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## 中國外運股份有限公司 SINOTRANS LIMITED

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

**(Stock code: 598)**

### CONNECTED TRANSACTION INVOLVING FORMATION OF JOINT VENTURE COMPANY

#### CAPITAL INJECTION AGREEMENT

On 17th June, 2009, Sinotrans Group Company, CSC, the Company, Sinochart, Sinoair, NJTC, and SBICO entered into the Capital Injection Agreement in relation to the formation of the Joint Venture Company.

#### LISTING RULES IMPLICATIONS

As Sinotrans Group Company is a controlling shareholder holding approximately 57.93% of the issued share capital of the Company, the entering into of the Capital Injection Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As all of the results of the size tests set out in Rule 14.07 of the Listing Rules (other than the profits ratio) are below 2.5%, the entering into of the Capital Injection Agreement is subject to announcement and reporting requirements only under Rule 14A.32 of the Listing Rules.

On 17th June, 2009, Sinotrans Group Company, CSC, the Company, Sinochart, Sinoair, NJTC, and SBICO entered into the Capital Injection Agreement in relation to the formation of the Joint Venture Company. A summary of the principal terms of the Capital Injection Agreement is set out in this announcement.

#### CAPITAL INJECTION AGREEMENT

##### Date

17th June, 2009

##### Parties

- (1) Sinotrans Group Company, a controlling shareholder of the Company holding approximately 57.93% of the issued share capital of the Company

- (2) CSC, a wholly-owned subsidiary of Sinotrans Group Company
- (3) the Company
- (4) Sinochart, a wholly-owned subsidiary of Sinotrans Group Company
- (5) Sinoair, a company held as to approximately 63.46% by the Company
- (6) NJTC, a company in respect of which Sinotrans Group Company is the controlling shareholder
- (7) SBICO, a wholly-owned subsidiary of Sinotrans Group Company

## **JOINT VENTURE COMPANY**

The proposed name of the Joint Venture Company is 中外運長航財務有限責任公司 (Sinotrans Changjiang Shipping Financial Services Company Limited), a limited liability company to be established under the laws of the PRC. The final name of the Joint Venture Company is subject to the approval by the Industry and Commerce Department of the PRC.

### **Term**

Such length of operation as approved by the Industry and Commerce Department of the PRC

### **Registered capital**

RMB500,000,000 (equivalent to approximately HK\$568,181,819)

### **Investment amount**

The total investment amount of the Joint Venture Company is not specified in the Capital Injection Agreement. Neither the Company nor Sinoair is committed under the Capital Injection Agreement to contribute any amount in addition to their respective contribution to the registered capital of the Joint Venture Company as set out below.

### **Capital injection into registered capital**

<b>Joint Venture Party</b>	<b>Amount of capital injection</b>		<b>Percentage</b>
	<i>RMB</i>	<i>HK\$ equivalent</i>	<b>of total registered capital</b>
			<b>%</b>
Sinotrans Group Company	275,000,000	312,500,000	55
CSC	75,000,000	85,227,273	15
the Company	50,000,000	56,818,182	10
Sinochart	25,000,000	28,409,091	5
Sinoair	25,000,000	28,409,091	5
NJTC	25,000,000	28,409,091	5
SBICO	<u>25,000,000</u>	<u>28,409,091</u>	<u>5</u>
Total	<u>500,000,000</u>	<u>568,181,819</u>	<u>100</u>

The Company itself and through Sinoair will hold a total of 15% equity interest in the Joint Venture Company (which is discussed and agreed by all the Joint Venture Parties) and will contribute RMB50,000,000 (approximately HK\$56,818,182) and RMB25,000,000 (approximately HK\$28,409,091) as capital injection to the Joint Venture Company respectively.

The capital injection by the Company into the Joint Venture Company will be made in the form of cash which is expected to be funded from internal resources of the Group.

### **Profit/loss arrangement**

The profit and loss of the Joint Venture Company is expected to be shared pro-rata to the Joint Venture Party's contribution of its registered capital.

### **Changes to the Joint Venture Party**

If any Joint Venture Party does not meet any of the qualification criteria set by the China Banking Regulatory Commission of the PRC, the Company Establishment Committee may seek other joint venture parties and amend the amount of capital injection by each Joint Venture Party.

### **Transfer of interest in the registered capital**

A Joint Venture Party may transfer its interest in the registered capital of the Joint Venture Company, subject to compliance with the Company Law of the PRC, the Articles of Association of the Joint Venture Company and the regulations relating to the transfer of interest in the registered capital of the Joint Venture Company promulgated by China Banking Regulatory Commission of the PRC.

### **Board composition**

The board of directors of the Joint Venture Company is expected to consist of three to seven directors. The Company will have the right to appoint one director. The chairman of the board of directors of the Joint Venture Company will be nominated by Sinotrans Group Company.

### **Termination**

The Capital Injection Agreement will be automatically terminated upon the happening of any of the following:

- (a) approval from the China Banking Regulatory Commission of the PRC in relation to the establishment or operation of the Joint Venture Company is not obtained;
- (b) business licence for the Joint Venture Company is not issued by the Industrial and Commercial Department of the PRC;
- (c) the Joint Venture Parties unanimously resolve not to establish the Joint Venture Company; or
- (d) the happening of force majeure events preventing the Joint Venture Company from being formed.

## **Information on Joint Venture Company and reasons for the transaction**

Joint Venture Company will be a limited liability company established under the laws of the PRC whose currently proposed operations are, among other things, the provision of finance services and financing consultancy services, credit verification and related consultancy and agency services to group companies of Sinotrans Group Company.

The Directors believe that the Joint Venture Company will be able to reduce the cost of borrowing and bank transaction costs for the Company. In addition, the Joint Venture Company will provide financial support and assistance to the Group for its further development, and hence enhance the bargaining power of the Company to deal with commercial banks and financial institutions. The board of Directors (including the independent non-executive Directors) is of the view that the terms of the Capital Injection Agreement are fair and reasonable. The Directors considered that the Capital Injection Agreement is on normal commercial terms and is in the interest of the Company and in the interests of its Shareholders as a whole.

## **Listing rules implications**

As Sinotrans Group Company is a controlling shareholder holding approximately 57.93% of the issued share capital of the Company, the entering into of the Capital Injection Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As all of the results of the size tests set out in Rule 14.07 of the Listing Rules (other than the profits ratio) are below 2.5%, the entering into of the Capital Injection Agreement is subject to announcement and reporting requirements only under Rule 14A.32 of the Listing Rules.

Upon establishment of the Joint Venture Company, the Joint Venture Company will become a connected person of the Company under Chapter 14A of the Listing Rules as it will be an associate of Sinotrans Group Company. The Company will comply with the applicable requirements under Chapter 14A of the Listing Rules if there is going to be any transaction between the Joint Venture Company and the Group.

## **Information on the Joint Venture Parties**

The Group is principally engaged in the business of freight forwarding, express services, shipping agency services, storage and terminal services, trucking and marine transportation services. Sinoair is principally engaged in the business of international air freight forwarding, express services (both domestic and international) and domestic freight forwarding and integrated logistics services. CSC is principally engaged in the business of transportation of cargo including bulk cargo, petroleum, liquid gas and container through main lines of and between ports along the Yangtze River, PRC, (whether coastal, short-haul or long-haul) and passenger transport along the Yangtze River, PRC and domestic and overseas tourism services. Sinochart is principally engaged in the business of transportation of goods such as coal, sand, food, fertilisers and cement by vessels of Sinotrans Group Company and chartered vessels, international sea transportation of goods such as steel and equipment, and provision of shipping information technology services. NJTC is principally engaged in the business of international crude oil transportation, international product oil transportation, chemicals transportation, and special liquid transportation including liquified gas and asphalt. SBICO is principally engaged in the business of shipbuilding and manufacturing of port machinery and electric machinery products. Sinotrans Group Company, through its subsidiaries, is principally engaged in the business of integrated logistics and sea transportation services.

As at the date of this announcement, Zhao Huxiang, Zhang Jianwei, Tao Suyun and Li Jianzhang are executive directors of the Company; Yang Yuntao, Liu Jinghua and Jerry Hsu are non-executive directors of the Company; and Sun Shuyi, Lu Zhengfei and Miao Yuexin are independent non-executive directors of the Company.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Capital Injection Agreement”	an agreement dated 17th June, 2009 entered into between Sinotrans Group Company, CSC, the Company, Sinochart, Sinoair, NJTC, and SBICO entered into the Capital Injection Agreement to form the Joint Venture Company.
“CSC”	中國長江航運（集團）總公司 (China Changjiang National Shipping (Group) Corporation), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of Sinotrans Group Company
“Company”	中國外運股份有限公司 (Sinotrans Limited), whose H shares are listed on the Stock Exchange
“Company Establishment Committee”	a committee to be formed pursuant to the terms of the Capital Injection Agreement to deal with matters regarding establishment of the Joint Venture Company
“controlling shareholder”	the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, lawful currency of Hong Kong Special Administrative Region of the PRC
“Joint Venture Company”	a limited liability company to be established under the laws of the PRC pursuant to the terms of the Capital Injection Agreement
“Joint Venture Parties” or “Joint Venture Party”	Sinotrans Group Company, CSC, the Company, Sinochart, Sinoair, NJTC and SBICO, or depending on the context, any one of them
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“NJTC”	中國長江航運集團南京油運股份有限公司 (Nanjiang Tanker Corporation of China Changjiang National Shipping Group), a company established under the laws of the PRC with limited liability and whose A Shares are listed on the Shanghai Stock Exchange and in respect of which Sinotrans Group Company is its controlling shareholder
“PRC”	the People’s Republic of China

“RMB”	Renminbi, lawful currency of the PRC
“SBICO”	長航集團船舶重工總公司 (The Shipbuilding Industry Corporation of Changjiang National Shipping Group), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of Sinotrans Group Company
“Shareholder(s)”	the holder(s) of shares of the Company
“Sinoair”	中外運空運發展股份有限公司 (Sinotrans Air Transportation Development Co., Ltd.), a company established under the laws of the PRC with limited liability and whose A Shares are listed on the Shanghai Stock Exchange and which is held as to approximately 63.46% by the Company
“Sinochart”	中國租船有限公司 (China National Chartering Co., Ltd.), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of Sinotrans Group Company
“Sinotrans Group Company”	中國外運長航集團有限公司 (whose former name is known as China National Foreign Trade Transportation (Group) Corporation), a company established under the laws of the PRC with limited liability and controlling shareholder of the Company holding approximately 57.93% of the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

*In this announcement, RMB are translated for illustration purpose only into HK\$ at RMB0.88 to HK\$1.*

In this announcement, English names of PRC entities are translations of their Chinese names and are included herein for identification purposes only.

By Order of the Board  
**Sinotrans Limited**  
**Gao Wei**  
*Secretary*

Beijing, 17th June, 2009