

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Offeror or the Company nor is it a solicitation of any vote or approval in any jurisdiction.

Sinotrans Shipping (Holdings) Limited



中外運航運有限公司
SINOTRANS SHIPPING LTD.

(incorporated under the laws of British Virgin Islands)

(incorporated in Hong Kong with limited liability)

(Stock Code: 368)

JOINT ANNOUNCEMENT

**(1) PROPOSAL TO PRIVATISE SINOTRANS SHIPPING LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE**

(2) PROPOSED WITHDRAWAL OF LISTING OF SINOTRANS SHIPPING LIMITED

(3) ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE

**(4) APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER TO THE
INDEPENDENT BOARD COMMITTEE**

(5) RESUMPTION OF TRADING IN THE SHARES OF SINOTRANS SHIPPING LIMITED

Financial Adviser to the Offeror



THE PROPOSAL

The board of directors of the Offeror and the Board jointly announce that on 18 September 2018, the Offeror requested the Board to put forward to the Scheme Shareholders the Proposal for the proposed privatisation of the Company which, if approved, would result in the withdrawal of listing of the Shares on the Hong Kong Stock Exchange. The Offeror is interested in 2,600,000,000 Shares, representing approximately 65.13% of the issued share capital of the Company as at the date of this announcement. The Board has reviewed the Proposal and has agreed to put it forward to the Scheme Shareholders.

The Proposal will be implemented by way of a scheme of arrangement under Section 673 of the Companies Ordinance. Upon the Scheme of Arrangement becoming effective, the Scheme Shares will be cancelled and the New Shares will be issued as fully paid to the Offeror. The Company will make an application for the listing of the Shares to be withdrawn from the Hong Kong Stock Exchange in accordance with Rule 6.15 of the Listing Rules, with effect from the date on which the Scheme of Arrangement becomes effective.

Under the Scheme of Arrangement, the Offeror has proposed that the Scheme Shareholders will receive from the Offeror as Cancellation Consideration of HK\$2.70 for every Scheme Share cancelled. **The Offeror has advised that the Cancellation Consideration will not be revised in the course of the Scheme of Arrangement and the Offeror does not reserve the right to do so.**

The Cancellation Consideration of HK\$2.70 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents:

- (i) a premium of approximately 49.2% over the closing price of HK\$1.81 per Share as quoted on the Hong Kong Stock Exchange immediately before the suspension of trading in the Shares pending publication of this announcement;
- (ii) a premium of approximately 50.0% over the closing price of HK\$1.80 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 55.2% over the average closing price of approximately HK\$1.74 per Share as quoted on the Hong Kong Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 42.9% over the average closing price of approximately HK\$1.89 per Share as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 37.8% over the average closing price of approximately HK\$1.96 per Share as quoted on the Hong Kong Stock Exchange for the 60 trading days up to and including the Last Trading Day;

- (vi) a premium of approximately 32.4% over the average closing price of approximately HK\$2.04 per Share as quoted on the Hong Kong Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 28.0% over the average closing price of approximately HK\$2.11 per Share as quoted on the Hong Kong Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (viii) a discount of approximately 24.4% to the net asset value per Share attributable to the Shareholders (after deducting minority interests) of approximately HK\$3.57 as at 31 December 2017 (according to the audited consolidated financial statements of the Company for the year ended 31 December 2017, and converted based on an exchange rate of US\$1:HK\$7.85 for illustrative purposes); and
- (ix) a discount of approximately 25.2% to the unaudited net asset value per Share attributable to the Shareholders (after deducting minority interests) of approximately HK\$3.61 as at 30 June 2018 (according to the unaudited interim financial statements of the Company for the six months ended 30 June 2018, and converted based on an exchange rate of US\$1:HK\$7.85 for illustrative purposes).

The Proposal is conditional upon the fulfilment or waiver, as applicable, of the conditions described in the section headed “Conditions of the Proposal” of this announcement. If the conditions are not fulfilled or, if applicable, not waived on or before 30 June 2019 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code), the Scheme of Arrangement will lapse. In addition, the Offeror is required to obtain prior written consent from the Financial Adviser if it intends to extend the offer period beyond the Certain Fund Period. The listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn if the Scheme of Arrangement is withdrawn, not approved or lapses.

The Shares beneficially owned by the Offeror, representing approximately 65.13% of the issued Shares, will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. The Shares beneficially owned by the Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc., representing an aggregate of approximately 3.57% of the issued Shares, will not form part of the Scheme Shares, will not be voted at the Court Meeting and will not be cancelled upon the Scheme of Arrangement becoming effective.

FINANCIAL RESOURCES

On the basis of the Cancellation Consideration of HK\$2.70 per Scheme Share and 1,249,461,000 Scheme Shares in issue as at the date of this announcement, the amount of cash required for the Proposal is approximately HK\$3,373.5 million. The Offeror intends to finance the cash required for the Proposal from a new credit facility made available to the Offeror by Bank of China (Hong Kong) Limited for the Certain Fund Period and/or internal financial resources.

The Financial Adviser is satisfied that sufficient financial resources are available to the Offeror to implement the Proposal in full in accordance with its terms.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Offeror is interested in 2,600,000,000 Shares, representing approximately 65.13% of the issued Shares. The Offeror and the Offeror Concert Parties together are interested in 2,742,639,000 Shares, representing approximately 68.70% of the issued Shares. As at the date of this announcement, the Scheme Shares, comprising 1,249,461,000 Shares, representing approximately 31.30% of the issued Shares.

As at the date of this announcement, the Company does not have any outstanding options, warrants, derivatives or securities convertible into Shares in issue.

Save as aforesaid, the Offeror and the Offeror Concert Parties do not hold any other Shares or any options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company.

INFORMATION ON THE OFFEROR

The Offeror is a limited liability company incorporated in the British Virgin Islands which is directly owned by Sinomarine Limited and is ultimately owned by CMG. The principal activity of the Offeror is investment holding.

INFORMATION ON THE OFFEROR CONCERT PARTIES

Sinotrans Hong Kong is incorporated in Hong Kong with limited liability which is directly owned by Sinotrans & CSC Holdings Company Limited (中國外運長航集團有限公司) and is ultimately owned by CMG. It is principally engaged in investment holding.

CM Energy Investment is a limited liability company incorporated in the British Virgin Islands and is wholly-owned by China Merchants Energy Shipping Co., Ltd (招商局能源運輸股份有限公司), a company established under the laws of the PRC which is approximately 54.04% indirectly owned by CMG. It is principally engaged in investment holding.

Sinotrans Shipping Inc. is a limited liability company incorporated in Panama and is wholly-owned by Sinotrans & CSC Holdings Company Limited (中國外運長航集團有限公司) which is in turn wholly-owned by CMG. It is principally engaged in investment holding.

INFORMATION ON THE COMPANY

The Company is incorporated in Hong Kong with limited liability. It is principally engaged in dry bulk shipping, container shipping, liquefied natural gas shipping, vessel technical management and other shipping related business.

FUTURE PLANS FOR THE COMPANY

It is the intention of the Offeror to continue the core business of the Company in shipping and chartering businesses after the successful privatisation of the Company. The Offeror will also actively expand its client base and business in the future. The Offeror has been considering various strategic alternatives post privatisation, including but not limited to potential restructuring of the privatised assets with its other subsidiaries and/or associated companies.

In the event that the proposed privatisation of the Company by the Offeror is not successful, the Company will continue to carry on its core businesses in shipping and chartering businesses.

SCHEME OF ARRANGEMENT

Independent Board Committee

An independent committee of the Board comprising Mr. Lee Peter Yip Wah, Mr. Zhou Qifang, Mr. Xu Zhengjun and Mr. Wu Tak Lung, being all independent non-executive Directors, has been formed to advise the Independent Shareholders in connection with the Proposal. Mr. Su Xingang, a non-executive Director and Chairman of the Company, and Mr. Liu Weiwu, a non-executive Director, are the Chairman and a director of China Merchants Energy Shipping Co., Ltd (招商局能源運輸股份有限公司) (a fellow subsidiary of the Offeror), respectively. Accordingly, Mr. Su Xingang and Mr. Liu Weiwu are considered to be interested in the Proposal and would not be appointed as a member of the Independent Board Committee pursuant to Rule 2.8 of the Takeovers Code. Save for Mr. Su Xingang and Mr. Liu Weiwu, the Independent Board Committee comprised all non-executive Directors.

Appointment of the independent financial adviser to the Independent Board Committee and the financial adviser to the Company

The Board, with the approval of the Independent Board Committee, has appointed Somerley Capital Limited as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal and Scheme of Arrangement pursuant to Rule 2.1 of the Takeovers Code.

The Directors (excluding members of the Independent Board Committee whose views will be set out in the scheme document to be issued to the Shareholders after taking into account the letter of advice from the independent financial adviser) believe that the terms of the Proposal and the Scheme of Arrangement are fair and reasonable and in the interests of the Shareholders as a whole.

Scheme document

A scheme document including further details of the Proposal, the Scheme of Arrangement, an explanatory statement, the expected timetable relating to the Proposal, the recommendations of the Independent Board Committee, the letter of advice from the independent financial adviser, notices of the Court Meeting and the EGM as well as other particulars required by the Takeovers Code will be despatched to the Shareholders within 21 days from the date of this announcement or such later date as may be permitted under the Takeovers Code.

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Hong Kong Stock Exchange was suspended from 1:00 p.m. on 18 September 2018 pending the release of this announcement. Application has been made to the Hong Kong Stock Exchange for a resumption of trading in the Shares with effect from 9:00 a.m. on 28 September 2018.

Shareholders and/or potential investors should be aware that the implementation of the Proposal is subject to the conditions set out below being fulfilled or waived, as applicable, and thus the Proposal may or may not become effective. Accordingly, they are advised to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

1. INTRODUCTION

On 18 September 2018, the Offeror requested the Board to put forward a proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 673 of the Companies Ordinance involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Consideration in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Hong Kong Stock Exchange.

If the Proposal is approved and implemented:

- (1) all the Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled in exchange for the payment to each Scheme Shareholder of the Cancellation Consideration in cash for each Scheme Share by the Offeror;
- (2) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the creation of such number of New Shares as is equal to the number of Scheme Shares cancelled. The credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up New Shares so allotted and issued, credited as fully paid, to the Offeror; and
- (3) the expected withdrawal of the listing of the Shares on the Hong Kong Stock Exchange is expected to take place forthwith following the Effective Date.

2. THE PROPOSAL

Under the Proposal, if the Scheme of Arrangement becomes effective, the Scheme Shareholders will receive from the Offeror as Cancellation Consideration of HK\$2.70 in cash for every Scheme Share cancelled. Under the Proposal, the total consideration payable for cancellation of the Scheme Shares will be payable by the Offeror. **The Offeror has advised that the Cancellation Consideration will not be revised in the course of the Scheme of Arrangement and the Offeror does not reserve the right to do so.**

3. COMPARISON OF VALUE

The Cancellation Consideration of HK\$2.70 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents:

- (i) a premium of approximately 49.2% over the closing price of HK\$1.81 per Share as quoted on the Hong Kong Stock Exchange immediately before the suspension of trading in the Shares pending publication of this announcement;
- (ii) a premium of approximately 50.0% over the closing price of HK\$1.80 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 55.2% over the average closing price of approximately HK\$1.74 per Share as quoted on the Hong Kong Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 42.9% over the average closing price of approximately HK\$1.89 per Share as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 37.8% over the average closing price of approximately HK\$1.96 per Share as quoted on the Hong Kong Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 32.4% over the average closing price of approximately HK\$2.04 per Share as quoted on the Hong Kong Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 28.0% over the average closing price of approximately HK\$2.11 per Share as quoted on the Hong Kong Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (viii) a discount of approximately 24.4% to the net asset value per Share attributable to the Shareholders (after deducting minority interests) of approximately HK\$3.57 as at 31 December 2017 (according to the audited consolidated financial statements of the Company for the year ended 31 December 2017, and converted based on an exchange rate of US\$1:HK\$7.85 for illustrative purposes); and
- (ix) a discount of approximately 25.2% to the unaudited net asset value per Share attributable to the Shareholders (after deducting minority interests) of approximately HK\$3.61 as at 30 June 2018 (according to the unaudited interim financial statements of the Company for the six months ended 30 June 2018, and converted based on an exchange rate of US\$1:HK\$7.85 for illustrative purposes).

4. TOTAL CONSIDERATION AND CONFIRMATION OF FINANCIAL RESOURCES

On the basis of the Cancellation Consideration of HK\$2.70 per Scheme Share and 1,249,461,000 Scheme Shares in issue as at the date of this announcement, the amount of cash required for the Proposal is approximately HK\$3,373.5 million. The Offeror intends to finance the cash required for the Proposal from a new credit facility made available to the Offeror by Bank of China (Hong Kong) Limited for the Certain Fund Period and/or internal financial resources.

The Financial Adviser is satisfied that sufficient financial resources are available to the Offeror to implement the Proposal in full in accordance with its terms.

5. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the issued share capital of the Company is 3,992,100,000 Shares.

The table below sets out the shareholding structure of the Company as at the date of this announcement and immediately upon the Scheme of Arrangement becoming effective and assuming no other new Shares will be issued prior thereto:

Shareholders	Number of Shares	As at the date of this announcement Approximate % of the issued share capital	Number of Shares	Upon the Scheme of Arrangement becoming effective Approximate % of the issued share capital
The Offeror	2,600,000,000	65.13	3,849,461,000	96.43
Offeror Concert Parties:				
Sinotrans Hong Kong	118,520,000	2.97	118,520,000	2.97
CM Energy Investment	17,896,500	0.45	17,896,500	0.45
Sinotrans Shipping Inc.	6,222,500	0.16	6,222,500	0.16
Aggregate number of Shares of the Offeror and the Offeror Concert Parties	2,742,639,000	68.70	3,992,100,000	100
Independent Shareholders	1,249,461,000	31.30	0	0
Total issued share capital	3,992,100,000	100	3,992,100,000	100

As at the date of this announcement, the Offeror is interested in 2,600,000,000 Shares, representing approximately 65.13% of the issued Shares. The Offeror and the Offeror Concert Parties together are interested in 2,742,639,000 Shares, representing approximately 68.70% of the issued Shares. The Shares beneficially owned by the Offeror, Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc. will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting and will not be cancelled upon the Scheme of Arrangement becoming effective.

As at the date of this announcement, the Scheme Shares comprise 1,249,461,000 Shares, representing approximately 31.30% of the issued Shares.

All Shareholders are entitled to vote on the special resolution to be proposed at the EGM to approve and give effect to the reduction of capital and the implementation of the Scheme of Arrangement. The Offeror has indicated that, if the Scheme of Arrangement is approved at the Court Meeting, the Offeror will vote in favour of the special resolution to be proposed at the EGM to approve and give effect to the Scheme of Arrangement, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of New Shares as is equal to the number of the Scheme Shares cancelled. The Offeror Concert Parties will also be entitled to vote on the special resolution to be proposed at the EGM to approve and give effect to the Scheme of Arrangement.

As at the date of this announcement, the Directors do not hold any Shares.

As at the date of this announcement, the Company does not have any outstanding options, warrants, derivatives or securities convertible into Shares in issue.

Save as aforesaid, as at the date of this announcement, the Offeror and the Offeror Concert Parties do not hold any other Shares or any options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company.

As of the date of this announcement, none of the Offeror or the Offeror Concert Parties has received any irrevocable voting commitment from the Independent Shareholders in respect of the Court Meeting.

As of the date of this announcement, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to Shares or shares of the Offeror which might be material to the Proposal or the Scheme of Arrangement.

As of the date of this announcement, the Offeror and the Offeror Concert Parties have not borrowed or lent any relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code).

6. CONDITIONS OF THE PROPOSAL

Pursuant to section 674(2) of the Companies Ordinance, for a scheme of arrangement that involves a takeover offer to be approved, the votes cast against the scheme of arrangement must not exceed 10% of the voting rights attached to all CO Disinterested Shares. This requirement is in addition to the requirement under the Companies Ordinance that the scheme of arrangement must be approved by shareholders representing at least 75% of the voting rights of the shareholders present and voting, in person or by proxy, at the court meeting, and to similar voting threshold requirements under the Takeovers Code.

The Proposal will become effective and binding on the Company and all Shareholders subject to the fulfilment or waiver, as applicable, of the following conditions:

- (a) the Scheme of Arrangement is approved (by way of poll) by the Independent Shareholders representing at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting, and the number of votes cast (by way of poll) against the Scheme of Arrangement at the Court Meeting not exceeding 10% of the total voting rights attached to all CO Disinterested Shares, provided that:
 - (i) the Scheme of Arrangement is approved (by way of poll) by at least 75% of the votes attaching to the TC Disinterested Shares held by the Shareholders of the TC Disinterested Shares that are cast either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of poll) against the resolution to approve the Scheme of Arrangement at the Court Meeting is not more than 10% of the votes attached to all the TC Disinterested Shares held by the Shareholders of the TC Disinterested Shares;
- (b) the passing of a special resolution by a majority of not less than 75% of the votes cast by the Shareholders present and voting in person or by proxy at the EGM (and otherwise in accordance with the procedural requirements of section 564 of the Companies Ordinance) to approve and give effect to the Scheme of Arrangement, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of New Shares as is equal to the number of the Scheme Shares cancelled;
- (c) the sanction of the Scheme of Arrangement (with or without modifications) and the confirmation of the reduction of the issued share capital of the Company involved in the Scheme of Arrangement by the High Court and the registration of a copy of the order of the High Court by the Registrar of Companies under Part 2 of the Companies Ordinance;
- (d) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme of Arrangement, respectively;

- (e) all necessary authorisations, consents and approvals (including approval in-principle) of any governmental or regulatory body in relation to the Proposal (including its implementation) having been obtained and remaining in full force and effect pursuant to the provisions of any laws or regulations in Hong Kong, PRC and other relevant jurisdictions;
- (f) all necessary third party consents in relation to the Proposal required pursuant to any agreement to which any member of the Group is a party having been obtained or waived by the relevant party(ies) and remaining in full force and effect without modification;
- (g) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Proposal void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to, the Proposal;
- (h) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any of the Relevant Authorities which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each case up to and at the time when the Scheme of Arrangement becomes effective;
- (i) there being no provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, which as a consequence of the Proposal or the Scheme of Arrangement would result in (in each case to an extent which is material in the context of the Group as a whole and in the context of the Proposal):
 - (i) any monies borrowed by or any other indebtedness (actual or contingent) of any member of the Group being or becoming repayable (or capable of being declared repayable) immediately or earlier than their or its stated maturity date or repayment date;
 - (ii) any such agreement, arrangement, licence, permit or instrument (or the rights, liabilities, obligations or interests of any member of the Group thereunder) being terminated or adversely modified (or any material obligation or liability arising or any material action being taken thereunder); or
 - (iii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Group or any such security (whenever arising) becoming enforceable,

and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Group is a party or by which any such member or all or any of its assets may be bound, entitled or subject, would result in any of the events or circumstances as are referred to in sub-paragraphs (i) to (iii) of this paragraph (i) (in each case to an extent which is material in the context of the Group as a whole and in the context of the Proposal);

- (j) no event having occurred which would make the Proposal or the cancellation of the Scheme Shares void, unenforceable or illegal or which would prohibit the implementation of the Proposal or impose any additional material conditions or obligations with respect to the Proposal or any part thereof or on the cancellation of the Scheme Shares or the issue of New Shares in the Scheme; and
- (k) since the date of this announcement:
 - (i) there having been no material adverse change in the business, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal); and
 - (ii) there not having been instituted or remaining outstanding any litigation, arbitration, proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings having been threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

With reference to condition referred to in paragraph (e) above, as at the date of this announcement, the Company and the Offeror are not aware of any necessary authorisations required in relation to the Proposal. With reference to condition referred to in paragraph (f) above, as at the date of this announcement, the Company is not aware of any necessary third party consents required by any member of the Group in relation to the Proposal, save that the Company may need to seek prior consent in connection with its vessel charter arrangement. To the extent there are material updates on this the Company will set out in the scheme document to be issued to the Shareholders in due course.

The Offeror reserves the right to waive all or any of the conditions (except for the conditions referred to in paragraphs (a) to (e), (g), (h) and (j) above) in whole or in part. The Company does not have the right to waive any of the conditions. All of the above conditions will have to be fulfilled or waived, as applicable, on or before 30 June 2019 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code), otherwise the Scheme of Arrangement will lapse. In addition, the Offeror is required to obtain prior written consent from the Financial Adviser if it intends to extend the offer period beyond the Certain Fund Period. The Financial Adviser will only consent to such an extension if, among other alternative funding options satisfactory to it, the Offeror has obtained a corresponding extension of the Certain Fund Period from Bank of China (Hong Kong) Limited which is able to cover the extended offer period. If the Scheme of Arrangement is withdrawn, not approved or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn. In accordance with Note 2 to Rule 30.1 of the Takeovers Code, the Offeror will not be permitted to invoke all or any of the conditions of the Proposal so as to cause the Scheme of Arrangement to lapse unless the circumstances which give rise to the right to invoke the condition are of material significance to the Offeror in the context of the Proposal.

As of the date of this announcement, there are no agreements or arrangements to which Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.

In accordance with Rule 31.1 of the Takeovers Code, except with the consent of the Executive, neither the Offeror nor the Offeror Concert Parties in relation to the Proposal, may within 12 months from which the Proposal is withdrawn or lapses, either announce an offer or possible offer for the Company or acquire any voting rights of the Company if the Offeror or the Offeror Concert Parties would thereby become obliged under Rule 26 of the Takeovers Code to make an offer.

If approved, the Scheme of Arrangement will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting.

7. REASONS FOR AND BENEFITS OF THE PROPOSAL

For Scheme Shareholders: an opportunity to realise their investment at a compelling premium despite shipping industry headwinds

- The global shipping industry has been confronted with severe challenges over the past decade as the revival of the world economy and international trade have been below expectation while the capacity of the fleet has continued to grow. A recent escalation in trade tension between China and US has made a significant near-term recovery in the industry less promising. As one of the largest shipping companies in China, these market factors have posed significant impact to the Company's business and hence the performance of the Shares.
- The Proposal is intended to provide Scheme Shareholders with an opportunity to realise their investment in the Company for cash at a compelling premium over the prevailing share price. The Cancellation Consideration of HK\$2.70 per Scheme Share represents a premium of approximately 50.0% and 42.9% over the closing price of HK\$1.80 on the Last Trading Day and the average closing prices of HK\$1.89 for the 30 trading days up to and including the Last Trading Day, respectively.
- The trading liquidity of the Shares has been at a low level over a period of time. The average daily trading volume of the Shares for the 3 months up to and including the Last Trading Day was approximately 3.975 million shares per day, representing only approximately 0.10% of the issued shares as at the date of this announcement, which are also caused in part by the lack of analyst coverage in respect of the Company. The low trading liquidity of the Shares could make it difficult for Scheme Shareholders to execute on-market disposals without adversely affecting the share price.

For the Offeror and CMG: to save costs and facilitate the creation of long term strategic value while at the same time honours the non-competition undertakings

- As the restructuring between CMG and Sinotrans & CSC Holdings Company Limited completed, CMG became the ultimate holding company of the Company, which caused competition between the Company and another listed subsidiary of CMG. The Offeror and CMG are of the view that the Proposal provides an opportunity for CMG to honour its non-competition undertakings.
- The Company is a core long term strategic business for the Offeror. The Proposal will enable the Offeror to fully consolidate its control over the Company and is expected to allow an overall more efficient and cost-effective structure for the Offeror, with greater flexibility to manage the Company's business.
- Due to the low liquidity and the relative underperformance in the trading of the Shares, the Company has been unable to fulfil the initial objectives of its public listing, including but not limited to attract funds for future growth. In this context, the Offeror and CMG believe that the administrative costs and management resources associated with maintaining the Company's listing status are no longer warranted given the difficulties of raising funds from public equity markets, which the Offeror and CMG believe that it is unlikely to see any significant improvement in the near term.

8. INFORMATION ON THE OFFEROR AND SINOMARINE LIMITED

The Offeror is a limited liability company incorporated in the British Virgin Islands which is directly wholly-owned by Sinomarine Limited and is ultimately wholly-owned by CMG. It is principally engaged in investment holding.

Sinomarine Limited is a limited liability company established in the PRC, which is ultimately wholly-owned by CMG. It is principally engaged in ship trading, ship maintenance, ship leasing and consultation service, international freight forwarding and shipping information consultation service.

9. INFORMATION ON THE OFFEROR CONCERT PARTIES

Sinotrans Hong Kong is incorporated in Hong Kong with limited liability which is directly owned by Sinotrans & CSC Holdings Company Limited (中國外運長航集團有限公司) and is ultimately owned by CMG. It is principally engaged in investment holding.

CM Energy Investment is a limited liability company incorporated in the British Virgin Islands and is wholly-owned by China Merchants Energy Shipping Co., Ltd (招商局能源運輸股份有限公司), a company established under the laws of the PRC which is approximately 54.04% indirectly owned by CMG. It is principally engaged in investment holding.

Sinotrans Shipping Inc. is a limited liability company incorporated in Panama and is wholly-owned by Sinotrans & CSC Holdings Company Limited (中國外運長航集團有限公司) which is in turn wholly-owned by CMG. It is principally engaged in investment holding.

10. INFORMATION ON THE COMPANY

The Company is incorporated in Hong Kong with limited liability. It is principally engaged in dry bulk shipping, container shipping, liquefied natural gas shipping, vessel technical management and other shipping related business.

11. FUTURE PLANS FOR THE COMPANY

It is the intention of the Offeror to continue the core business of the Company in shipping and chartering businesses after the successful privatisation of the Company. The Offeror will also actively expand its client base and business in the future. The Offeror has been considering various strategic alternatives post privatisation, including but not limited to potential restructuring of the privatised assets with its other subsidiaries and/or associated companies.

In the event that the proposed privatisation of the Company by the Offeror is not successful, the Company will continue to carry on its core businesses in shipping and chartering businesses.

12. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme of Arrangement becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will make an application for the listing of the Shares to be withdrawn from the Hong Kong Stock Exchange in accordance with Rule 6.15 of the Listing Rules, with effect from the date on which the Scheme of Arrangement becomes effective. Subject to the requirements of the Takeovers Code, the Scheme of Arrangement will lapse if any of the conditions described in the section headed “Conditions of the Proposal” has not been fulfilled or waived, as applicable, on or before 30 June 2019 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct and as may be permitted under the Takeovers Code). In addition, the Offeror is required to obtain prior written consent from the Financial Adviser if it intends to extend the offer period beyond the Certain Fund Period. The Scheme Shareholders will be notified by way of an announcement of the dates of the last day for dealing in the Shares and on which the Scheme of Arrangement and the withdrawal of the listing of the Shares on the Hong Kong Stock Exchange will become effective. A detailed timetable of the Scheme of Arrangement will be included in the scheme document referred to in the section headed “Scheme document” below. The scheme document will also contain, among other things, further details of the Proposal and the Scheme of Arrangement.

If the Scheme of Arrangement is withdrawn or not approved or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn.

13. OVERSEAS SHAREHOLDERS

Offers made under the Proposal to those Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions where such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal and regulatory requirements of their own jurisdictions. It is the responsibility of any overseas Scheme Shareholders wishing to accept the offers under the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers that those laws and regulatory requirements have been complied with.

In the event that the receipt of the scheme document by overseas Scheme Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the directors of the Offeror regard as unduly onerous or burdensome (or otherwise not in the best interests of the Offeror or the shareholders of the Offeror), the Scheme Document will not be despatched to such overseas Scheme Shareholders. For that purpose, the Offeror will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholders. In granting the waiver, the Executive will be concerned to see that all material information in the scheme document is made available to such Scheme Shareholders.

If any such waiver is granted by the Executive, the Offeror reserves the right to make arrangements in respect of Scheme Shareholders who are not resident in Hong Kong in relation to the terms of the Proposal. Such arrangements may include notifying any matter in connection with the Proposal to the Scheme Shareholders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such persons are resident. The notice will be deemed to have been sufficiently given, despite any failure by such Scheme Shareholders to receive or see that notice.

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal. It is emphasised that none of the Company, the Offeror or the Financial Adviser or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

14. SCHEME OF ARRANGEMENT

Independent Board Committee

An independent committee of the Board comprising Mr. Lee Peter Yip Wah, Mr. Zhou Qifang, Mr. Xu Zhengjun and Mr. Wu Tak Lung, being all independent non-executive Directors, has been formed to advise the Independent Shareholders in connection with the Proposal. Mr. Su Xingang, a non-executive Director and Chairman of the Company, and Mr. Liu Weiwu, a non-executive Director, are the Chairman and a director of China Merchants Energy Shipping Co., Ltd (招商局能源運輸股份有限公司) (a fellow subsidiary of the Offeror), respectively. Accordingly, Mr. Su Xingang and Mr. Liu Weiwu are considered to be interested in the Proposal and would not be appointed as a member of the Independent Board Committee pursuant to Rule 2.8 of the Takeovers Code. Save for Mr. Su Xingang and Mr. Liu Weiwu, the Independent Board Committee comprised all non-executive Directors.

Appointment of the independent financial adviser to the Independent Board Committee and the financial adviser to the Company

The Board, with the approval of the Independent Board Committee, has appointed Somerley Capital Limited as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal and Scheme of Arrangement pursuant to Rule 2.1 of the Takeovers Code.

The Directors (excluding members of the Independent Board Committee whose views will be set out in the scheme document to be issued to the Shareholders after taking into account the letter of advice from the independent financial adviser) believe that the terms of the Proposal and the Scheme of Arrangement are fair and reasonable and in the interests of the Shareholders as a whole.

Scheme document

A scheme document including, among other things, further details of the Proposal and the Scheme of Arrangement, an explanatory statement, the expected timetable relating to the Proposal, the recommendations of the Independent Board Committee, the letter of advice from the independent financial adviser, notices of the Court Meeting and the EGM as well as other particulars required by the Takeovers Code will be despatched to the Shareholders within 21 days from the date of this announcement or such later date as may be permitted under the Takeovers Code.

15. RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Hong Kong Stock Exchange was suspended from 1:00 p.m. on 18 September 2018 pending the release of this announcement. Application has been made to the Hong Kong Stock Exchange for a resumption of trading in the Shares with effect from 9:00 a.m. on 28 September 2018.

16. DISCLOSURE OF DEALINGS

Associates of the Company and the Offeror (including persons holding 5% or more of any class of relevant securities of the Company or the Offeror) are reminded to disclose their dealings in any securities in the Company.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million. This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive under the Takeovers Code in its dealings enquiries. Therefore, those who deal in the securities of the Company should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

WARNING

Shareholders and potential investors should be aware that the implementation of the Proposal is subject to the conditions set out above being fulfilled or waived, as applicable, and thus the Proposal may or may not become effective. Accordingly, they are advised to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert”	has the meaning given to it in the Takeovers Code, and “parties acting in concert” and “concert parties” shall be construed accordingly
“Associate(s)”	has the meaning given to it in the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions, waivers, exemptions and approvals required from the Relevant Authorities or other third parties which are necessary for the Company to carry on its business

“Board”	the board of the directors of the Company
“Cancellation Consideration”	the consideration of HK\$2.70 in cash for every Scheme Share cancelled
“Certain Fund Period”	from the date of the new credit facility made available to the Offeror by Bank of China (Hong Kong) Limited until the earlier of: (i) the full settlement of the total consideration payable by the Offeror in respect of the Proposal; (ii) the date on which the Proposal is withdrawn or lapses in accordance with its terms and the Takeovers Code; and (iii) the date falling twelve (12) months from the date of such facility agreement
“CMG”	China Merchants Group Limited, a state wholly-owned enterprise established under the laws of the PRC under the direct control of the State-owned Assets Supervision and Administration Commission of the State Council, which is an indirect controlling shareholder of the Offeror and the Company
“CM Energy Investment”	China Merchants Energy Transport Investment Company (招商局能源運輸投資有限公司), a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by China Merchants Energy Shipping Co., Ltd (招商局能源運輸股份有限公司), a company established under the laws of the PRC, whose A shares are listed on the Shanghai Stock Exchange (stock code: 601872)
“Companies Ordinance”	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“Company”	Sinotrans Shipping Limited, a company incorporated in Hong Kong with limited liability whose Shares are listed on the Hong Kong Stock Exchange (stock code: 368)
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the High Court for the purpose of approving the Scheme of Arrangement
“CO Disinterested Shares”	Shares in issue other than those held by: (i) the Offeror (or by a nominee on its behalf); (ii) an associate (as defined in section 667(1)(b) of the Companies Ordinance) of the Offeror, except a person who falls within section 667(1)(b)(iii) of the Companies Ordinance or a person specified in section 674(4) of the Companies Ordinance; or (iii) a person who is a party to an acquisition agreement within the meaning of section 667(5) of the Companies Ordinance with the Offeror (except a person specified in section 674(4) of the Companies Ordinance), or by a nominee on behalf of the person under the acquisition agreement, as described in section 674(3)(a) of the Companies Ordinance
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which the Scheme of Arrangement becomes effective

“EGM”	an extraordinary general meeting of the Company to be held immediately following the Court Meeting for the purpose of approving the reduction of the share capital of the Company and implementing the Scheme of Arrangement
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Financial Adviser”	UBS AG (acting through its Hong Kong Branch), a registered institution under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the financial adviser to the Offeror in relation to the Proposal
“Group”	the Company and its subsidiaries
“High Court”	High Court of Hong Kong
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	the Main Board of The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent committee of the Board formed to advise the Independent Shareholders in connection with the Proposal and comprising Mr. Lee Peter Yip Wah, Mr. Zhou Qifang, Mr. Xu Zhengjun and Mr. Wu Tak Lung, being all independent non-executive Directors
“Independent Shareholders”	Shareholders other than the Offeror or Offeror Concert Parties
“Last Trading Day”	17 September 2018, being the last full trading day in the Shares immediately before the suspension of trading in the Shares pending publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Shares”	new Shares to be issued to the Offeror pursuant to the Scheme of Arrangement, and being the same in number as the number of the Scheme Shares
“Offeror”	Sinotrans Shipping (Holdings) Limited, a limited liability company incorporated in the British Virgin Islands which is directly wholly-owned by Sinomarine Limited and is ultimately wholly-owned by CMG

“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code (except in the capacity of an exempt principal trader or exempt fund manager), including Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc.
“PRC”	People’s Republic of China, but for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Proposal”	the proposed privatisation of the Company by the Offeror by way of the Scheme of Arrangement
“Record Time”	4:00 p.m. Hong Kong time on the trading day immediately preceding the Effective Date, being the record time for determining entitlements of the Scheme Shareholders under the Scheme of Arrangement
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance
“Relevant Authorities”	applicable governments or governmental bodies, regulatory bodies, courts or institutions including but not limited to the SFC, the Hong Kong Stock Exchange, the Hong Kong Monetary Authority and the Hong Kong Insurance Authority
“Scheme of Arrangement”	the scheme of arrangement under Section 673 of the Companies Ordinance for the implementation of the Proposal
“Scheme Shareholders”	registered holders of the Scheme Shares
“Scheme Shares”	Shares in issue at the Record Time, including any Shares which may be issued by the Company following the date of this announcement, other than those beneficially owned by the Offeror or the Offeror Concert Parties
“SFC”	Securities and Futures Commission
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholders”	registered holders of the Shares
“Shares”	ordinary shares in the capital of the Company
“Sinomarine Limited”	Sinomarine Limited (中國經貿船務有限公司), a company established under the laws of the PRC and is ultimately wholly-owned by CMG
“Sinotrans Hong Kong”	Sinotrans (Hong Kong) Holdings Limited, a company incorporated in Hong Kong with limited liability

“Takeovers Code”	Hong Kong Code on Takeovers and Mergers (as revised from time to time)
“TC Disinterested Shares”	Shares in issue at the Record Time, including any Shares which may be issued by the Company following the date of this announcement, other than those beneficially owned by the Offeror or the Offeror Concert Parties

By Order of the Board
Sinotrans Shipping (Holdings) Limited
Xu Tinghui and Zhang Jinti
Directors

By Order of the Board
Sinotrans Shipping Limited
Li Hua
Executive Director

Hong Kong, 27 September 2018

As at the date of this announcement, the board of directors of the Offeror comprises Mr. Xu Tinghui and Mr. Zhang Jinti.

As at the date of this announcement, the board of directors of Sinomarine Limited comprises Mr. Xu Tinghui.

The directors of the Offeror and Sinomarine Limited jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than those relating to the Company, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement, other than those expressed by the Company, have been arrived at after due and careful consideration and there are no facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

As at the date of this announcement, 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.

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