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SINOTRANS SHIPPING LIMITED

中外運航運有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 368)

DISCLOSEABLE TRANSACTIONS: ACQUISITION OF TWO VESSELS TO BE CONSTRUCTED

On 27 June 2008, the Purchaser (as new buyer and transferee), an indirect wholly-owned subsidiary of the Company, entered into the Novation Agreements with the Builder (as builder) and FFDAX Inc. (as original buyer and transferor) pursuant to which the rights and obligations of FFDAX Inc. under the Contracts in relation to the acquisition of the Newbuilding Vessels were sold and transferred to the Purchaser, taken together with the Contracts, for an aggregate consideration of US\$194,000,000 (approximately HK\$1,513,000,000). Each of the Newbuilding Vessels, which is a Capesize dry bulk carrier of approximately 176,000DWT, shall be constructed and equipped at the shipyard of the Builder in China and it is currently expected to be delivered in November 2009 and December 2009, respectively.

Principal terms of the Contracts are set out below in this announcement.

The Directors consider the Transactions will enable the Company to increase its market share in the import of iron ores into China, optimize the composition of its fleet and expand the capacity of its self-owned fleet of dry bulk vessels. In addition, the terms of the Transactions are considered to be attractive taking into account the contract price achieved for the Newbuilding Vessels, which compares favourably with the availability of similar newbuildings from shipyards elsewhere.

The Transactions taken together constitute discloseable transactions of the Company under the Listing Rules as the applicable percentage ratio is more than 5% but less than 25% and is required to be disclosed by way of this announcement, and a circular with further details of the Transactions will be issued to Shareholders shortly.

BACKGROUND

FFDAX Inc. as buyer has entered into the Contracts with Zhoushan Jinhaiwan Shipyard Co., Ltd. as builder to acquire from them the Newbuilding Vessels of approximately 176,000DWT each at a consideration of US\$97,000,000 (approximately HK\$756,600,000) for each Newbuilding Vessel, with an aggregate consideration of US\$194,000,000 (approximately HK\$1,513,000,000).

On 27 June 2008, the Purchaser (as new buyer and transferee), an indirect wholly-owned subsidiary of the Company, entered into the Novation Agreements with the Builder (as builder) and FFDAX Inc. (as original buyer and transferor) pursuant to which the rights and obligations of FFDAX Inc. under the the Contracts in relation to the acquisition of two Newbuilding Vessels were sold and transferred to the Purchaser, taken together with the Contracts, for an aggregate consideration of US\$194,000,000 (approximately HK\$1,513,000,000). Upon signing of the Novation Agreements, FFDAX Inc. has been released from its rights and obligations under the Contracts.

The Newbuilding Vessels shall be constructed and equipped at the shipyard of the Builder in China and it is currently expected to be delivered in November 2009 and December 2009, respectively.

THE CONTRACTS

The terms and conditions of the Contracts and the Novation Agreements are the same save as otherwise provided below. Principal terms of the Contracts (as amended by the Novation Agreements) are set out below.

- Date** : 27 June 2008 (being the date of the Novation Agreements)
- Parties** : Purchaser: Holy Speed Limited, which is an indirect wholly-owned subsidiary of the Company.
- Seller : the Builder and FFDAX Inc. as the transferor in the Novation Agreements, each of which, together with their respective ultimate beneficial owners, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. As far as the Directors are aware, having made all reasonable enquiry, the principal business activity of the Builder is the construction of shipping vessels; and the principal business activity of FFDAX Inc. includes the owning of shipping vessels.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, save for the Transactions as disclosed in this announcement, the Company has not entered into any prior transaction with the Builder, FFDAX Inc. or their respective ultimate beneficial owners which is required to be aggregated with the Transactions for the purpose of Rule 14.22 of the Listing Rules.

Assets to be acquired : Newbuilding Vessel A:

a newbuilding Capesize dry bulk carrier of approximately 176,000DWT (Builder's Hull No. J0013), which will be constructed and equipped at the shipyard of the Builder in China, with an expected delivery in November 2009.

Newbuilding Vessel B:

a newbuilding Capesize dry bulk carrier of approximately 176,000DWT (Builder's Hull No. J0014), which will be constructed and equipped at the shipyard of the Builder in China, with an expected delivery in December 2009.

Consideration : Newbuilding Vessel A: US\$97,000,000 (approximately HK\$756,600,000)

Newbuilding Vessel B: US\$97,000,000 (approximately HK\$756,600,000)

The consideration of the Newbuilding Vessels is considered by the Directors to be competitive, and was determined by reference to market intelligence the Company had gathered from shipbrokers and its own analysis of recently concluded sale and purchase transactions of newbuildings of comparable size and year of delivery in the market, and after arm's length negotiation between the parties.

The Directors believe that such consideration, which was determined after arm's length negotiation, on normal commercial terms, is fair and reasonable so far as the Company and the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

It is intended that payment of the consideration of the Newbuilding Vessels will be satisfied entirely in cash, which is expected to be funded by internal resources of the Company and/or bank borrowings. As at the date of this announcement, it has not been determined by the Company the breakdown for the financing method.

Payment terms

: Pursuant to the Contracts, the consideration shall be payable as follows:

Newbuilding Vessel A:

The 1st instalment of 20% of the consideration, being US\$19,400,000 (approximately HK\$151,320,000), will be payable on or before 10th August 2008. The Purchaser shall be under no obligation to effect any payment including the payment of the 1st instalment of 20% of the consideration, being US\$19,400,000 (approximately HK\$151,320,000), unless and until the Builder have provided to the Purchaser with the Refund Guarantee A issued by a first class bank acceptable to the Purchaser, in form and substance acceptable to the Purchaser on or before 10th August 2008. The balance payments will be made according to the stages of construction of the Newbuilding Vessel A and it is currently expected that the remaining amount payable by the Company will be approximately US\$19,400,000 (approximately HK\$151,320,000) (being 20% of the consideration) in year 2008 and US\$58,200,000 (approximately HK\$453,960,000) (being 60% of the consideration) in year 2009.

Newbuilding Vessel B:

The 1st instalment of 20% of the consideration, being US\$19,400,000 (approximately HK\$151,320,000), will be payable on or before 10th August 2008. The Purchaser shall be under no obligation to effect any payment including the payment of the 1st instalment of 20% of the consideration, being US\$19,400,000 (approximately HK\$151,320,000), unless and until the Builder have provided to the Purchaser with the Refund Guarantee B issued by a first class bank acceptable to the Purchaser, in form and substance acceptable to the Purchaser on or before 10th August 2008. The balance payments will be made according to the stages of construction of the Newbuilding Vessel B and it is currently expected that the remaining amount payable by the Company will be approximately US\$19,400,000 (approximately HK\$151,320,000) (being 20% of the consideration) in year 2008 and US\$58,200,000 (approximately HK\$453,960,000) (being 60% of the consideration) in year 2009.

Payment Guarantees : Newbuilding Vessel A:

The Purchaser shall provide the Payment Guarantee A issued by the Company to the Builder to guarantee the Purchaser's obligations for the payment of 40% of the consideration under the Contract A. The Payment Guarantee A can be called upon should the Purchaser fails to effect payment of the relevant consideration when it falls due.

Newbuilding Vessel B:

The Purchaser shall provide the Payment Guarantee B issued by the Company to the Builder to guarantee the Purchaser's obligations for the payment of 40% of the consideration under the Contract B. The Payment Guarantee B can be called upon should the Purchaser fails to effect payment of the relevant consideration when it falls due.

Refund Guarantees : Newbuilding Vessel A:

The Builder shall provide the Refund Guarantee A to the Purchaser to guarantee the repayment of any consideration paid by the Purchaser under the Contract A. The Refund Guarantee can be called upon should the Contract A is cancelled and/or rescinded by the Purchaser in accordance with its terms and conditions.

Newbuilding Vessel B:

The Builder shall provide the Refund Guarantee B to the Purchaser to guarantee the repayment of any consideration paid by the Purchaser under the Contract B. The Refund Guarantee can be called upon should the Contract B is cancelled and/or rescinded by the Purchaser in accordance with its terms and conditions.

Circumstances that the Purchaser will be entitled to cancel and/or rescind each of the Contracts include, inter alia, (i) delay in delivery; (ii) deficiency in speed of the Newbuilding Vessels; (iii) excessive fuel consumption; and (iv) deficiency in actual DWT, in excess of the allowed limit.

Completion and delivery : The Directors currently expect that, subject to any extensions that may be agreed between the Builder and the Purchaser under the Contracts, the completion and delivery of the Newbuilding Vessel A and the Newbuilding Vessel B will take place in or around November 2009 and December 2009, respectively.

REASONS FOR THE TRANSACTIONS

The Company is one of the largest shipping companies in China in terms of self-owned dry bulk fleet size. In addition, the Company also owns a fleet of oil tankers and container vessels. Apart from provision of chartering service, it provides technical management service for most self-owned vessels to ensure its modern fleet can provide customers with quality transportation service. The primary focus and core business of the Group is dry bulk vessel time chartering, which involves the chartering of self-owned vessels for the transportation of dry bulk cargo, such as iron ore, coal, grain and steel products, along major global trade routes. In addition, the Company provides crude oil shipping services through VLCCs, along routes mainly from the Middle East to the Asia Pacific region, especially China. The Group also charters self-owned container vessels to other shipping companies.

The Directors (including the independent non-executive Directors) consider the acquisition of the Newbuilding Vessels will enable the Company to increase its market share in the import of iron ores into China, optimize the composition of its fleet and expand the capacity of its self-owned fleet of dry bulk vessels. In addition, the Directors (including the independent non-executive Directors) consider the terms of the Transactions to be competitive taking into account the contract price achieved, which compares favourably with the availability of similar newbuildings from shipyards elsewhere. They believe that the terms of the Novation Agreements and the Contracts, which were determined after arm's length negotiation, on normal commercial terms, are fair and reasonable so far as the Company and the Shareholders are concerned, and the acquisition of the Newbuilding Vessels is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Transactions taken together constitute discloseable transactions of the Company under the Listing Rules as the applicable percentage ratio is more than 5% but less than 25% and is required to be disclosed by way of this announcement, and a circular with further details of the Transactions will be issued to Shareholders shortly.

DEFINITIONS

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

“Board”	means the board of Directors;
“Builder”	Zhoushan Jinhaiwan Shipyard Co., Ltd.;
“Company” or “Sinotrans Shipping”	means Sinotrans Shipping Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the main board of the Stock Exchange;
“Contracts”	means the Contract A and the Contract B;
“Contract A”	means the legally binding contract dated 18 November 2006 entered into between the Builder and FFDAX Inc. for the acquisition of the Newbuilding Vessel A by FFDAX Inc. whereas the rights and obligations of FFDAX Inc. under the Contract A were sold and transferred to the Purchaser pursuant to the Novation Agreement A;
“Contract B”	means the legally binding contract dated 18 November 2006 entered into between the Builder and FFDAX Inc. for the acquisition of the Newbuilding Vessel B by FFDAX Inc. whereas the rights and obligations of FFDAX Inc. under the Contract B were sold and transferred to the Purchaser pursuant to the Novation Agreement B;
“Directors”	means the directors of the Company;
“DWT”	means deadweight of a ship expressed in tonnes. This measurement is the total weight of cargo, fuel, fresh water, stores and crew which the ship can carry;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;

“HK Dollars” or “HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Newbuilding Vessels”	means the Newbuilding Vessel A and the Newbuilding Vessel B;
“Newbuilding Vessel A”	means a newbuilding Capesize dry bulk carrier of approximately 176,000DWT (Builder’s Hull No. J0013) to be constructed and equipped at the shipyard of the Builder in China. It is currently expected that the Newbuilding Vessel A will be delivered in November 2009;
“Newbuilding Vessel B”	means a newbuilding Capesize dry bulk carrier of approximately 176,000DWT (Builder’s Hull No. J0014) to be constructed and equipped at the shipyard of the Builder in China. It is currently expected that the Newbuilding Vessel B will be delivered in December 2009;
“Novation Agreements”	means the Novation Agreement A and the Novation Agreement B;
“Novation Agreement A”	means the legally binding novation agreement dated 27 June 2008 entered into between the Purchaser, the Builder and FFDAX Inc. pursuant to which the rights and obligations of FFDAX Inc. under the Contract A were sold and transferred to the Purchaser;
“Novation Agreement B”	means the legally binding novation agreement dated 27 June 2008 entered into between the Purchaser, the Builder and FFDAX Inc. pursuant to which the rights and obligations of FFDAX Inc. under the Contract B were sold and transferred to the Purchaser;
“Payment Guarantees”	means the Payment Guarantee A and the Payment Guarantee B;

“Payment Guarantee A”	means the bank guarantee to be provided by the Company to the Builder to guarantee the Purchaser’s obligations for the payment of 40% of the consideration under Contract A, which can be called upon should the Purchaser fails to effect payment of the relevant consideration when it falls due, in a form specified in the Contract A;
“Payment Guarantee B”	means the bank guarantee to be provided by the Company to the Builder to guarantee the Purchaser’s obligations for the payment of 40% of the consideration under Contract B, which can be called upon should the Purchaser fails to effect payment of the relevant consideration when it falls due, in a form specified in the Contract B;
“Purchaser”	Holy Speed Limited, an indirect wholly-owned subsidiary of the Company;
“Refund Guarantees”	means the Refund Guarantee A and the Refund Guarantee B;
“Refund Guarantee A”	means the bank guarantee to be provided by the Builder to the Purchaser to guarantee the repayment of any consideration paid by the Purchaser under Contract A, which can be called upon should the Contract A is cancelled and/or rescinded by the Purchaser in accordance with its terms and conditions, in a form specified in the Contract A;
“Refund Guarantee B”	means the bank guarantee to be provided by the Builder to the Purchaser to guarantee the repayment of any consideration paid by the Purchaser under Contract B, which can be called upon should the Contract B is cancelled and/or rescinded by the Purchaser in accordance with its terms and conditions, in a form specified in the Contract B;
“Shareholders”	means the shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;

“Transactions” means the transactions contemplated under the Novation Agreements and the Contracts;

“US Dollars” or “US\$” means United States dollar, the lawful currency of the United States.

Note: An exchange rate of US\$1.00 to HK\$7.80 has been used for the conversion of US Dollars into HK Dollars for the purpose of this announcement.

By Order of the Board
Sinotrans Shipping Limited
Tian Zhongshan
Executive Director

Hong Kong, 30 June 2008

As at the date of this announcement, the executive Directors of the Company are Mr. Tian Zhongshan, Mr. Li Hua and Ms. Feng Guoying, the non-executive Directors of the Company are Mr. Zhao Huxiang and Mr. Pan Deyuan, and the independent non-executive Directors of the Company are Mr. Tsang Hing Lun, Mr. Hu Hanxiang, Mr. Lee Peter Yip Wah and Mr. Zhou Qifang.