

(b) the terms and conditions in relation to the general services to be provided by the Combined Group A to Sinochart Group should not be more favourable than those available to Independent Third Parties from the Combined Group A; and

(c) the terms and conditions in relation to the general services to be provided by Sinochart Group to the Combined Group A should be no less favorable than those available to Independent Third Parties from Sinochart Group.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the price and terms of each transaction contemplated under the 2018 Sinochart Master Services Agreement.

As disclosed in the Letter from the Board, before entering into any specific agreement for a new transaction as contemplated under the 2018 Sinochart Master Services Agreement, the services team of the Company will conduct checks as to pricing and payment terms of the agreement and consider whether the terms are in accordance with the principles of the 2018 Sinochart Master Services Agreement and is no less favourable to the Combined Group A or Sinochart than those available to Independent Third Parties.

As disclosed in the Letter from the Board, the services team of the Company will obtain from independent market sources the relevant market intelligence regarding pricing of different types of services in the shipping market reflecting what are the then market price of the corresponding services from Independent Third Parties prior to the Combined Group A entering into any new agreement. To the extent the Combined Group A cannot obtain such market price references from independent market sources, the Combined Group A would secure at least two quotes from Independent Third Parties which offer comparable pricing and quality services required by the Combined Group A or Sinochart. Under such circumstances, the Combined Group A and Sinochart will make reference to such price quotes for comparison purpose prior to the entering into any new agreement. The services team of the Company will also confirm historical transaction data with the finance department of the Company in order to determine the fairness and reasonableness of the pricing terms.

As disclosed in the Letter from the Board, for the provision of general services by the Combined Group A to Sinochart, the Combined Group A must offer the terms of the supply of general services contracts to Sinochart no more favourable than to Independent Third Parties. The market price will be referenced to data and resources available in the market on or about the time immediately before the date of entering into any new agreement, for instance, in respect of shipping agency services, the Company will obtain quotations of similar services provided by at least two service providers which are independent ship management companies through which the Company can make reference to, compare the terms of those quotations and pass to the management of the services team of the Company for approval. Where there is no relevant market price, then the relevant price will be determined according to the historical price of the Combined Group A providing such services or comparable market suppliers of similar size providing similar services in the past year. The services team of the Company will ensure that the terms of the supply of general services contracts to Sinochart Group should be no more favourable than such historical reference price.

As disclosed in the Letter from the Board, for the provision of commercial management services by Sinochart to the Combined Group A, the services team of the Combined Group A will obtain quotations of similar services provided by at least two service providers which are independent ship management companies through which the Combined Group A can make reference to, compare the terms of those quotations and pass to the management of the services team of the Combined Group A for approval.

As disclosed in the Letter from the Board, after the pricing terms have been determined and with the approval from the management, the members of Sinochart Group and the Combined Group A will enter into specific agreements which set out the agreed terms of the transactions.

With reference to the Letter from the Board, in addition, the finance department of the Company will monitor the actual transaction amounts against any excess of the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried, in all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

As disclosed in the Letter from the Board, there was no historical transaction of general services provided by the Sinochart Group to the Combined Group A for the three years ended 31 December 2017 and the two months ended 28 February 2018. In this regard, we can only review the historical transactions regarding the services provided by the Combined Group A to Sinochart Group. We have obtained and reviewed, on a sample basis, the historical transactions regarding the services provided by the Combined Group A to Sinochart Group for FY2017, which we consider are representative. As confirmed by the Management, there are no similar services provided by the Combined Group A to other Independent Third Parties for comparison. It is noted from the samples that the pricing of those services were determined with reference to the historical price of such services provided by the Combined Group A to Sinochart Group in the past years and the price from the samples were not less favourable than the historical prices.

In light of the above, especially (i) if there is market price for relevant services from independent market intelligence, the Group will proceed with the transactions under the 2018 Sinochart Master Services Agreement if the service fee is no less favourable than the market price; (ii) if the Combined Group A cannot obtain market price from independent market intelligence, the Combined Group A will obtain at least two fee quotes from Independent Third Parties of similar services to determine if the price and terms offered by Sinochart are and reasonable; (iii) in the case there is no relevant market price, the relevant price will be determined according to the historical price of the Combined Group A providing such services or comparable market suppliers of similar size providing similar services in the past year; (iv) the finance department of the Company will monitor the actual transaction amounts against any excess of the approved annual caps; (v) the services team of the Company will obtain from independent market sources the relevant market intelligence regarding pricing of different types of services in the shipping market reflecting what are the then market price of the corresponding services from Independent Third Parties prior to entering into any new agreement; (vi) the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company; and (vii) the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transaction, we consider the Company has effective internal control measures to help ensure that the pricing of the transactions contemplated under the 2018 Sinochart Master Services Agreement.

Payment Terms

Payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Combined Group A and Sinochart Group. Historically settlements for these transactions were primarily one-off settlement in cash within three months after receipt of the relevant invoices.

Option to Renew

The Company has an option to renew the 2018 Sinochart Master Services Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and Sinochart) before the expiry date of the 2018 Sinochart Master Services Agreement, for a further period of three years. For each such renewal, such party will be deemed to have granted a new option to the other party for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Cap amounts:

A) Provision of general services by the Combined Group A to Sinochart Group

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2017 and the two months ended 28 February 2018 and current approved annual cap ended 31 December 2018; and (ii) the proposed annual caps for the three years ending 31 December 2021, regarding the provision of general services by the Combined Group A to Sinochart Group.

		Historical figures				
		For the year ended 31 December			For the two months ended 28 February	Current approved annual cap
	Service	**2015**	**2016**	**2017**	**2018**	**2018**
		(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*
(a)	shipping agency services	63	51	40	4	304
(b)	vessel technical management services	216	125	86	nil	800
	Total:	279	176	126	4	1,104

	Service	Proposed annual caps For the year ending 31 December 2019	2020	2021
		(US$'000)	*(US$'000)*	*(US$'000)*
(a)	shipping agency services	100	130	169
(b)	vessel technical management services	2,500	2,500	2,500
	Total:	2,600	2,630	2,669

In order to assess the reasonableness of the proposed annual caps regarding the provision of services under the 2018 Sinochart Master Services Agreement, we have performed certain works and discussed with the Management on the basis and assumptions underlying the determination of the proposed annual caps.

We have obtained and reviewed a list for the determination of the proposed annual caps for the three years ending 31 December 2021 under the 2018 Sinochart Master Services Agreement prepared and reported by the senior management/experienced staff of the relevant operating unit of the Company according to their past experience and/or discussions with the Sinochart Group and reviewed by the Management, showing (i) the names and natures of services to be provided by the Group to Sinochart Group (the "**General Services to Sinochart**"); and (ii) the estimated demand of each service under the General Services to Sinochart and the detailed reasons and basis for that.

As noted from the Letter from the Board, the proposed annual caps of the provision of the general services by the Combined Group A to Sinochart Group for the three years ending 31 December 2021 are expected to increase substantially as compared to the current approved annual caps, mainly due to the expected increase in the vessel technical management services.

(a) Shipping agency services

With reference to the Letter from the Board, the proposed annual caps regarding the provision of shipping agency services by the Combined Group A to Sinochart Group of US$100,000, US$130,000 and US$169,000 for each of the three years ending 31 December 2021, are determined based on (i) the expected increase in working capacity of the operation team of the Group which will be expanded; and (ii) the expected demand for shipping agency services indicated by Sinochart Group.

For our due diligence purpose, we have discussed with Management regarding the determinacy basis and understood from the Management that Sinochart Group estimated that it will demand shipping agency services for around 100 dry bulk shipping voyages at the estimated service fee of US$1,000 each voyage after taking into account the expected fleet size of Sinochart Group and the expected working capacity of the Group.

As disclosed on the website of Sinochart (chart.sinotrans-csc.com), we noted that Sinochart described itself as a large and renowned dry bulk operator with usual operation of around 60 vessels and maximum of 130 vessels in history. According to the experience of the Management, we were advised that each vessel on average can ship around 4 to 6 voyages per year. Based on the above, we are of the view that the expected demands of shipping agency services from the Sinochart Group are reasonable. As advised by the Management, the expected increase of such services per year is based on the expected increase of the relevant operation team of the Combined Group A gradually in order to meet the growing demand from Sinochart Group. We have been provided with the expansion plan of the relevant operation team of the Combined Group A by the Management and noted that the expected increases in services are in line with the above expansion plan. In addition, we have also obtained and reviewed the historical cost charged by the Group for such services to connected parties and noted that the estimated price of US$1,000 is in line with the historical cost. As such, we are of the view that the proposed annual caps of provision of general services by the Combined Group A to Sinochart Group for the three years ending 31 December 2021 are fair and reasonable. As such, we are of the view that the proposed annual caps of the shipping agency services are fair and reasonable.

(b) Vessel technical management services

As disclosed in the Letter from the Board, the proposed annual caps of provision of vessel technical management services by the Combined Group A to Sinochart Group of US$2.5 million for each of the three years ending 31 December 2021 are determined based on the number of vessels which may require such services from Sinochart Group and the actual demand expected for such vessels. As advised by the Management, vessel technical management services include safety management, marine consultancy, repair, maintenance and dry docking services, communication and navigation management, security management and etc.

We noted from the Letter from the Board that the proposed annual caps have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) the expected demand of vessel technical management services for a certain vessel controlled by Sinochart as indicated by Sinochart; and (b) the annual estimated operating expenses of such vessel with some buffer for possible repair. We have obtained and reviewed the correspondence between Sinochart Group and the Combined Group A in relation to the possible vessel technical management services for the above mentioned vessel, the breakdown of the estimated operating expenses of approximately US$1.9 million and the possible dry docking budget and other maintenance costs of approximately US$0.6 million. As such, we are of the view that the proposed annual caps of the vessel technical management services are fair and reasonable.

In light of the above factors, we consider that the proposed annual caps regarding the provision of general services by the Combined Group A to Sinochart Group are fair and reasonable.

B) Receipt of commercial management services by the Combined Group A from Sinochart

As disclosed in the Letter from the Board, there was no historical transaction of commercial management services provided by the Sinochart Group to Combined Group A for the three years ended 31 December 2017 and the two months ended 28 February 2018.

Set out below are the proposed annual caps for the three years ending 31 December 2021, regarding the receipt of commercial management services by the Combined Group A from Sinochart.

Service	**Proposed annual caps For the year ending 31 December**		
	2019	**2020**	**2021**
	(US$'000)	*(US$'000)*	*(US$'000)*
Commercial management services	6,150	6,150	6,150

As disclosed in the Letter from the Board, in respect of the provision of commercial management services by Sinochart Group to the Combined Group A, although there is no historical transaction value for the three years ended 31 December 2017 which can be used for reference, the Company has determined the proposed annual caps based on the number of vessels which may require such services from the Combined Group A and the expected actual demand for such vessels.

We have obtained and reviewed a list for the determination of the proposed annual caps for the three years ending 31 December 2021 under the 2018 Sinochart Master Services Agreement prepared and reported by the senior management/experienced staff of the relevant operating unit of the Company according to their past experience and/or discussions with the Sinochart Group and reviewed by the Management, showing (i) the name and nature of the commercial management services to be provided by Sinochart Group to the Group; and (ii) the estimated demand of such services by the Combined Group A and the detailed reasons and basis for that.

With reference to the Letter from the Board, the proposed annual caps regarding the commercial management services are US$6.15 million for each of the three years ending 31 December 2021. As advised by the Management, the Combined Group A expects to demand commercial management services from Sinochart Group for around 41 vessels for each of the coming three years at an expected cost of US$150,000 for each vessel per year, and such increase in new demand is due to (i) the expected expansion of fleet size of Group; and (ii) the demand of dry bulk shipping is expected to increase in the coming years. According to Company's record, the total number of controlled dry bulk vessels of the Combined Group A as at 31 December 2017 was 43 vessels. In view of the current controlled fleet size of the Combined Group A and the possible expansion of the dry bulk fleet size of the Combined Group A in the coming three years, we are of the view that the above estimated number of vessels used in the estimation is practicable. We have also obtained and reviewed the agreements in respect of the historical price charged by Independent Third Parties to the Group for the commercial management services, and we noted that the expected cost of US$150,000 per year is in line with the price charged by Independent Third Parties. After considering (i) the fleet size of the Group; and (ii) the expected cost of commercial management services are reasonable, we are of the view that the proposed annual caps of the commercial management services are fair and reasonable.

Having considered that (i) the Company has effective internal control measures in monitoring the pricing and the terms of the transactions contemplated under the 2018 Sinochart Master Services Agreement will be on normal commercial terms; and (ii) the proposed annual caps for three years ending 31 December 2021 are fairly and reasonably determined, we consider that the terms of the 2018 Sinochart Master Services Agreement are on normal commercial terms, fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

4.3 2018 SNL Master Services Agreement

As disclosed in the Letter from the Board, given that general shipping services will be continuously provided between Sinotrans Container Lines Group and the Combined Group B (i.e. the Group excluding Sinotrans Container Lines Group), on 23 July 2018, the 2018 SNL Master Services Agreement was entered into between the Company and Sinotrans Container Lines to set out such general services to be provided.

The purpose of entering into the 2018 SNL Master Services Agreement is to facilitate the cooperation between Sinotrans Container Lines Group and the Combined Group B and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other.

Term and Scope

The term of the 2018 SNL Master Services Agreement commences from 1 January 2019 and expires on 31 December 2021.

Pursuant to the 2018 SNL Master Services Agreement, members of the Combined Group B will provide container chartering services to Sinotrans Container Lines Group; and members of Sinotrans Container Lines Group will provide vessel technical management services to members of the Combined Group B.

As disclosed in the Letter from the Board, the 2018 SNL Master Services Agreement provides a framework to govern the general services to be provided between Sinotrans Container Lines Group and the Combined Group B. Members of the Combined Group B and Sinotrans Container Lines Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 SNL Master Services Agreement and the laws and regulations applicable to the Company and Sinotrans Container Lines. Such agreements should specify (amongst other things) the types of services, quantity of services, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

As disclosed in the Letter from the Board, the prices of the services to be provided by the Combined Group B or Sinotrans Container Lines Group under the 2018 SNL Master Services Agreement will be determined based on the following factors:

(a) the prices of the services to be provided must be fair and reasonable;

(b) the terms and conditions in relation to the container chartering service to be provided by the Combined Group B to Sinotrans Container Lines Group should not be more favourable than those available to Independent Third Parties from the Combined Group B; and

(c) the terms and conditions in relation to the vessel technical management services to be provided by Sinotrans Container Lines Group to the Combined Group B should be no less favourable than those available to Independent Third Parties from Sinotrans Container Lines Group.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the price and terms of each transaction contemplated under the 2018 SNL Master Services Agreement.

As disclosed in the Letter from the Board, before entering into any specific agreement for a new transaction under the 2018 SNL Master Services Agreement, the services team of the Company will conduct checks as to pricing and payment terms of the agreement and consider whether the terms are in accordance with the principles of the 2018 SNL Master Services Agreement and is no less favourable to the Combined Group B or Sinotrans Container Lines than those available to Independent Third Parties.

With reference to the Letter from the Board, the services team of the Company will obtain from independent market sources the relevant market intelligence regarding pricing of different types of services in the shipping market reflecting what are the then market price of the corresponding services from Independent Third Parties prior to the Combined Group B entering into any new agreement. To the extent the Combined Group B cannot obtain such market price references from independent market sources, the Combined Group B would secure at least two quotes from Independent Third Parties which offer comparable pricing and quality services required by the Combined Group B or Sinotrans Container Lines. Under such circumstances, the Combined Group B and Sinotrans Container Lines will make reference to such price quotes for comparison purpose prior to the entering into any new agreement. The services team of the Company will also confirm historical transaction data with the finance department of the Company in order to determine the fairness and reasonableness of the pricing terms.

As disclosed in the Letter from the Board, for the provision of container chartering services by the Combined Group B to Sinotrans Container Lines, the Combined Group B must offer the terms of the container chartering services contracts to Sinotrans Container Lines no more favourable than to Independent Third Parties. The market price will be referenced to the data and resources available in the market on or about the time immediately before the date of entering into any new agreement.

As disclosed in the Letter from the Board, for the provision of vessel technical management services by Sinotrans Container Lines to the Combined Group B, the pricing of the vessel technical management services will make reference to the price of similar services offered by at least two other independent ship management companies, through which the Company can compare the terms of those quotations and pass to the management of the services team of the Company for approval.

With reference to the Letter from the Board, after the pricing terms have been determined and with the approval from the management, the members of Sinotrans Container Lines Group and the Combined Group B will enter into specific agreements which set out the agreed terms of the transactions.

As disclosed in the Letter from the Board, in addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

In light of the above, especially (i) if there is market price for relevant services from independent market intelligence, the Group will proceed with the transactions under the 2018 SNL Master Services Agreement if the service fee is no less favourable than the market price; (ii) if the Combined Group B cannot obtain market price from independent market intelligence, the Combined Group B would secure at least two quotes from Independent Third Parties which offer comparable pricing and quality services; (iii) the finance department of the Company will monitor the actual transaction amounts against any excess of the approved annual caps; (iv) the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company; and (v) the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transaction, we consider the Company has effective internal control measures to help ensure that the pricing of the transactions contemplated under the 2018 SNL Master Services Agreement and will be on normal commercial terms.

Payment Terms

Payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Combined Group B and Sinotrans Container Lines Group.

Historically settlements for these transactions were primarily one-off settlement in cash within three months after receipt of the relevant invoices.

Option to Renew

The Company has an option to renew the 2018 SNL Master Services Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and Sinotrans Container Lines) before the expiry date of the 2018 SNL Master Services Agreement, for a further period of three years. For each such renewal, such party will be deemed to have granted a new option to the other party for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Cap amounts:

Historical transaction values

There was no historical transaction of general services provided between the Combined Group B and Sinotrans Container Lines Group for the three years ended 31 December 2017 and the two months ended 28 February 2018.

Proposed Annual Caps

A) *Provision of container chartering services by the Combined Group B to Sinotrans Container Lines Group*

Set out below are the proposed annual caps for the three years ending 31 December 2021, regarding the provision of general services by the Combined Group B to Sinotrans Container Lines Group.

	Proposed annual caps For the year ended 31 December		
Service	**2019**	**2020**	**2021**
	(US$'000)	*(US$'000)*	*(US$'000)*
Container chartering services	23,362	25,698	28,268

According to the Letter from the Board, in respect of the provision of container chartering services by the Combined Group B to Sinotrans Container Lines, although there is no historical transaction value for the three years ended 31 December 2017 which can be used for reference, the parties have considered the following factors in order to determine the proposed annual caps: (a) the historical container chartering expenses of Sinotrans Container Lines was approximately US$26,167,000 for the year ended 31 December 2017; (b) it is expected that Sinotrans Container Lines will purchase containers in order to reduce the container chartering costs; and (c) it is expected that the container chartering fees will increase at a rate of approximately 10% per year in the coming three years.

We have obtained and reviewed a list for the determination of the proposed annual caps for the three years ending 31 December 2021 under the 2018 SNL Services Agreement prepared and reported by the senior management/experienced staff of the relevant operating unit of the Company according to their past experience and/or discussions with Sinotrans Container Lines Group and reviewed by the Management, showing (i) the name and nature of container chartering services to be provided by

Combined Group B to Sinotrans Container Lines Group; and (ii) the estimated demand of such services by Sinotrans Container Lines Group and the detailed reasons and basis for that.

As noted from the above table, the proposed annual caps for provision of container chartering services by the Combined Group B to Sinotrans Container Lines Group of approximately US$23.36 million, US$25.70 million and US$28.27 million for each of the three years ending 31 December 2021. As noted from the 2017 Annual Report, the historical container chartering expenses of the Group was approximately US$26.17 million for FY2017, which represents the container chartering expenses of Sinotrans Container Lines Group as advised by the Management. As advised by the Management, Sinotrans Container Lines Group plans to charter containers mainly through the Combined Group B. In addition, we understand from the Management that the Sinotrans Container Lines Group has plans to construct containers if the market cost is reasonable in order to reduce the containers chartering cost. Having considered the above, we are of the view that the proposed annual caps for provision of container chartering services for the upcoming three years are fair and reasonable.

In light of the above factors, we consider that the proposed annual caps regarding the provision of container chartering services by the Combined Group B to Sinotrans Container Lines Group for the three years ending 31 December 2021 are fair and reasonable.

B) Receipt of vessel technical management services by the Combined Group B from Sinotrans Container Lines Group

Set out below are the proposed annual caps for the three years ending 31 December 2021, regarding the receipt of vessel technical management services by the Combined Group B from Sinotrans Container Lines Group.

	Proposed annual caps		
	For the year ended 31 December		
Service	**2019**	**2020**	**2021**
	(US$'000)	*(US$'000)*	*(US$'000)*
vessel technical management services	480	480	480

With reference to the Letter from the Board, in respect of the provision of vessel technical management services by Sinotrans Container Lines to the Combined Group B, although there is no historical transaction value for the three years ended 31 December 2017 which can be used for reference, the parties have determined the proposed annual caps, which are US$480,000 for each of the three years ending 31 December 2021, based on the expected demand of such services by 7 vessels of the Combined Group B at the service fees of US$480,000 per year in the coming three years.

We have obtained and reviewed a list for the determination of the proposed annual caps for the three years ending 31 December 2021 under the 2018 SNL Services Agreement prepared and reported by the senior management/experienced staff of the relevant operating unit of the Company according to their past experience and/or discussions with Sinotrans Container Lines Group and reviewed by the Management, showing (i) the name and nature of vessel technical management services to be provided by Sinotrans Container Lines Group to the Combined Group B; and (ii) the estimated demand of such services by the Combined Group B and the detailed reasons and basis for that.

As advised by the Management, the expected number of vessels of the Combined Group B which demand vessel technical management services are determined based on discussions between the Combined Group B and Sinotrans Container Lines. We further noted from the 2017 Annual Results Announcement and were advised by the Management that the Combined Group B owned 13 container vessels as at 31 December 2017, among which 7 vessels are expected to require vessel technical management services from Sinotrans Container Lines Group. We have also obtained and reviewed the price of vessel technical management services provided by Independent Third Parties to the Group and noted that the estimated services fees are in line with the fees charged by Independent Third Parties. In view of the above factors, we are of the view that such proposed annual caps are reasonable.

Having considered that (i) the Company has effective internal control measures in monitoring the pricing and terms of the transactions contemplated under the 2018 SNL Master Services Agreement will be on normal commercial terms; and (ii) the proposed annual caps for three years ending 31 December 2021 are fairly and reasonably determined, we consider that terms of the 2018 SNL Master Services Agreement are on normal commercial terms, fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

4.4 2018 Master Chartering Agreement

As disclosed in the Letter from the Board, on 23 July 2018, the 2018 Master Chartering Agreement was entered into between the Company and CMG to set out the chartering services to be provided between CMG Group and the Group. The purpose of entering into the 2018 Master Chartering Agreement is to facilitate the cooperation between CMG Group and the Group and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other.

The vessels to be chartered by CMG Group to the Group are different from those owned by the Group in terms of carriage capacities, shipping routes or located in different piers globally. It provides the flexibility and serves the mutual business needs of CMG Group and the Group.

Term and Scope

The term of the 2018 Master Chartering Agreement commences from 1 January 2019 and expires on 31 December 2021.

As disclosed in the Letter from the Board, the 2018 Master Chartering Agreement provides a framework to govern the chartering services to be provided between CMG Group and the Group. Members of the Group and CMG Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 Master Chartering Agreement and the laws and regulations applicable to the Company and CMG. Such agreements should specify (amongst other things) the types of vessels, number of vessels, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

The charter hire and cable, victuals and entertainment ("**C/V/E**") fees under the 2018 Master Chartering Agreement will be determined based on the following factors:

(a) the amount of charter hire and C/V/E fees must be fair and reasonable;

(b) the charter hire and C/V/E fees payable by the Group to CMG Group should not be higher than the charter hire and C/V/E fees payable by the Group to Independent Third Parties;

(c) the address commission (i.e. an expense item in the cost of operation, being the discount given by the ship owner to a charterer based on a certain percentage of the charter hire) which the Group charges CMG Group should not be lower than the address commission which the Group charges Independent Third Parties;

(d) the charter hire and C/V/E fees which the Group charges CMG Group should not be lower than the charter hire and C/V/E fees which the Group charges Independent Third Parties; and

(e) the address commission payable by the Group to CMG Group should not be higher than the address commission payable by the Group to Independent Third Parties.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the fees and terms of each transaction contemplated under the 2018 Master Chartering Agreement.

With reference to the Letter from the Board, the services team of the Company, having market intelligence regarding pricing of chartering fees in the shipping market and receiving daily reports from the public shipbrokers, is responsible for reviewing and approving the pricing prior to entering into any new agreement. As there are alternative sources of supplies of chartering of vessels with comparable pricing and quality offered to/by the Group and CMG Group, both the Group and CMG Group will make reference to the fees of similar chartering services quoted from Independent Third Parties for comparison purpose prior to the entering into any new agreement.

As disclosed in the Letter from the Board, for the chartering of vessels by the Group to CMG Group, the Group must offer the terms of the chartering contracts to CMG Group no more favourable than Independent Third Parties. The market price of chartering will be referenced to Baltic Dry Index or the average chartering fees in respect of similar vessel sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter according to the daily quotations as disclosed in more than 10 shipbroker reports received through emails. The Company will then compare the terms of such quotations and pass to the management of the services team of the Company for approval to ensure the terms of the chartering contracts to CMG Group are no more favourable than the Independent Third Parties.

With reference to the Letter from the Board, for the chartering of vessels by CMG Group to the Group, the Group will take into consideration the prevailing market price of chartering with reference to independent market data such as the Baltic Dry Index or the average chartering fees in respect of similar vessels sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter according to the daily quotations provided by public shipbrokers, the constant business cooperation between the Group and CMG Group, and will ensure that the pricing of these chartering services will be at market prices and on normal commercial terms.

As disclosed in the Letter from the Board, after the pricing terms have been determined and with the approval from the management, the members of CMG Group and the Group will enter into specific agreements which set out the agreed terms of the transactions.

With reference to the Letter from the Board, in addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

For our due diligence purpose, we have requested the transaction documents of the top three largest historical transactions for each of the services between CMG Group and the Group for the six months ended 31 December 2017. Since there was no historical transaction of chartering services provided by the Group to CMG Group during the above period and only two historical transactions of chartering services provided by CMG Group to the Group as confirmed by the Management, we have obtained and reviewed the sample transactions documents in relation to the chartering services provided by CMG Group to the Group during the above period. It is noted from the samples that (i) the chartering cost of one historical transaction was determined with reference to the then prevailing market price and was not less favourable than the market price; and (ii) the chartering cost of the other historical transaction was determined on the historical transaction price. As advised by the Management, the chartering price of the above historical transaction was determined with reference to the historical price because there was no market price available for that particular type of vessel. We have also obtained and reviewed two samples of agreements for the chartering of vessels by Independent Third Parties to the Group during the same period and we were not aware of any material terms more favourable than the two sample transactions between the Group and CMG Group.

In light of the above, especially (i) the services team of the Company, having market intelligence regarding pricing of chartering fees in the shipping market and receiving daily reports from the public shipbrokers, is capable and is responsible for reviewing and approving the pricing prior to entering into any new agreement; (ii) as there are alternative sources of supplies of chartering of vessels with comparable pricing and quality offered to/by the Group and CMG Group, both the Group and CMG Group will make reference to the fees of similar chartering services quoted from Independent Third Parties for comparison purpose prior to the entering into any new agreement; (iii) the finance department of the Company will monitor the actual transaction amounts against the approved annual caps; (iv) the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company; and (v) the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transaction, we consider the Company has effective internal control measure to help ensure that the pricing of the transactions contemplated under the 2018 Master Chartering Agreement.

Payment Terms

As disclosed in the Letter from the Board, payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Group and CMG Group.

As disclosed in the Letter from the Board, historically for time charter, the charter hire was payable every 15 days in advance of the delivery; for voyage charter, approximately 90% to 95% of the freight fee less commission and brokerage fee was payable within seven Business Days after signing/releasing the relevant bills of lading. The remaining balance, together with demurrage and/or despatch, was settled within 30 days after completion of the charter.

Option to Renew

As disclosed in the Letter from the Board, the Company has an option to renew the 2018 Master Chartering Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and CMG) before the expiry date of the 2018 Master Chartering Agreement, for a further period of three years. For each such renewal, CMG will be deemed to have granted a new option to the Company for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Cap amounts:

A) Chartering of vessels by the Group to CMG Group

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2017 and the two months ended 28 February 2018 and the current approved annual cap ended 31 December 2018; and (ii) the proposed annual caps for the three years ending 31 December 2021, regarding the charter hire and C/V/E fees charged by CMG Group from the Group.

As disclosed in the Letter from the Board, there was no historical payment of address commission by CMG Group to the Group in relation to the provision of chartering services by CMG Group to the Group for the three years ended 31 December 2017 and the two months ended 28 February 2018.

	Historical figures				
	For the year ended 31 December			**For the two months ended 28 February**	**Current approved annual cap**
Service	**2015**	**2016**	**2017**	**2018**	**2018**
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*
Charter hire and C/V/E fee	12,300	2,502	459	nil	28,250

Service	Proposed annual caps For the year ended 31 December		
	2019	2020	2021
	(US$'000)	*(US$'000)*	*(US$'000)*
Charter hire and C/V/E fee	10,000	12,000	14,000

B) Chartering of vessels by CMG Group to the Group

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2017 and the two months ended 28 February 2018 and the current approved annual cap ended 31 December 2018; and (ii) the proposed annual caps for the three years ending 31 December 2021, regarding the chartering of vessels by the Group from CMG Group.

	Service	Historical figures				
		For the year ended 31 December			For the two months ended 28 February	Current approved annual cap
		2015	2016	2017	2018	2018
		(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*
a	Charter hire and C/V/E fee	10,669	4,076	3,094	417	55,170
b	Address commission	nil	nil	nil	nil	684

	Service	Proposed annual caps For the year ended 31 December		
		2019	*2020*	*2021*
		(US$'000)	(US$'000)	(US$'000)
a	Charter hire and C/V/E fee	147,365	147,365	147,365
b	Address commission	5,376	5,376	5,376

Details of the basis for the determination of the proposed annual caps for the three years ending 31 December 2021 regarding chartering of vessels by the Group to CMG Group and chartering of vessels by the Group from CMG Group under the section headed "2018 Master Chartering Agreement" in the Letter from the Board.

As disclosed in the Letter from the Board, the proposed annual caps of the charter hire and the C/V/E fee charged by CMG Group to the Group and the proposed annual caps of charter hire and the C/V/E fee charged by the Group to CMG Group in relation to the chartering of the vessels for the three years ending 31 December 2021 have also been determined with reference to (i) the expected growing need for vessels chartering services between CMG Group and the Group; (ii) the interest in developing continuous business relationship and cooperation between CMG Group and the Group; and (iii) the prevailing market rate of time charter of vessel of a similar class.

As discussed above under the subsection headed "The Reorganisation between Sinotrans & CSC and CMG Group", the Reorganisation was aimed to achieve economies of scale and synergies in particular in the areas of logistics, energy and bulk shipping, property development, ports and marine and offshore engineering between the two groups to speed up the development of an internationally competitive leading enterprise. And the Directors are of the view that the entering into of the 2018 Master Services Agreements will enable the Group to manage and optimise the use of resources via the platform of CMG Group and create synergies between CMG Group and the Group. As advised by the Management, after the completion of the relevant legal procedures of the Reorganisation in April 2017, both the Group and CMG Group have expressed their intentions to substantially increase the demand of services from each other based on arm's length negotiations for achieving the economics of scale and synergies effect.

A) Chartering of vessel by Group to CMG Group

In order to assess the reasonableness of the proposed annual caps under the 2018 Master Chartering Agreement, we have performed certain works and discussed with the Management on the basis and assumptions underlying the determination of the proposed annual caps.

We have obtained and reviewed a list for the determination of the proposed annual caps for the three years ending 31 December 2021 under the 2018 Master Chartering Agreement prepared and reported by the senior management/experienced staff of the relevant operating unit of the Company according to their past experience and/or discussions with CMG Group and reviewed by the Management, showing (i) the names and natures of chartering of vessels services by the Group to CMG Group (the "**Provision of Chartering Services**"); and (ii) the estimated demand of Provision of Chartering Services and the detailed reasons and basis for that.

With reference to the Letter from the Board, the proposed annual caps regarding the chartering services provided by the Group to CMG Group are US$10 million, US$12 million and US$14 million for each of the three years ending 31 December 2021. As shown in the above list and as advised by the Management, CMG Group is expected to charter 5, 6 and 7 voyages under voyage chartering from the Group based on arm's length negotiations between CMG Group and the Group for the three years ending 31 December 2021 respectively, based on the estimated charter hire rate of US$2 million per voyage.

According to the Management's experience, the above estimated number of voyages represents chartering of around 1 to 2 vessels per year by the Group to CMG Group. In view of the current shipping business of CMG Group as discussed above and the continuing cooperation relationship between CMG Group and the Group, we are of the view that the above estimated number of chartering is practicable. As noted from the Clarkson Market Intelligence Report as mentioned above, the recent market charter hire rate under voyage chartering is around US$2 million per voyage, thus we are of the view that the estimated charter hire rate of around US$2 million for each voyage is reasonable.

Having considered (i) the expected growing need for vessels chartering services between CMG Group and the Group; (ii) the interest in developing continuous business relationship and cooperation between CMG Group and the Group; and (iii) the estimated chartering hire rate is in line with the market rate, we are of the view that the proposed annual caps of the charter hire and C/V/E fees charged by the Group in relation to the provision of chartering services to CMG Group for the three years ending 31 December 2021 are fair and reasonable.

In light of the above factors, we are of the view that the proposed annual caps regarding the chartering of vessels by Group to CMG Group for the three years ending 31 December 2021 are fair and reasonable.

B) Chartering of vessels by CMG Group to the Group

In order to assess the reasonableness of the proposed annual caps under the 2018 Master Chartering Agreement, we have performed certain works and discussed with the Management on the basis and assumptions underlying the determination of the proposed annual caps.

We have obtained and reviewed a list for the determination of the proposed annual caps for the three years ending 31 December 2021 under the 2018 Master Chartering Agreement prepared and reported by the senior management/experienced staff of the relevant operating unit of the Company according to their past experience and/or discussions with CMG Group and reviewed by the Management, showing (i) the names and natures of chartering of vessels services by the Group from CMG Group (the "**Receipt of Chartering Services**"); and (ii) the estimated demand of Receipt of Chartering Services and the detailed reasons and basis for that.

With reference to the Letter from the Board, the proposed annual caps regarding the chartering services by CMG Group to the Group are approximately US$147.37 million for each of the three years ending 31 December 2021. As shown in the above list and as advised by the Management, (i) the Group is expected to charter around 30 vessels under chartering services from CMG Group based on the estimated charter hire rate ranging from US$12,500 to US$13,000 per day; and (ii) Sinotrans Container

Lines plans to charter 3 vessels, two of which were chartered in 2017, from CMG Group at an average charter hire rate of approximately US$3,700 per day.

With reference to the 2017 Annual Results Announcement, the total controlled fleet of the Group as at 31 December 2017 was 113 vessels, among which 62 vessels were chartered-in. As advised by the Management, though only 2 vessels among the 62 chartered-in vessels of the Group as at 31 December 2017 were chartered from CMG Group, the Group plans to increase the proportion of chartering vessels from CMG Group for the coming three years in order to achieve the economies of scale and increase working efficiency after the Reorganisation. In addition, as disclosed in the Letter from the Board, the vessels to be chartered by the Group from CMG Group are different from those owned by the Group in terms of carriage capacities, shipping routes or location. As such, we are of the view that the proposed annual caps provide the flexibility and serves the business needs of the Group.

As advised by the Management, CMES and Shanghai Changhang under CMG Group are the main potential providers of chartering services to the Group. As noted from CMES's latest annual report and from the website of Shanghai Changhang (scsco.sinotrans-csc.com), CMES owned, among others, 27 dry bulk vessels with 20 extra dry bulk vessels on order book as at March 2018 while Shanghai Changhang disclosed that it owns around 50 vessels. As such, we are of the view that CMG Group has sufficient capacity to provide chartering services to the Group.

As also noted from the Clarkson Market Intelligence Report as mentioned above, the estimated charter hire rate for chartering services is within the range of the market rates. We have also obtained and reviewed the chartering agreements of the two vessels chartered by Sinotrans Container Lines in 2017 as mentioned above and note that the average charter hire rate was approximately US$3,700 per day. As such, we are of the view that the estimated day rate for the chartering services is reasonable.

After taking into the above factors, we are of the view that the proposed annual caps regarding charter hire and C/V/E fees charged by Group to CMG Group for the three years ending 31 December 2021 are fair and reasonable.

As disclosed in the Letter from the Board, the address commission is an expense item in the cost of operation, being the discount given by the ship owner to a charterer based on a certain percentage of the charter hire. And as advised by the Management, when the Group pays the charter hire and C/V/E fees to CMG Group, the Group is entitled to receive the Address Commission based on a certain percentage on the charter hire of 3.75% as the industry practice. For our due diligence purpose, we have obtained and reviewed the freight invoices regarding the chartering of similar vessels by the Group from Independent Third Parties and we noted that the rates of the address commission were not more favourable than 3.75%. As such, we are of the view that the proposed annual caps of the Address Commission are fair and reasonable.

In light of the above factors, we are of the view that the proposed annual caps regarding Chartering of vessels by Group to CMG Group for the three years ending 31 December 2021 are fair and reasonable.

Having considered that (i) the Company has effective internal control measures in monitoring the pricing and the terms of the transactions contemplated under the 2018 Master Chartering Agreement will be on normal commercial terms; and (ii) the annual caps for three years ending 31 December 2021 are fairly and reasonably determined, we consider that the terms of the 2018 Master Chartering Agreement are on normal commercial terms, fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

4.5 2018 Sinochart Master Chartering Agreement

As disclosed in the Letter from the Board, on 23 July 2018, the 2018 Sinochart Master Chartering Agreement was entered into between the Company and Sinochart to set out the chartering services to be provided between Sinochart Group and the Combined Group A (i.e. the Group excluding the Sinochart Group). The purpose of entering into the 2018 Sinochart Master Chartering Agreement is to facilitate the cooperation between Sinochart Group and the Combined Group A and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other.

The vessels to be chartered by Sinochart Group to the Combined Group A are different from those owned by the Combined Group A in terms of carriage capacities, shipping routes or located in different piers globally. It provides the flexibility and serves the mutual business needs of Sinochart Group and the Combined Group A.

Term and Scope

The term of the 2018 Master Chartering Agreement commences from 1 January 2019 and expires on 31 December 2021.

As disclosed in the Letter from the Board, the 2018 Master Chartering Agreement provides a framework to govern the chartering services to be provided between CMG Group and the Group. Members of the Group and CMG Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 Master Chartering Agreement and the laws and regulations applicable to the Company and CMG. Such agreements should specify (amongst other things) the types of vessels, number of vessels, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

The charter hire and C/V/E fees under the 2018 Sinochart Master Chartering Agreement will be determined based on, among others, the following factors:

(a) the amount of charter hire and C/V/E fees must be fair and reasonable;

(b) the charter hire and C/V/E fees payable by the Combined Group A to Sinochart Group should not be higher than the charter hire and C/V/E fees payable by the Combined Group A to Independent Third Parties;

(c) the address commission (i.e. an expense item in the cost of operation, being the discount given by the ship owner to a charterer based on a certain percentage of the charter hire) which the Combined Group A charges Sinochart Group should not be lower than the address commission which the Combined Group A charges Independent Third Parties;

(d) the charter hire and C/V/E fees which the Combined Group A charges Sinochart Group should not be lower than the charter hire and C/V/E fees which the Combined Group A charges Independent Third Parties; and

(e) the address commission payable by the Combined Group A to Sinochart Group should not be higher than the address commission payable by the Combined Group A to Independent Third Parties.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the fees and terms of each transaction as contemplated under the 2018 Sinochart Master Chartering Agreement.

As disclosed in the Letter from the Board, the services team of the Company, having market intelligence regarding pricing of chartering fees in the shipping market and receives daily report from the public shipbroker, is responsible for reviewing and approving the pricing prior to entering into any new agreement. As there are alternative sources of supplies of chartering of vessels with comparable pricing and quality offered to/by the Combined Group A and Sinochart, both the Combined Group A and Sinochart will make reference to the fees of similar chartering services quoted from the Independent Third Parties for comparison purpose prior to the entering into any new agreement.

With reference to the Letter from the Board, for the chartering of vessels by the Combined Group A to Sinochart, the Combined Group A must offer the terms of the chartering contracts to Sinochart no more favourable than Independent Third Parties. The market price of chartering will be referenced to Baltic Dry Index or the average chartering fees in respect of similar vessel sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter according to the daily quotations as disclosed in more than 10 shipbroker reports received through emails. The Company will then compare the terms of such quotations and pass to the management of the services team of the Company for approval to ensure the terms of the chartering contracts to Sinochart are no more favourable than the Independent Third Parties.

As disclosed in the Letter from the Board, for the chartering of vessels by Sinochart to the Combined Group A, the Combined Group A will take into consideration the prevailing market price of chartering with reference to independent market data such as the Baltic Dry Index or the average chartering fees in respect of similar vessels sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter according to the daily quotations provided by public shipbrokers, the constant business cooperation between the Combined Group A and Sinochart, and will ensure that the pricing of these chartering services will be at market prices and on normal commercial terms.

With reference to Letter from the Board, after the pricing terms have been determined and with the approval from the management, the members of Sinochart Group and the Combined Group A will enter into specific agreements which set out the agreed terms of the transactions.

In addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

For our due diligence purpose, we have requested the transaction documents of the top three largest historical transactions for each of the services between the Sinochart Group and the Combined Group A for the six months ended 31 December 2017. Since there were only two historical transactions each for the chartering services provided by the Sinochart Group to the Group and provided by the Group to Sinochart Group as confirmed by the Management, we have obtained and reviewed the sample invoices in relation to the above services. It is noted from the samples that the chartering cost of those historical transaction was determined with reference to the then prevailing market price and was not less favourable than the market price. We have also obtained and reviewed two sample invoices for the chartering of vessels by the Combined Group A to the Independent Third Parties and we were not aware of any material terms more favourable than the two sample transactions between the Combined Group A and the Sinochart Group.

In light of the above, especially (i) the services team of the Company, having market intelligence regarding pricing of chartering fees in the shipping market and receives daily report from the public shipbroker, is capable and is responsible for reviewing and approving the pricing prior to entering into any new agreement; (ii) as there are alternative sources of supplies of chartering of vessels with comparable pricing and quality offered to/by the Combined Group A and Sinochart, both the Combined Group A and Sinochart will make reference to the fees of similar chartering services quoted from the Independent Third Parties for comparison purpose prior to the entering into any new agreement; (iii) the finance department of the Company will monitor the actual transaction amounts against the approved annual caps; (iv) the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company; and (v) the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transaction, we consider the Company has effective internal control measure to help ensure that the pricing of the transactions contemplated under the 2018 Sinochart Master Chartering Agreement.

Payment Terms

As disclosed in the Letter from the Board, payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Combined Group A and Sinochart Group.

As disclosed in the Letter from the Board, historically for time charter, the charter hire was payable every 15 days in advance of the delivery; for voyage charter, approximately 90% to 95% of the freight fee less commission and brokerage fee was payable within seven Business Days after signing/releasing the relevant bills of lading. The remaining balance, together with demurrage and/or despatch, was settled within 30 days after completion of the charter.

Option to Renew

As disclosed in the Letter from the Board, the Company has an option to renew the 2018 Sinochart Master Chartering Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and Sinochart) before the expiry date of the 2018 Sinochart Master

Chartering Agreement, for a further period of three years. For each such renewal, Sinochart will be deemed to have granted a new option to the Company for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Cap amounts:

A) Chartering of vessels by the Combined Group A to Sinochart Group

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2017 and the two months ended 28 February 2018 and the current approved annual cap ended 31 December 2018; and (ii) the proposed annual caps for the three years ending 31 December 2021, regarding the Combined Group A to Sinochart Group.

		Historical figures				
		For the year ended 31 December			For the 2 months ended 28 February	Current approved annual cap
Service		**2015**	**2016**	**2017**	**2018**	**2018**
		(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*
a	Charter hire and C/V/E fee	11,243	6,316	8,723	1,281	49,400
b	Address Commission	412	231	335	nil	1,853

		Proposed annual caps		
		For the year ended 31 December		
Service		**2019**	**2020**	**2021**
		(US$'000)	*(US$'000)*	*(US$'000)*
a	Charter hire and C/V/E fee	49,400	49,400	49,400
b	Address Commission	1,853	1,853	1,853

B) Chartering of vessels by Sinochart Group to the Combined Group A

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2017 and the two months ended 28 February 2018 and the current approved annual cap ended 31 December 2018; and (ii) the proposed annual caps for the three years ending 31 December 2021, regarding the chartering of vessels by the Combined Group A from Sinochart Group.

Service	Historical figures For the year ended 31 December 2015 (US$'000)	2016 (US$'000)	2017 (US$'000)	For the 2 months ended 28 February 2018 (US$'000)	Current approved annual cap 2018 (US$'000)
a Charter hire and C/V/E fee	nil	nil	407	1,569	99,245
b Address Commission	nil	nil	nil	nil	3,726

Service	Proposed annual caps For the year ended 31 December 2019 (US$'000)	2020 (US$'000)	2021 (US$'000)
a Charter hire and C/V/E fee	127,400	150,800	181,220
b Address Commission	1,853	1,853	1,853

As disclosed in the Letter from the Board, the proposed annual caps of the charter hire and the C/V/E fees charged by Sinochart Group to the Combined Group A and the proposed annual caps of charter hire and the C/V/E fees charged by Sinochart Group to Combined Group A in relation to the chartering of the vessels for the next three years ending 31 December 2021 have been determined with reference to (i) the continuing need expressed by Sinochart Group to the Combined Group A for vessels chartering for each of the three years ending 31 December 2021; (ii) the continuing need expressed by the Combined Group A to Sinochart Group for vessels chartering for each of the three years ending 31 December 2021; (iii) the interest in developing further business relationship between the Combined Group A and Sinochart Group; (iv) the prevailing market rate of time charter of a vessel of a similar class; (v) the average rate of the address commission charged by third parties, which is calculated at a rate of 3.75% of the Charter Hire and C/V/E fees; and (vi) mutual agreement between Sinochart Group and the Combined Group A.

In order to assess the reasonableness of the proposed annual caps under the 2018 Sinochart Master Chartering Agreement, we have performed certain works and discussed with the Management on the basis and assumptions underlying the determination of the proposed annual caps.

We have obtained and reviewed a list for the determination of the proposed annual caps for the three years ending 31 December 2021 under the 2018 Sinochart Master Chartering Agreement prepared and reported by the senior management/experienced staff of the relevant operating unit of the

Company according to their past experience and/or discussions with the Sinochart Group and reviewed by the Management, showing (i) the names and natures of chartering of vessels services between the Combined Group A and CMG Group; and (ii) the estimated demand of above chartering services and the detailed reasons and basis for that.

As disclosed in the Letter from the Board, the proposed annual caps regarding the chartering of vessels by the Combined Group A to Sinochart Group are US$49.40 million for each of the three years ending 31 December 2021. As noted from the above list and as advised by the Management, in 2019, 2020 and 2021, the Sinochart Group is expected to charter around 10 vessels under chartering service agreements based on the estimated charter hire rate of US$13,500 per day from the Combined Group A.

With reference to the Letter from the Board, the proposed annual caps regarding the chartering of vessels by Sinochart Group to the Combined Group A are US$127.40 million, US$150.80 million and US$181.22 million for each of the three years ending 31 December 2021. As noted from the above list and as advised by the Management, in 2019, 2020 and 2021, the Combined Group A is expected to charter 10 vessels under chartering services agreements based on the estimated charter hire rate of US$13,500 per day, and charter around 39, 51, 66 voyages based on back to back brokerage of chartering of vessels from the Sinochart Group under chartering services agreements based on the estimated charter hire rate of US$2 million per voyage.

According to the Company's record, the total number of dry bulk vessels chartered in by the Combined Group A and by Sinochart Group was 8 dry bulk vessels and 37 dry bulk vessels respectively as at 31 December 2017. We understand from the Management that such demand of vessels chartered in by the Combined Group A and Sinochart Group will fluctuate from time to time according to the Group's need. In view of the historical number of the dry bulk vessels chartered by the Group and the growth of the Group's shipping business, we are of the view that the expected number of 10 vessels to be chartered between the Combined Group A and Sinochart Group is reasonable. In relation to the Combined Group A's back to back brokerage of chartering of vessels from Sinochart Group, we understand from the Management that such arrangement was requested by Sinochart Group in order to meet the standards of its clients. Under the above arrangement, Sinochart Group will introduce its certain clients to charter the vessels of Sinochart Group through the Combined Group A and the Combined Group A will earn a brokerage fee in between. As advised by the Management, Sinochart Group's controlled vessels historically shipped more than 100 voyages for FY2017 and the expected number of voyages for the above arrangement are determined within the range of Sinochart Group's shipping capacity and based on the expected increase in working capacity of the operation team of the Combined Group A. We have been provided with the expansion plan of the relevant operation team of the Combined Group A by the Management and noted that its expansion plan is in line with the above increase trend of expected number of voyages.

Given the average daily charter hire rate/time charter equivalent (TCE) rate of dry bulk vessels for FY2017 was approximately US$10,458 as disclosed in the subsection headed "Financial Information of the Group" above and the charter hire rate of US$13,500 per day under time chartering and charter hire rate of US$2 million per voyage under voyage chartering are in line with the market charter hire rates under the Clarkson Market Intelligence Report as mentioned above, we are of the view that the proposed annual caps regarding the charter hire and C/V/E fees for the coming three years are fair and reasonable.

For the address commission, when Sinochart Group pays to the Combined Group A the charter hire and/or C/V/E fees, Sinochart Group is entitled to receive the address commission based on a certain percentage on the charter hire amount as the industry practice and when the Combined Group A pays to Sinochart Group the charter hire and C/V/E fees, the Combined Group A is entitled to receive the address commission under the same mechanism.

As advised by the Management, the address commission in respect of chartering around 10 vessels under chartering services agreements as mentioned above between Sinochart Group and the Combined Group A is determined with reference to the industry practice, which is around 3.75% of the charter hire and C/V/E fee. For our due diligence purpose, we have obtained and reviewed the freight invoices regarding the chartering of similar vessels by Independent Third Parties from the Group and by Independent Third Parties to the Group and we noted that the rates of the address commission 3.75% were in line with the rates of address commission received or paid by Independent Third Parties. As advised by the Management, the address commission is not expected to be separately calculated for the voyage chartering of around 39, 51, 66 vessels based on back to back arrangement of chartering of vessels by Sinochart Group from the Combined Group A, because the profit to be earned by the Combined Group A will be reflected in the charter hire and C/V/E fee. As such, we are of the view that the proposed annual caps of the address commission are fair and reasonable.

Having considered that (i) the Company has effective internal control measures in monitoring the pricing and the terms of the transactions contemplated under the 2018 Sinochart Master Chartering Agreement to will on normal commercial terms; and (ii) the annual caps for three years ending 31 December 2021 are fairly and reasonably determined, we consider that the terms of the 2018 Sinochart Master Chartering Agreement is on normal commercial terms, fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

4.6 2018 SNL Master Chartering Agreement

As disclosed in the Letter from the Board, on 23 July 2018, the 2018 SNL Master Chartering Agreement was entered into between the Company and Sinotrans Container Lines to set out the chartering services to be provided by the Combined Group B (i.e. the Group excluding Sinotrans Container Lines Group) to Sinotrans Container Lines Group.

The purpose of entering into the 2018 SNL Master Chartering Agreement is to offer chartering services provided by members of the Combined Group B to Sinotrans Container Lines and to maintain a steady flow of income into the Combined Group B.

Term and Scope

As disclosed in the Letter from the Board, the term of the 2018 SNL Master Chartering Agreement commences from 1 January 2019 and expires on 31 December 2021.

As disclosed in the Letter from the Board, the 2018 SNL Master Chartering Agreement provides a framework to govern the chartering services to be provided by the Combined Group B to Sinotrans Container Lines Group. Members of the Combined Group B and Sinotrans Container Lines Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 SNL Master Chartering Agreement and the laws and regulations applicable to the Company and Sinotrans Container Lines. Such agreements should specify (amongst other things) the types of vessels, number of vessels, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control and Measures

As disclosed in the Letter from the Board, the charter hire and C/V/E fees under the 2018 SNL Master Chartering Agreement will be determined based on the following factors:

(a) the amount of charter hire and C/V/E fees must be fair and reasonable;

(b) the charter hire and C/V/E fees which the Combined Group B charges Sinotrans Container Lines Group should not be lower than the charter hire and C/V/E fees which the Combined Group B charges Independent Third Parties; and

(c) the address commission payable by the Combined Group B to Sinotrans Container Lines should not be higher than the address commission payable by the Combined Group B to Independent Third Parties.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the fees and terms of each transaction contemplated under the 2018 SNL Master Chartering Agreement.

As disclosed in the Letter from the Board, the services team of the Company, having market intelligence regarding pricing of chartering fees in the shipping market and receiving daily reports from the public shipbrokers, is responsible for reviewing and approving the pricing prior to entering into any new agreement. As there are alternative sources of supplies of chartering services with comparable pricing and quality, the Combined Group B and Sinotrans Container Lines will make reference to the fees of similar chartering services in respect of similar vessel sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter quoted from Independent Third Parties for comparison purpose prior to the entering into any new agreement. For the chartering of vessels by the Combined Group B to Sinotrans Container Lines, the Combined Group B must offer the terms of the chartering contracts to Sinotrans Container Lines no more favourable than Independent Third Parties. The market price of chartering will be referenced to the container chartering fee index announced by Clarkson or the average chartering fees in respect of similar vessel sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter according to the daily quotations as disclosed in more than 10 shipbroker reports received through emails. The Company will then compare the terms of such quotations and pass to the management of the services team of the Company for approval to ensure the terms of the chartering contracts to Sinotrans Container Lines are no more favourable than the Independent Third Parties.

With reference to the Letter from the Board, after the pricing terms have been determined and with the approval from the management, the members of Sinotrans Container Lines Group and the Combined Group B will enter into specific agreements which set out the agreed terms of the transactions.

As disclosed in the Letter from the Board, in addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

For our due diligence purpose, we have obtained and reviewed the sample transaction documents of the top three largest historical transactions for chartering services provided by the Combined Group B to the Sinotrans

Container Lines Group for the six months ended 31 December 2017. It is noted that the chartering prices of the above three samples were determined with reference to the then prevailing market prices and were not less favourable than the market prices. As confirmed by the Management, there were no container vessels chartered by the Combined Group B to Independent Third Parties. During our review, we have not identified any material unfavourable terms cause our special attention.

In light of the above, especially (i) services team of the Company, having market intelligence regarding pricing of chartering fees in the shipping market and receives daily report from the public shipbroker, is capable and is responsible for reviewing and approving the pricing prior to entering into any new agreement; (ii) as there are alternative sources of supplies of chartering services with comparable pricing and quality, the Combined Group B and Sinotrans Container Lines will make reference to the fees of similar chartering services in respect of similar vessel sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter quoted from Independent Third Parties for comparison purpose prior to the entering into any new agreement; (iii) the finance department of the Company will monitor the actual transaction amounts against the approved annual caps; (iv) the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company; and (v) the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transaction, we consider the Company has effective internal control measure to help ensure that the pricing of the transactions contemplated under the 2018 SNL Master Chartering Agreement.

Payment Terms

As disclosed in the Letter from the Board, payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Combined Group B and Sinotrans Container Lines Group.

As disclosed in the Letter from the Board, historically for time charter, the charter hire was payable every 15 days in advance of the delivery; for voyage charter, approximately 90% to 95% of the freight fee less commission and brokerage fee was payable within seven Business Days after signing/releasing the relevant bills of lading. The remaining balance, together with demurrage and/or despatch, was settled within 30 days after completion of the charter.

Option to Renew

As disclosed in the Letter from the Board, the Company has an option to renew the 2018 SNL Master Chartering Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and Sinotrans Container Lines) before the expiry date of the 2018 SNL Master Chartering Agreement, for a further period of three years. For each such renewal, Sinotrans Container Lines will be deemed to have granted a new option to the Company for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Cap amounts:

A) Chartering of vessels by Combined Group B to Sinotrans Container Lines Group

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2017, the two months ended 28 February 2018 and the current approved annual cap ended 31 December 2018; and (ii) the proposed annual caps for the three years ending 31 December 2021, regarding the Company and Sinotrans Container Lines Group.

	Historical figures				
	For the year ended 31 December			For the two months ended 28 February	Current approved annual cap
Service	**2015**	**2016**	**2017**	**2018**	**2018**
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*
(a) Charter hire and C/V/E fees	18,606	23,338	27,020	5,758	73,000
(b) Address commission	nil	nil	nil	nil	2,738

	Proposed annual caps For the year ended 31 December		
Service	**2019**	**2020**	**2021**
	(US$'000)	*(US$'000)*	*(US$'000)*
(a) Charter hire and C/V/E fees	47,450	54,750	54,750
(b) Address commission	1,187	1,369	1,369

As disclosed in the letter from the Board, the proposed annual caps of the charter hire, the C/V/E Fee and the address commission in relation to the chartering of the vessels for the three years ending 31 December 2021 have been determined with reference to (i) the continuing need expressed by Sinotrans Container Lines to the Combined Group B for vessels chartering 13,15 and 15 vessels to be chartered from the Combined Group B for each of the three years ending 31 December 2021 at an estimated charter hire fee of US$10,000 per day for each vessel; (ii) the interest in developing further business relationship between the Combined Group B and Sinotrans Container Lines; (iii) the prevailing market rate of time charter of a vessel of a similar class; and (iv) the average rate of the address commission charged by third parties, which is calculated at a rate of 2.5% of the Charter Hire and C/V/E Fee.

In order to assess the reasonableness of the proposed annual caps under the 2018 SNL Master Chartering Agreement, we have performed certain works and discussed with the Management on the basis and assumptions underlying the determination of the proposed annual caps.

We have obtained and reviewed a list for the determination of the proposed annual caps for the three years ending 31 December 2021 under the 2018 SNL Master Chartering Agreement prepared and reported by the senior management/experienced staff of the relevant operating unit of the Company according to their past experience and/or discussions with Sinotrans Container Lines Group and reviewed by the Management, showing (i) the names and natures of chartering of vessels services by the Combined Group B to the Sinotrans Container Lines Group; and (ii) the estimated demand of above chartering services and the detailed reasons and basis for that.

As disclosed in the Letter from the Board, the proposed annual caps regarding the chartering services by the Combined Group B to Sinotrans Container Lines Group are approximately US$47.45 million, US$54.75 million and US$54.75 million for each of the three years ending 31 December 2021. As advised by the Management, Sinotrans Container Lines Group is expected to charter around 13, 15 and 15 vessels from the Combined Group B under time chartering based on the estimated charter hire rate of US$10,000 for each vessel per day for year 2019, 2020 and 2021 respectively. We noted from the 2017 Annual Results Announcement and were advised by the Management that the Combined Group B owned 13 container vessels as at 31 December 2017, all of which were chartered to Sinotrans Container Lines Group. Furthermore, we were advised by the Management that 2 new container vessels are projected to be constructed and delivered to the Combined Group B by 2020 and such new container vessels are expected to be chartered to Sinotrans Container Lines Group. We have obtained and reviewed the Thirteenth Five Year Plan of the Group and noted the above-mentioned projection is within the planned expansion of the container fleet size of the Group.

Though the number of vessels to be chartered by the Sinotrans Container Lines Group from the Combined Group B for the year ending 31 December 2019 is the same as the number of vessels chartered by the Sinotrans Container Lines Group from the Combined Group B as at 31 December 2017, we noted that the proposed annual caps of chartering services of approximately US$47.45 million for the year ending 31 December 2019 represent an increase of approximately 75.6% as compared to the chartering cost of approximately US$27.02 million for FY2017. We have enquired the reasons of such increase from the Management and we were given to understand that such increase was mainly due to (i) the market charter hire rate of container vessels at the beginning of FY2017 was much lower than the recent market rate; and (ii) the average number of container vessels chartered by Sinotrans Container Lines Group from the Combined Group B during FY2017 was below 13 vessels and not all vessels were chartered for the whole year as certain vessels were constructed during FY2017. For our due diligence purpose, we have also obtained and reviewed a market intelligence report generated by the Management in May 2018 from Clarkson, showing the recent market charter hire rate for container vessels under time chartering and noted that (i) the recent market charter hire rate was approximately US$10,000 for each vessel per day, representing an increase of approximately 66.7% as compared to the market charter hire rate of approximately US$6,000 for each vessel per day for January 2017, and (ii) the estimated charter hire rate of US$10,000 per day is in line with the recent market rates. As noted from the 2017 Annual Report, 4 of the 13 container vessels owned by the Combined Group B as at 31 December 2017 were constructed in May, June, September and November 2017 respectively, hence not all of the 13 container vessels were chartered by Sinotrans Container Lines Group for the whole year of FY2017. After considering the above factors, we are of the view that the proposed annual caps regarding the charter hire and C/V/E fees for the coming three years are fair and reasonable.

For the address commission, when the Sinotrans Container Lines Group pays to the Combined Group B the charter hire and/or C/V/E fees, the Sinotrans Container Lines Group is entitled to receive the address commission based on the percentage of 2.5% on the charter hire and C/V/E fees.

For our due diligence purpose, we have obtained and reviewed the sample chartering agreements regarding the chartering of similar vessels by the Group from Independent Third Parties and we noted that rate of address commission to be received by Sinotrans Container Lines from the Group were not more favourable than the rates of the address commission from the sample chartering agreements. As such, we are of the view that the proposed annual caps of the address commission are fair and reasonable.

Having considered that (i) the Company has effective internal control measures in monitoring the pricing and the terms of the transactions contemplated under the 2018 SNL Master Chartering Agreement will be on normal commercial terms; and (ii) the annual caps for three years ending 31 December 2021 are fairly and reasonably determined, we consider that the terms of the 2018 SNL Master Chartering Agreement are on normal commercial terms, fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

4.7 Deposit Services under the 2018 Master Financial Services Agreement

As disclosed in the Letter from the Board, on 23 July 2018, the Company and the Finance Company entered into the 2018 Master Financial Services Agreement in relation to the provision of financial services by the Finance Company to the Group.

Term and Scope

The term of the 2018 Master Financial Services Agreement commences from 1 January 2019 and expires on 31 December 2021.

The Group may from time to time obtain (1) Deposit Services, (2) Loan Services and (3) Other Financial Services from the Finance Company on normal commercial terms.

Internal Control and Risk Management Measures

As disclosed in the Letter from the Board, the following internal control and risk management measures will be implemented by the Group and the Finance Company.

1. The Group utilises the services of the Finance Company on a voluntary, non-exclusive basis and is not obliged to engage the Finance Company for any services. The Finance Company is merely one of the financial institutions which provide services to the Group.

2. In accordance with the compliance and disclosure requirements to which the Group is subject, the Finance Company will provide, to the extent necessary, all legal documents, agreements, government approvals, financial data and other information relating to the performance of the 2018 Mater Financial Services Agreement.

3. The Finance Company has obligation to keep confidential the Group's unpublished information that it has obtained in the course of its provision of financial services to the Group under the 2018 Master Financial Services Agreement, except as otherwise required by applicable laws and regulations (including the Listing Rules).

4. The Finance Company will strictly comply with the relevant laws and regulations and requirements imposed by the regulatory authority and ensure the security of funds of the Group.

As advised by the Finance Company:

1. the Finance Company is regulated by the PBOC and the CBIRC. Supervision check by the CBIRC includes regular examination of the audited financial statements and other relevant documents required to be filed by the Finance Company, on-site inspections and interviews with the senior management of the Finance Company. The Finance Company is also required to meet certain financial ratios set by the CBIRC; and

2. the Finance Company has established a series of internal control and management measures. A risk control committee has been established to (a) monitor the risk control implementation of each business activity of the Finance Company; and (b) report to the board of directors of the Finance Company.

In addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out, in all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

In light of the above, we consider the Company has effective internal control measure to help ensure that the pricing of the transactions contemplated under the 2018 Master Financial Services Agreement.

Pricing Mechanism for the Deposit Services

As disclosed in the letter from the Board, in respect of the Deposit Services, the interest rates shall be higher than or equal to the general interest rates set by the PBOC (if applicable) for the same term of deposit in the same period, and the average interest rate provided by major financial institutions in the PRC, for the same term of deposit in the same period. Before placing the deposits to the Finance Company, the finance department of the Group will (i) obtain the latest general interest rates set by the PBOC for the same term of deposit in the same period; and (ii) make enquiries to with major financial institutions to obtain up-to-date information of the interest rates on deposit. In view of the availability of sufficient comparable market data for interest rate quotes available for the same term of deposit in the same period and the finance team of the Group taking steps to ensure that the interest rate offered by the Finance Company would be no less favourable than that average interest rate offered by other major financial institutions to the Group or the general interest rates set by the PBOC, the Board is of the view that the aforesaid arrangement is in the interest of the Company and the Shareholders to ensure that the interest rate offered by the Finance Company would be no less favourable than that offered by the Independent Third Parties.

For our due diligence purpose, we have obtained and reviewed samples of time deposit certificates/documents issued by the Finance Company and other major financial institutions in PRC in relation to the Group's deposits. We noted from the samples that the terms of the deposit services offered by the Finance Company were comparable to those offered by other financial institutions in PRC. The interest rates offered by Finance Company were also comparable to other major financial institutions in PRC and the general interest rates set by the PBOC for same term of deposits at the same time. In addition, we understood from the Management that besides considering the interest rate offered by the selected financial institutions for the Deposit Services, the Group will also consider the size of the financial institutions and the Group existing deposit in the relevant financial institutions for risk diversification purpose.

In light of the above, we consider that the terms of the 2018 Master Services Agreement are on normal commercial terms and are fair and reasonable so far as the independent Shareholder are concerned.

Proposed annual caps:

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2017 and the two months ended 28 February 2018 and the current approved annual cap ended 31 December 2018; and (ii) the proposed annual caps for the three years ending 31 December 2021, regarding the provision of financial services from the Finance Company to the Group and joint ventures of the Company:

Service	Historical figures				
	For the year ended 31 December			For the two months ended 28 February	Current approved annual cap
	2015	2016	2017	2018	2018
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
The maximum daily outstanding balance of deposits placed by the Group with the Finance Company	347,128	345,213	349,633	349,061	350,000

Service	Proposed annual caps		
	For the year ended 31 December		
	2019	2020	2021
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
The maximum daily outstanding balance of deposits placed by the Group with the Finance Company	2,000,000	2,000,000	2,000,000

As disclosed in the Letter from the Board, the proposed annual caps for the three years ending 31 December 2021 represent approximately 42.1% of the cash and cash balances of the Group as at 31 December 2017, and are determined by reference to (i) the historical amounts deposited by the Group to the Finance Company; (ii) the possible deposit amounts that will be placed by them in the Finance Company in the coming three years; and (iii) the interest rates of such deposits which are determined at rates not less favorable than the benchmark rates set by the PBOC or the average interest rates set by the major financial institutions in the relevant jurisdictions from time to time.

In relation to the historical figures of the maximum daily outstanding balance of deposits placed by the Group with the Finance Company for the three years ended 31 December 2015, 31 December 2016, 31 December 2017 and the two months ended 28 February 2018, the utilisation rate of the relevant approved annual caps were approximately 99.18%, 98.63%, 99.90% and 99.73% respectively.

We have looked into the cash position of the Group and noticed that the cash and bank balances of the Group as at 31 December 2015, 2016 and 2017 were approximately US$630,102,000, US$643,978,000 and US$726,491,000 respectively (equivalent to approximately RMB4,091,627,000, RMB4,467,279,000 and RMB4,747,041,000). The historical maximum daily outstanding balance of deposits placed by the Group with the Finance Company for each of the three years ended 31 December 2017 represent approximately 8.5%, 7.7% and 7.4% of the cash and bank balances of the Group as at 31 December 2015, 2016 and 2017 respectively. The proposed annual caps represent about 42.1% of the cash position of the Group as at 31 December 2017. We have enquired the reason of such increases in the proposed annual caps from the Management and we were given to understand that the proposed annual caps were increased after considering, among others, (i) the historical approved annual caps of RMB350,000,000 for the three years ended 31 December 2017 were almost fully utilised and the Group could not place more deposits with the Finance Company even if the Finance Company could offer a higher rate than other financial institutions did and the Group had cash and bank balances over RMB4,000,000,000 as at 31 December 2015, 2016 and 2017; (ii) the Group intends to use more settlement services provided by the Finance Company as it is agreed under the 2018 Master Financial Services Agreement that the Finance Company will charge (a) no handling fee for RMB domestic settlement services; and (b) a handling fee at a rate not higher than other major financial institutions do for other settlement services, which requires the Group to deposit more cash into the Finance Company for such purpose; (iii) the proposed annual caps represent less than half of the cash position of the Group as at 31 December 2017 which is practicable for the Group to utilise the proposed annual caps and still leaves enough flexibility for the Group to select deposit services from other financial institutions; (iv) the solid background of the Finance Company; and (v) the various financial services that can be provided by the Finance Company. After considering the above factors, we are of the view that such increase in the proposed annual caps is practicable and reasonable.

As also disclosed in the Letter from the Board, considering that (i) the Finance Company is a PRC state-owned financial institution and an indirect wholly-owned subsidiary of CMG, which is a state wholly-owned enterprise with sound credit rating; and (ii) the internal control and risk management measures referred to in the paragraph headed "(8) 2018 Master Financial Services Agreement – Internal Control and Risk Management Measures" in the Letter from the Board have been adopted, the Group expects that it would not be exposed to high credit risk for depositing in the Finance Company.

For our due diligence purpose, we have obtained and reviewed a credit rating report for CMG prepared by China Chengxin International Credit Rating Co. Ltd. on 19 October 2017 and published on the website of China Foreign Exchange Trade System & National Interbank Funding Center (www.chinamoney.com.cn), a sub-institution directly affiliated to the PBOC. According to the above credit rating report, CMG was rated as AAA and such rating was effective one year from the report date. Having considered that (i) CMG is a state wholly-owned enterprise and the Finance Company is an indirectly wholly owned subsidiary of CMG; (ii) CMG was rated AAA by China Chengxin International Credit Rating Co. Ltd. on 19 October 2017; and (iii) the internal control and risk management measures of the Group as disclosed above, we concur with the view of the Group that it is expected that it would not be exposed to high credit risk for depositing in the Finance Company.

As also disclosed in the Letter from Board, the Group maintains deposits with and engages commercial banks for financial services from time to time as part of its treasury activities and to satisfy its business needs in its ordinary and usual course of business. The Directors consider that the Finance Company is able to provide a variety of banking and related services in support of the Group's business and treasury activities. There is no restriction under the 2018 Master Financial Services Agreement on the Group's ability to secure the services of other banks or financial institutions of its choice. The entering into of the 2018 Master Financial Services Agreement shall not limit the Group's choice of banks or financial institutions and the Group can decide the extent of receipt of Deposit Services and other financial services from the Finance Company as long as the relevant proposed annual caps are not exceeded. The Group may make its selection according to the fees being charged and the quality of services being delivered.

Taking into account of the above factors, especially (i) the historical amounts deposited by the Group to the Finance Company; (ii) the cash position of the Company over the past three years and the proposed annual caps represent less than half of the cash position of the Company as at 31 December 2017; (iii) the Group intends to use more settlement services provided by the Finance Company at a more favourable rate than that charged by Independent Third Parties, which requires the Group to deposit more cash into the Finance Company; (iv) the interest rates of such deposits will be determined at rates not less favorable than the benchmark rates set by the PBOC or the average interest rates set by the major financial institutions in the relevant jurisdictions from time to time; (v) it is expected that it would not be exposed to high credit risk for depositing in the Finance Company; (vi) the Group maintains deposits with and engages commercial banks for financial services from time to time as part of its treasury activities and to satisfy its business needs in its ordinary and usual course of business; (vii) the internal control and risk management measure to be implemented by the Group and the Finance Company; and (viii) the entering into the 2018 Master Financial Services Agreement will not limit the Group's ability to secure the services of other banks or financial institutions of its choice, we consider that the proposed annual caps for the Deposit Services for the three years ending 31 December 2021 under the Master Financial Services Agreement are fair and reasonable.

LISTING RULES IMPLICATION

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the 2018 CCT Agreements (the "**Continuing Connected Transactions**") are subject to the following annual review requirements:

(a) each year, the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report whether the Continuing Connected Transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms or better; and

3. according to the agreement governing it on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole;

(b) each year, the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days before the bulk printing of the Company's annual report), confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:

1. have not been approved by the Board;

2. were not, in all material aspects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

3. were not entered into, in all material aspects, in accordance with the relevant agreements governing the Continuing Connected Transactions; and

4. have exceeded the annual caps;

(c) the Company must allow, and ensure that the counterparties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions as set out in paragraph (B). The Board must state in the annual report whether the Company's auditors have confirmed the matters set out in Listing Rule 14A.56; and

(d) the Company shall promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) respectively.

In light of the reporting requirements for the Continuing Connected Transactions, in particular, (i) the restriction of the values of the Continuing Connected Transactions by way of the annual caps; and (ii) the requirements under the Listing Rules for ongoing review by the independent non-executive directors and the auditors of the Company of the terms of the Continuing Connected Transactions and the annual caps, we are of the view that there exist appropriate measures to govern the conduct of the Continuing Connected Transactions and to safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having taken into account the principal factors and reasons set out in our letter, we are of the opinion that (i) the terms of each of the 2018 CCT Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the 2018 CCT Agreements are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the 2018 CCT Agreements and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
BaoQiao Partners Capital Limited

Mr. Jack Yim is principally responsible for preparing this letter of advice and he is a licensed person and responsible officer of BaoQiao Partners Capital Limited registered with the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 7 years of experience in corporate finance industry.

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 Group. 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, there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, none of the Directors or the chief executives of the Company or their respective associates had or was deemed to have any interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or the chief executives of the Company or their respective associates were deemed or taken to have under provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors is a director or employee of a company which has, or is deemed to have, an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

3. DIRECTORS' COMPETING INTERESTS

Mr. Su Xingang is the Chairman of China Merchants Energy. Mr. Liu Weiwu is the director, Financial Controller and Vice President of China Merchants Energy.

China Merchants Energy provides a full range of energy transportation services running a large diversity of vessels, including crude oil tankers, dry bulk carriers and liquefied natural gas carriers, and such businesses may compete, either directly or indirectly, with the business of the Group (in particular, dry bulk shipping and liquefied natural gas shipping). However, the Company is capable of carrying on its business independently of, and at arm's length, from the businesses of China Merchants Energy. If conflict of interest arises on the part of Mr. Su Xingang or Mr. Liu Weiwu, as the case may be, they shall, pursuant to the Articles of Association of the Company, not vote or be counted in the quorum on the relevant resolution of the Board.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, none of the Directors or any of their respective associates had any interests in a business, which competes or may compete with the business of the Group.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, 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.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, save for the continuing connected transactions as disclosed under the paragraph headed "Continuing Connected Transactions" in this circular, 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.

7. MATERIAL ADVERSE CHANGE

The Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up.

8. EXPERT'S QUALIFICATIONS AND CONSENT

The following are the qualifications of the expert who has given opinion or advice which are contained in this circular:

Name	Qualification
BaoQiao Partners	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, BaoQiao Partners (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2017 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

9. MATERIAL LITIGATION

Sinochart Group was involved in the following pending lawsuits:

Sinochart as both defendant and plaintiff

In 2007, a chartered-in vessel of Sinochart grounded off and sank when unloading in Japan. The chartered-in shipowner subsequently brought a claim against Sinochart, alleging the port was unsafe and thus holding Sinochart liable for all the losses and costs incurred in the sum of US$190,000,000. Sinochart thus brought a claim against the sub-charterer in a back-to-back position. To protect the interest of Sinochart, Sinochart obtained an irrevocable stand-by letter from Sumitomo Mitsui Banking Corporation in the amount of US$190,000,000.

In July 2013, the High Court in London ruled that Sinochart was liable for the incident and should compensate the shipowner for an amount of approximately US$166,627,000. At the same time, Sinochart obtained judgement against the sub-charterer in the same sum.

In October 2013, the sub-charterer appealed against the judgement and Sinochart therefore also lodged an appeal for the judgement against it.

In January 2015, the Court of Appeal in the UK reversed the judgement of the first instance and judged that Sinochart was not liable to undertake the compensation liability against the shipowner while the sub-charterer was not liable to undertake any responsibility against Sinochart.

In May 2015, the case continued to appeal to the Supreme Court in the UK by the shipowner.

On 10 May 2017, the Supreme Court in the UK delivered judgements on a legal proceeding and the Court held that Sinochart was not responsible for the damages of the vessel thereof. Based on the final judgement by the court and the legal advice from legal counsel, the case was concluded and closed. Accordingly, directors considered that it is appropriate to reverse the unutilised provision for the case amounted to US$8,700,000 to the profit and loss during the year ended 31 December 2017.

In addition to the above, as at 31 December 2017, Sinochart was also involved in other 11 (31 December 2016: 8) pending lawsuits amounted to approximately US$3,375,000 (31 December 2016: US$2,698,000). Taking into account the latest status of the legal proceeding and the progress of settlement negotiations, the provisions for those cases is in the sum of US$780,000 as at 31 December 2017 (31 December 2016: US$610,000).

Save as disclosed above, the Group was involved in a number of claims and lawsuits currently under way. These claims and lawsuits are incidental to the Group's business operation, including but not limited to, the claims and lawsuits arising from damage to vessels during transportation, damage to goods, delay in delivery, collision of vessels and early termination of vessel chartering contracts.

As at 31 December 2017 and 31 December 2016, the Group is unable to ascertain the likelihood and amounts of these respective claims, other than those provided for. However, based on the information available to the Group, the Directors are of the opinion that these cases will not have the significant financial or operational impact to the Group.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

10. MATERIAL CONTRACTS

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

(a) the agreement dated 31 May 2017 entered into between Sinochart and Sinotrans & CSC in relation to the disposal of equity interest in SINOTRANS & CSC Finance Co., Ltd. (中外運長航財務有限公司) by Sinochart to Sinotrans & CSC, further details of which are set out in the Company's announcement dated 31 May 2017; and

(b) the five guarantees all dated 12 December 2016 entered into by the Company in favour of each of Hai Kuo Shipping 1601 Limited, Hai Kuo Shipping 1602 Limited, Hai Kuo Shipping 1603 Limited, Hai Kuo Shipping 1605 Limited and Hai Kuo Shipping 1606 Limited, for the provision of guarantee in respect of the obligations of each of Arctic LNG 1 Ltd., Arctic LNG 2 Ltd., Arctic LNG 3 Ltd., Arctic LNG 4 Ltd. and Arctic LNG 5 Ltd. under each of the five bareboat charter agreements all dated 12 December 2016 in respect of certain vessels and other ancillary security documents, further details of which are set out in the Company's announcement dated 13 December 2016.

11. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Koo Ching Fan, who is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in England and a fellow member of the Association of Chartered Certified Accountants.

(b) The registered office, head office and the principal place of business of the Company is at 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

(c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over its respective Chinese text for the purpose of interpretation.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two years ended 31 December 2017, respectively;

(c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 72 to 73 of this circular;

(d) the letter from BaoQiao Partners to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 74 to 152 of this circular;

(e) the written consent referred to in the paragraph headed "Expert's Qualifications and Consent" in this Appendix;

(f) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(g) the 2016 CCT Master Agreements;

(h) the 2018 CCT Master Agreements; and

(i) this circular.

中外運航運有限公司
SINOTRANS SHIPPING LTD.

(Incorporated in Hong Kong with limited liability)

(Stock Code: 368)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Sinotrans Shipping Limited (the "**Company**") will be held at Concord Room, 8/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong on Friday, 10 August 2018 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the 2018 Master Services Agreement dated 23 July 2018 (the "**2018 Master Services Agreement**") entered into between the Company and CMG (as defined in the circular of the Company dated 24 July 2018) (the "**Circular**") and the transactions contemplated thereunder (a copy of the 2018 Master Services Agreement is tabled at the meeting and marked "A" and initialed by the chairman of the meeting for identification purpose) be and are hereby approved, confirmed and ratified;

   (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised to sign and execute all documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the 2018 Master Services Agreement and completion thereof."

2. "**THAT**

   (a) the 2018 Sinochart Master Services Agreement dated 23 July 2018 (the "**2018 Sinochart Master Services Agreement**") entered into between the Company and Sinochart (as defined in the Circular) and the transactions contemplated thereunder (a copy of the 2018 Sinochart Master Services Agreement is tabled at the meeting and marked "B" and initialed by the chairman of the meeting for identification purpose) be and is hereby approved, confirmed and ratified;

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised to sign and execute all documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the 2018 Sinochart Master Services Agreement and completion thereof."

3. "**THAT**

(a) the 2018 SNL Master Services Agreement dated 23 July 2018 (the "**2018 SNL Master Services Agreement**") entered into between the Company and Sinotrans Container Lines (as defined in the Circular) and the transactions contemplated thereunder (a copy of the 2018 SNL Master Services Agreement is tabled at the meeting and marked "C" and initialed by the chairman of the meeting for identification purpose) be and is hereby approved, confirmed and ratified;

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised to sign and execute all documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the 2018 SNL Master Services Agreement and completion thereof."

4. "**THAT**

(a) the 2018 Master Chartering Agreement dated 23 July 2018 (the "**2018 Master Chartering Agreement**") entered into between the Company and CMG and the transactions contemplated thereunder (a copy of the 2018 Master Chartering Agreement is tabled at the meeting and marked "D" and initialed by the chairman of the meeting for identification purpose) be and is hereby approved, confirmed and ratified;

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised to sign and execute all documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the 2018 Master Chartering Agreement and completion thereof."

5. "**THAT**

(a) the 2018 Sinochart Master Chartering Agreement dated 23 July 2018 (the "**2018 Sinochart Master Chartering Agreement**") entered into between the Company and Sinochart and the transactions contemplated thereunder (a copy of the 2018 Sinochart Master Chartering Agreement is tabled at the meeting and marked "E" and initialed by the chairman of the meeting for identification purpose) be and is hereby approved, confirmed and ratified;

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised to sign and execute all documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the 2018 Sinochart Master Chartering Agreement and completion thereof."

6. "**THAT**

(a) the 2018 SNL Master Chartering Agreement dated 23 July 2018 (the "**2018 SNL Master Chartering Agreement**") entered into between the Company and Sinotrans Container Lines and the transactions contemplated thereunder (a copy of the 2018 SNL Master Chartering Agreement is tabled at the meeting and marked "F" and initialed by the chairman of the meeting for identification purpose) be and is hereby approved, confirmed and ratified;

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised to sign and execute all documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the 2018 SNL Master Chartering Agreement and completion thereof."

7. "**THAT**

(a) the 2018 Master Financial Services Agreement dated 23 July 2018 (the "**2018 Master Financial Services Agreement**") entered into between the Company and the Finance Company (as defined in the Circular) and the transactions contemplated thereunder (a copy of the 2018 Master Financial Services Agreement is tabled at the meeting and marked "G" and initialed by the chairman of the meeting for identification purpose) be and is hereby approved, confirmed and ratified;

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised to sign and execute all documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the 2018 Master Financial Services Agreement and completion thereof."

By order of the Board
Sinotrans Shipping Limited
Koo Ching Fan
Company Secretary

Hong Kong, 24 July 2018

Registered office, Head Office
and Principal Place of Business in Hong Kong
21st Floor, Great Eagle Centre,
23 Harbour Road,
Wanchai,
Hong Kong

Notes:

1. The register of members of the Company will be closed from Tuesday, 7 August 2018 to Friday, 10 August 2018 (both days inclusive) during which period no transfer of Share(s) will be effected. In order to determine the entitlement to attend and vote at the EGM, all transfer of Share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 August 2018.

2. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, if he/she is the holder of two or more shares, more than one proxy to attend and, on a poll, vote instead of him/her. A proxy needs not be a member of the Company.

3. A form of proxy for use at the EGM is enclosed herewith.

4. To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the registered office of the Company at 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be) and in default thereof the proxy form and such power or authority shall not be treated as valid.

5. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof (as the case may be) and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. As at the date of this notice, the Directors of the Company are Mr. Li Hua as the executive Director; Mr. Su Xingang (Chairman) and Mr. Liu Weiwu as the non-executive Directors; and Mr. Lee Peter Yip Wah, Mr. Zhou Qifang, Mr. Xu Zhengjun and Mr. Wu Tak Lung as the independent non-executive Directors.