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中國外運股份有限公司
SINOTRANS LIMITED

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

(Stock Code: 0598)

**CONNECTED TRANSACTION IN RESPECT OF THE ENTRUSTED
MANAGEMENT SERVICES UNDER THE ENTRUSTED
MANAGEMENT AGREEMENT**

Reference is made to the announcement of the Company dated 10 February 2014 in respect of the provision of the Entrusted Management Services to Sinotrans & CSC pursuant to the Original Agreement. The Original Agreement expired on 31 December 2016. On 23 January 2017, the Company and Sinotrans & CSC entered into a new Entrusted Management Agreement to continue the provision of the Entrusted Management Services to Sinotrans & CSC Group, in return for a fixed annual management fee of RMB11,000,000 for a term of two years from 1 January 2017 to 31 December 2018. In order to facilitate the delivery of the Entrusted Management Services by the Group, Sinotrans & CSC has agreed that, if required by the Company, the management personnel of the Residual Companies be transferred to and be employed by members of the Group. It was agreed that during the term of the Entrusted Management Agreement, the relevant Entrusted Company will reimburse the Group all costs associated to the employment of such transferred employees on a quarterly basis, subject to a maximum reimbursement of RMB100,000,000 per year.

As Sinotrans & CSC holds approximately 55.76% of the total issued share capital of the Company as at the date of this announcement, Sinotrans & CSC is a connected person of the Company and the transactions contemplated under the Entrusted Management Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) in respect of the management fees and the maximum amount of the reimbursement of costs for the transferred employees of the Residual Companies payable under the Entrusted Management Agreement, on an annual basis, are higher than 0.1% but less than 5%, the transaction contemplated under the Entrusted Management Agreement is only subject to the reporting and announcement requirements as set out in Rule 14A.32 of the Listing Rules and is exempt from independent shareholders' approval requirements under

The Entrusted Management Agreement

Reference is made to the announcement of the Company dated 10 February 2014 in respect of the provision of the Entrusted Management Services to Sinotrans & CSC pursuant to the Original Agreement. The Original Agreement expired on 31 December 2016. On 23 January 2017, the Company and Sinotrans & CSC entered into a new Entrusted Management Agreement, pursuant to which the Company agreed to continue to provide the Entrusted Management Services to Sinotrans & CSC Group, in return for a fixed annual management fee of RMB11,000,000 for a term of two years from 1 January 2017 to 31 December 2018. The principal terms of the Entrusted Management Agreement are set out below:

Date

23 January 2017

Parties

- (1) Sinotrans & CSC
- (2) The Company

SINOTRANS & CSC is a controlling Shareholder which holds approximately 55.76% of the total issued share capital of the Company.

Entrusted Management Services

Under the Entrusted Management Agreement, the Company is responsible for managing all respects of the business operations of the Entrusted Companies, except that key decisions involving matters such as disposal of or creating encumbrances over assets (other than in the ordinary course of business), changes to scope of business, registration or de-registration of branches or subsidiaries and any other matter outside the ordinary course of business requires the approval of Sinotrans & CSC. The Company is not responsible for the profit or losses of the operations of or the net assets of the Entrusted Companies, all of which will continue to be borne by the respective Entrusted Companies and consolidated into the financial results of Sinotrans & CSC (but not the Company).

The Entrusted Management Services will be provided by the Company to Sinotrans & CSC for a term of 2 years from 1 January 2017 to 31 December 2018, during which Sinotrans & CSC will entrust the management of the Entrusted Companies (namely the Residual Companies and the Unlisted Regional Companies):

- Residual Companies - Residual Companies are those companies that have provided and continue to provide freight forwarding, shipping agency, warehousing business, and customs declaration and inspection services but did not form part of the Group at the time of the Company's listing. As the Residual Companies are operating in cities in which the Group has established presence and operations / management structure, to facilitate the delivery of the Entrusted Management Services by the Group, Sinotrans & CSC has agreed that, if required by the Company, the management personnel of the Residual Companies be transferred to and be employed by members of the Group. It was agreed that during the term of the Entrusted Management Agreement, the relevant Entrusted Company will reimburse the Group all costs of such transferred employees on a quarterly basis, subject to a maximum reimbursement of RMB100,000,000 per year.
- Unlisted Regional Companies - The Unlisted Regional Companies are engaged in freight forwarding, warehousing business, and customs declaration and inspection services at the central and western region of PRC (in particular in the south-western and north-western region) being locations at which the Group does not currently have significant presence.

Entrusted Management Fees

In return for the Entrustment Management Services, the Company is to be paid management fees in the amount of RMB11,000,000 before the end of each calendar year.

The management fees above and the reimbursement (not exceeding RMB100,000,000 per year) of costs for those employees of the Residual Companies that are transferred to the Group have been agreed after arm's length negotiations between the parties. The Company has taken into account estimated costs to the Group of additional personnel in order to provide the Entrusted Management Services in respect of the Entrusted Companies.

REASONS FOR AND BENEFITS OF ENTERING INTO ENTRUSTED MANAGEMENT AGREEMENT

The principal activities of the Group include freight forwarding, logistics, storage and terminal services, and other services. The Group has operations mainly in the PRC.

Sinotrans & CSC provides logistics, shipping, shipbuilding industry and resources training services mainly through its subsidiaries.

As stated in the Company's annual report as at 31 December 2015, the Company had been looking into consolidation of resources available to the Group and that of Sinotrans & CSC Group. The continuation of the Entrusted Management Services pursuant to the Entrusted Management Agreement provides a framework for more effective management and growth of the Group's logistics and ancillary businesses by (i) acquiring management

control over the Residual Companies so that potential horizontal competition and inefficiencies can over time be contained; and (ii) the expansion of geographical coverage of the Group's logistic and ancillary services through management of the other Entrusted Companies, in return for fees and minimal financial risk associated with the business of the Entrusted Companies. It also affords the Group with the opportunity to closely assess as to whether or not any of those Entrusted Companies or their operations could beneficially be integrated into the Group whether by acquisition or otherwise. As at the date of this announcement, there is no negotiation or agreement for the acquisition of any of the Entrusted Companies. Further announcement(s) in respect of any such acquisitions (which may or may not ever take place) will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

The terms of the Entrusted Management Agreement (including the management fees payable and the maximum amount of the reimbursement of costs for the transferred employees of the Residual Companies) were arrived after arm's length negotiations between the parties. The Directors (including all the independent non-executive Directors) are of the view that the terms of the Entrusted Management Agreement (including the management fees payable and the maximum amount of the reimbursement of costs for the transferred employees of the Residual Companies) are on normal commercial terms, and that the transactions contemplated under the Entrusted Management Agreement (including the management fees payable and the maximum amount of the reimbursement of costs for the transferred employees of the Residual Companies) are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As Sinotrans & CSC holds approximately 55.76% of the total issued share capital of the Company as at the date of this announcement, Sinotrans & CSC is a connected person of the Company and the transactions contemplated under the Entrusted Management Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Although the reimbursement of costs of transferred employees during the terms of the Entrusted Management Agreement can be viewed as a financial assistance from (and therefore exempt connected transaction of) the Sinotrans & CSC Group, the Company notes that as the applicable percentage ratios (other than the profits ratio) in respect of the aggregate management fees and the maximum amount of the reimbursement of costs for the transferred employees of the Residual Companies payable under the Entrusted Management Agreement, on an annual basis, whilst higher than 0.1% is less than 5%. Accordingly, the transactions contemplated under the Entrusted Management Agreement is only subject to the reporting and announcement requirements as set out in Rule 14A.32 of the Listing Rules and is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

According to the requirements under Article 124 of the Company Law of the PRC, any director of a listed company who is affiliated with the enterprise involved in the matters discussed by the Board shall not exercise his own, or represent other directors to exercise,

voting right for such matters. As Mr. Zhao Huxiang and Mr. Song Dexing, being a Director, also hold positions in Sinotrans & CSC, they have abstained from voting in respect of the proposed resolution(s) to approve the Entrusted Management Agreement in accordance with the related regulations and laws. Save as aforesaid, none of the other Directors had any material interest in the transactions contemplated under the Entrusted Management Agreement, and no such other Director has abstained or was required to abstain from voting on the Board resolutions approving the Entrusted Management Agreement.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Sinotrans Limited, a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“Domestic Shares”	domestic invested share(s) of RMB1.00 each in the share capital of the Company;
“Entrusted Companies”	the Unlisted Regional Companies and the Residual Companies;
“Entrusted Management Agreement”	the agreement dated 23 January 2017 between the Company and Sinotrans & CSC in respect of the provision of Entrusted Management Services;
“Entrusted Management Services”	the provision of management services by the Company for managing all respects of the business operations of the Entrusted Companies (subject to certain key decisions which requires the approval of Sinotrans & CSC) pursuant to the Entrusted Management Agreement;
“Group”	the Company and its subsidiaries;
“H Shares”	overseas listed foreign invested share(s) of RMB1.00 each in the

	share capital of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“independent shareholders”	the Shareholders other than Sinotrans & CSC Group and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Original Agreement”	the agreement dated 10 February 2014 between the Company and Sinotrans & CSC in respect of the provision of entrusted management services by the Company, which was the subject of the Company’s announcement dated 10 February 2014;
“Unlisted Regional Companies”	銀川中外運陸港物流有限公司 (Yinchuan SINOTRANS Logistics Co., Ltd*), 中國外運甘肅公司 (SINOTRANS Gansu Company*), 中國外運貴州公司 (SINOTRANS Guizhou Company*), 中國外運河南公司 (SINOTRANS Henan Company*), 中國外運湖南公司 (SINOTRANS Hunan Company*), 中國外運滿州里公司 (SINOTRANS Manchuria Company*) (including 中國外運滿洲里保稅儲運有限公司 (SINOTRANS Manchuria Bonded Storage and Transport Co., Ltd*), 中國外運內蒙古公司 (SINOTRANS Inner Mongolia Company*), 中國外運寧夏公司 (SINOTRANS Ningxia Company*), 中國外運山西公司 (SINOTRANS Shanxi Company*), 中國外運陝西公司 (SINOTRANS Shaanxi Company*), 中國外運雲南公司 (SINOTRANS Yunnan Company*), and 中外運長航集團新疆有限公司 (SINOTRANS & CSC Xinjiang Co., Ltd*) (including 中國外運阿拉山口公司 (SINOTRANS Alataw Pass Company*) and 中國外運新疆公司 (SINOTRANS Xinjiang Company*)), and;
“PRC”	the People’s Republic of China;
“Residual Companies”	certain subsidiaries of Sinotrans & CSC that did not form part of the Group at the time of the Company’s listing, including 福建外運公司 (SINOTRANS Fujian Company*), 廣東外運公司 (SINOTRANS Guangdong Company*), 遼寧外運公司 (SINOTRANS Liaoning Company*) (including regional companies located in Jilin and Heilongjiang *), 山東外運公司 (SINOTRANS Shandong Company*), 天津外運有限公司 (SINOTRANS Tianjin Co. Ltd*) (including 中外運 (天津) 儲

運有限公司 (SINOTRANS (Tianjin) Storage and Transport Co. Ltd*), 中國外運 (集團) 浙江有限責任公司 (SINOTRANS (Group) Zhejiang Co., Ltd.*), 中國外運北京公司 (SINOTRANS Beijing Company*), 中國外運廣西公司 (SINOTRANS Guangxi Company*) (including 廣西中外運物流有限公司 (Guangxi SINOTRANS Logistics Co., Ltd.*) and 中國外運廣西憑祥公司 (SINOTRANS Guangxi Pingxiang Company*)), 中國外運河北公司 (SINOTRANS Hebei Company*), 中國外運湖北公司 (SINOTRANS Hubei Company*), 中國外運江蘇公司 (SINOTRANS Jiangsu Company*), 中國外運連雲港公司 (SINOTRANS Lianyungang Company*), 中國外運四川公司 (SINOTRANS Sichuan Company*), 中外運久凌儲運有限公司 (SINOTRANS Jiuling Transport & Storage Co., Ltd.*) , 中外運上海 (集團) 有限公司 (SINOTRANS Shanghai (Group) Co., Ltd*) and 中國外運江西公司 (SINOTRANS Jiangxi Company*);

“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	H Share(s) and Domestic Share(s);
“Sinotrans & CSC”	Sinotrans & CSC Holdings Co., Ltd., the controlling shareholder of the Company which holds approximately 55.76% of the issued share capital of the Company;
“Sinotrans & CSC Group”	Sinotrans & CSC and its subsidiaries; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

By Order of the Board
Sinotrans Limited
Li Shichu
Joint Company Secretary

Beijing, 23 January 2017

As at the date of this announcement, the board of directors of the Company comprises: Zhao Huxiang (Chairman), Song Dexing (executive director), Li Guanpeng (executive director), Wang Lin (executive director), Yu Jianmin (executive director), Wu Xueming (executive director), Jerry Hsu (non-executive director) and four independent non-executive directors, namely Guo Minjie, Lu Zhengfei, Han Xiaojing and Liu Junhai.

** For identification purposes only*