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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)

(1) DISCLOSEABLE TRANSACTIONS: ACQUISITION OF VESSELS TO BE CONSTRUCTED AND (2) CONNECTED TRANSACTIONS

On 6 January 2014, the Buyers entered into the Contracts with the Sellers to acquire the New Vessels at an aggregate consideration of US\$103,200,000 (approximately HK\$804,960,000). The New Vessels will be constructed at the shipyard of the Builder and are currently expected to be delivered within the second half year of 2015.

Given the Parent Company indirectly owns approximately 68.1% of the entire issued share capital of the Company and indirectly owns the entire equity interest in the Sellers, the Sellers are therefore considered to be connected persons of the Company under the Listing Rules. Accordingly, the acquisition of the New Vessels constitutes connected transactions for the Company under Chapter 14A of the Listing Rules, and are subject to reporting, announcement and independent Shareholders' approval requirements. However, such transactions fall within the scope of the "Construction of Vessels" as set out in the Renewed Master Services Agreement and the transaction amount is within the relevant annual cap prescribed under the Renewed Master Services Agreement which has been approved by the independent Shareholders on 17 May 2012, details of which were disclosed in the 2012 Announcement and the 2012 Circular.

Given the Buyers will acquire the New Vessels from the Sellers, such acquisitions taken together shall constitute discloseable transactions of the Company under Rule 14.22 of the Listing Rules as some of the applicable percentage ratios, when aggregated, are more than 5% but less than 25%, and are subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

BACKGROUND

On 6 January 2014, the Buyers entered into the Contracts with the Sellers to acquire the New Vessels at an aggregate consideration of US\$103,200,000 (approximately HK\$804,960,000). The New Vessels will be constructed at the shipyard of the Builder and are currently expected to be delivered within the second half year of 2015.

THE CONTRACTS

The terms and conditions of the Contracts are set out below.

Date of each of the Contracts : 6 January 2014

Parties : Contract A

Buyer : Great Kent Limited, a wholly-owned subsidiary of the Company

Sellers : ECTEC and the Builder

Contract B

Buyer : Federal Delight Limited, a wholly-owned subsidiary of the Company

Sellers : ECTEC and the Builder

Contract C

Buyer : Victory Action Limited, a wholly-owned subsidiary of the Company

Sellers : ECTEC and the Builder

Contract D

Buyer : On Great Limited, a wholly-owned subsidiary of the Company

Sellers : ECTEC and the Builder

Assets to be acquired : Contract A

New Vessel A, a new bulk carrier of approximately 64,000 DWT (Builder's Hull No. JLZ9130433), which will be constructed and equipped at the shipyard of the Builder and which is expected to be delivered within the second half year of 2015.

Contract B

New Vessel B, a new bulk carrier of approximately 64,000 DWT (Builder's Hull No. JLZ9130434), which will be constructed and equipped at the shipyard of the Builder and which is expected to be delivered within the second half year of 2015.

Contract C

New Vessel C, a new bulk carrier of approximately 64,000 DWT (Builder's Hull No. JLZ9130435), which will be constructed and equipped at the shipyard of the Builder and will be delivered within the second half year of 2015.

Contract D

New Vessel D, a new bulk carrier of approximately 64,000 DWT (Builder's Hull No. JLZ9130436), which will be constructed and equipped at the shipyard of the Builder and will be delivered within the second half year of 2015.

Consideration : The aggregate consideration for the acquisition of the New Vessels from the Sellers shall be US\$103,200,000 (approximately HK\$804,960,000).

The consideration to be paid for each of the New 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 similar newly built vessels in the market, and after arm's length negotiations between the parties.

The Directors (including the independent non-executive Directors) believe that such consideration, which was determined after arm's length negotiations, 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.

The Company intends to make payment of the consideration for the New Vessels 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, the Company has not determined the breakdown of the financing sources.

Payment terms : Pursuant to each of the Contract A, Contract B, Contract C and Contract D, the first instalment of 20% of the consideration will be payable by each of Buyer A, Buyer B, Buyer C and Buyer D upon the relevant Buyer's receipt of Refund Guarantee A, Refund Guarantee B, Refund Guarantee C and Refund Guarantee D, respectively. Payment of the balance of the consideration under each of the Contract A, Contract B, Contract C and Contract D will be made in three subsequent instalments according to the stages of construction of each of New Vessel A, New Vessel B, New Vessel C and New Vessel D.

Payment Guarantees : The Sellers shall be provided with the Payment Guarantee A, Payment Guarantee B, Payment Guarantee C and Payment Guarantee D to be issued by the Company to guarantee the obligations of Buyer A, Buyer B, Buyer C and Buyer D for the payment of the second and third instalments of the consideration under Contract A, Contract B, Contract C and Contract D, respectively.

Refund Guarantees : The Sellers shall provide the Refund Guarantee A, Refund Guarantee B, Refund Guarantee C and Refund Guarantee D issued by Sinotrans & CSC Shipbuilding Industry Corporation to Buyer A, Buyer B, Buyer C and Buyer D to guarantee the full payment of the first, second and third instalments paid by each of Buyer A, Buyer B, Buyer C and Buyer D to the Sellers under Contract A, Contract B, Contract C and Contract D, respectively.

The respective Refund Guarantee can be called upon should the respective Contract be rescinded or cancelled by the respective Buyer in accordance with the terms of the respective Contracts.

Completion and delivery : The Directors currently expect that, subject to any extensions that may be agreed between the Buyers and the Sellers, the completion and delivery of the New Vessels will take place within the second half year of 2015.

INFORMATION OF THE SELLERS

As far as the Directors are aware, having made all reasonable enquiries, the Builder specializes in the supply and the construction of vessels. ECTEC is mainly engaged in three kinds of business, including shipbuilding and the second hand ship trading, management of seamen and agent for metallurgical and lifting motor.

REASONS FOR THE TRANSACTIONS

The Company is one of the largest shipping companies in the PRC in terms of self-owned dry bulk fleet size, which owns, manages and operates a fleet of modern dry bulk and container vessels. The focus and core business of the Group is dry bulk vessel time chartering for the transportation of dry bulk cargo, such as iron ore, coal, grain and steel products, along major global trade routes. The Group also charters self-owned container vessels to other shipping companies.

The Directors (including the independent non-executive Directors) consider in view of the current relatively low level of construction cost of new vessels and the Company's advantage of having sufficient capital resources, the acquisition of the energy-saving New Vessels will enable the Company to optimize the composition of its fleet, expand the capacity of its self-owned fleet of dry bulk vessels and add flexibility to the Company in its dry bulk vessel chartering business.

In addition, the Directors (including the independent non-executive Directors) consider the terms of the Transactions to be competitive, with reference to the market intelligence the Company had gathered from shipbrokers and its own analysis of recently concluded sale and purchase transactions of similar newly built vessels in the market. They believe that the terms of the Contracts, which were determined after arm's length negotiations, are on normal commercial terms, fair and reasonable so far as the Company and the Shareholders are concerned, and the acquisition of the New Vessels is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Given the Parent Company indirectly owns approximately 68.1% of the entire issued share capital of the Company and indirectly owns the entire equity interest in the Sellers, the Sellers are therefore considered to be connected persons of the Company under the Listing Rules. Accordingly, the acquisition of the New Vessels constitutes connected transactions for the Company under Chapter 14A of the Listing Rules, and are subject to reporting, announcement and independent Shareholders' approval requirements. However, such transactions fall within the scope of the "Construction of Vessels" as set out in the Renewed Master Services Agreement and the transaction amount is within the relevant annual cap prescribed under the Renewed Master Services Agreement which has been approved by the independent Shareholders on 17 May 2012, details of which were disclosed in the 2012 Announcement and the 2012 Circular.

Given the Buyers will acquire the New Vessels from the Sellers, such acquisitions taken together shall constitute discloseable transactions of the Company under Rule 14.22 of the Listing Rules as some of the applicable percentage ratios, when aggregated, are more than 5% but less than 25%, and are subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“2012 Announcement”	means the announcement of the Company dated 26 March 2012 in relation to the renewed continuing connected transaction agreements;
“2012 Circular”	means the circular of the Company dated 17 April 2012 in relation to the general mandates to repurchase shares and to issue shares, re-election of retiring Directors, renewal of existing continuing connected transactions and notice of annual general meeting;
“Banking Days”	means a day on which banks in New York, London, Beijing and Hong Kong are opened for business;
“Board”	means the board of Directors;
“Builder”	means China Chang Jiang National Shipping Group Corporation Jinling Shipyard, a wholly-owned subsidiary of the Parent Company, a State-owned enterprise established in the PRC;
“Buyers”	means Buyer A, Buyer B, Buyer C and Buyer D, and “Buyer” means any one of them;
“Buyer A”	means Great Kent Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“Buyer B”	means Federal Delight Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“Buyer C”	means Victory Action Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“Buyer D”	means On Great Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“Company”	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;
“connected person”	has the meanings ascribed to it in the Listing Rules;

“Contract A”	means a legally binding contract dated 6 January 2014 entered into between Buyer A and the Sellers in respect of the acquisition of the New Vessel A by Buyer A;
“Contract B”	means a legally binding contract dated 6 January 2014 entered into between Buyer B and the Sellers in respect of the acquisition of the New Vessel B by Buyer B;
“Contract C”	means a legally binding contract dated 6 January 2014 entered into between Buyer C and the Sellers in respect of the acquisition of the New Vessel C by Buyer C;
“Contract D”	means a legally binding contract dated 6 January 2014 entered into between Buyer D and the Sellers in respect of the acquisition of the New Vessel D by Buyer D;
“Contracts”	means Contract A, Contract B, Contract C and Contract D, and “Contract” means any one of them;
“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 a ship can carry;
“ECTEC”	means The Foreign Economic & Technical Cooperation Co. of China Changjiang National Shipping Group, a company established in the PRC;
“Group”	means the Company and its subsidiaries;
“HK Dollars” or “HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“New Vessel A”	means a newly built bulk carrier of approximately 64,000 DWT (Builder’s Hull No. JLZ9130433) to be constructed and equipped at the shipyard of the Builder, which is expected to be delivered within the second half year of 2015;
“New Vessel B”	means a newly built bulk carrier of approximately 64,000 DWT (Builder’s Hull No. JLZ9130434) to be constructed and equipped at the shipyard of the Builder, which is expected to be delivered within the second half year of 2015;

“New Vessel C”	means a newly built bulk carrier of approximately 64,000 DWT (Builder’s Hull No. JLZ9130435) to be constructed and equipped at the shipyard of the Builder, which is expected to be delivered within the second half year of 2015;
“New Vessel D”	means a newly built bulk carrier of approximately 64,000 DWT (Builder’s Hull No. JLZ9130436) to be constructed and equipped at the shipyard of the Builder, which is expected to be delivered within the second half year of 2015;
“New Vessels”	means New Vessel A, New Vessel B, New Vessel C and New Vessel D;
“Parent Company”	中國外運長航集團有限公司 (Sinotrans & CSC Holdings Corporation Limited*), a PRC State-owned enterprise which indirectly owns approximately 68.1% of the Company as at the date of this announcement;
“Payment Guarantee A”	means the guarantee to be issued by the Company to the Sellers to guarantee Buyer A’s obligations for the payment of the second and third instalments of the consideration under Contract A;
“Payment Guarantee B”	means the guarantee to be issued by the Company to the Sellers to guarantee Buyer B’s obligations for the payment of the second and third instalments of the consideration under Contract B;
“Payment Guarantee C”	means the guarantee to be issued by the Company to the Sellers to guarantee Buyer C’s obligations for the payment of the second and third instalments of the consideration under Contract C;
“Payment Guarantee D”	means the guarantee to be issued by the Company to the Sellers to guarantee Buyer D’s obligations for the payment of the second and third instalments of the consideration under Contract D;
“Payment Guarantees”	means Payment Guarantee A, Payment Guarantee B, Payment Guarantee C and Payment Guarantee D, and “Payment Guarantee” means any one of them;
“PRC”	means the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;

“Refund Guarantee A”	means the guarantee to be issued by Sinotrans & CSC Shipbuilding Industry Corporation to Buyer A to guarantee the repayment of the first, second and third instalments paid by Buyer A under Contract A, which can be called upon should Contract A be rescinded or cancelled by Buyer A in accordance with the terms of Contract A;
“Refund Guarantee B”	means the guarantee to be issued by Sinotrans & CSC Shipbuilding Industry Corporation to Buyer B to guarantee the repayment of the first, second and third instalments paid by Buyer B under Contract B, which can be called upon should Contract B be rescinded or cancelled by Buyer B in accordance with the terms of Contract B;
“Refund Guarantee C”	means the guarantee to be issued by Sinotrans & CSC Shipbuilding Industry Corporation to Buyer C to guarantee the repayment of the first, second and third instalments paid by Buyer C under Contract C, which can be called upon should Contract C be rescinded or cancelled by Buyer C in accordance with the terms of Contract C;
“Refund Guarantee D”	means the guarantee to be issued by Sinotrans & CSC Shipbuilding Industry Corporation to Buyer D to guarantee the repayment of the first, second and third instalments paid by Buyer D under Contract D, which can be called upon should Contract D be rescinded or cancelled by Buyer D in accordance with the terms of Contract D;
“Refund Guarantees”	means Refund Guarantee A, Refund Guarantee B, Refund Guarantee C and Refund Guarantee D, and “Refund Guarantee” means any one of them;
“Renewed Master Services Agreement”	means a service agreement dated 26 March 2012 entered into between the Company and the Parent Company, details of which were disclosed in the 2012 Announcement and the 2012 Circular;
“Sellers”	means the ECTEC and the Builder;
“Shareholders”	means the shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;

“Transactions” means the transactions contemplated under 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 = HK\$7.8 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
HUEN Po Wah
Company Secretary

Hong Kong, 7 January 2014

As at the date of this announcement, the Directors of the Company are Mr. Li Hua and Ms. Feng Guoying as the executive Directors; Mr. Li Zhen (Chairman) and Mr. Tian Zhongshan as the non-executive Directors; and Mr. Hu Hanxiang, Mr. Tsang Hing Lun, Mr. Lee Peter Yip Wah and Mr. Zhou Qifang as the independent non-executive Directors.

* *For identification purposes only*