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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)**

### **CONTINUING CONNECTED TRANSACTION CONTAINER TERMINAL SERVICES**

Reference is made to the Announcement. Unless otherwise specified, terms used in this announcement shall have the same meanings as defined in the Announcement.

#### **CONTAINER TERMINAL SERVICE AGREEMENT**

On 3 March 2017, the CMG Subsidiaries entered into the Container Terminal Service Agreement with Sinotrans Container Lines pursuant to which the CMG Subsidiaries will provide the Terminal Services to Sinotrans Container Lines.

#### **LISTING RULES IMPLICATIONS**

Given the Parent Company will be administratively allocated (for no consideration) into and become a wholly-owned subsidiary of CMG after completion of the Reorganisation, CMG will directly hold the Parent Company and become an indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. Each of the CMG Subsidiaries, which is an indirect wholly-owned subsidiary of CMG, will be an associate of the Company under the Listing Rules, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transaction under the Container Terminal Service Agreement will become a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The Company will comply with the requirements of the Listing Rules when the terms of the Container Terminal Service Agreement are varied.

Reference is made to the Announcement. Unless otherwise specified, terms used in this announcement shall have the same meanings as defined in the Announcement.

## (1) CONTAINER TERMINAL SERVICE AGREEMENT

On 3 March 2017, the CMG Subsidiaries entered into the Container Terminal Service Agreement with Sinotrans Container Lines pursuant to which the CMG Subsidiaries will provide certain container terminal services (including berthage, cargo handling/loading, container storage, transfer of containers, etc.) (the “**Terminal Services**”) to Sinotrans Container Lines.

### Term of the Container Terminal Service Agreement

The term of the Container Terminal Service Agreement has commenced from 1 January 2017 and will expire on 31 December 2018.

### Determination of the Terminal Services Fee

The Terminal Services fee is determined with reference to the estimated number of ships and times to be berthed at the terminals of the CMG Subsidiaries, the number of containers or cargoes to be loaded or transferred at the terminals of the CMG Subsidiaries and the expected service volume in the coming years and the reference rates obtained from the Independent Third Parties offering similar services at the terminals of the CMG Subsidiaries.

### Payment Terms

Pursuant to the Container Terminal Service Agreement, payment of the Terminal Services fee will be made by Sinotrans Container Lines to each of the CMG Subsidiaries within 30 days after the receipt of the relevant invoices. If Sinotrans Container Lines fails to pay the fee on time, each of the CMG Subsidiaries will charge a daily penalty of 0.1%. The CMG Subsidiaries will also have the right to demand immediate payment of all outstanding amounts due.

### Historical transaction values

- A) Provision of the Terminal Services by the CMG Subsidiaries to Sinotrans Container Lines

	<b>Historical figures for the year ended</b>			
	<b>31 December</b>			
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
Provision of the Terminal Services	1,819	1,765	1,914	<b>2,061</b>
<b>Total:</b>	<b>1,819</b>	<b>1,765</b>	<b>1,914</b>	<b>2,061</b>

## **Proposed Annual Cap**

It is expected that the proposed annual cap for each of the two years ending 31 December 2018 in respect of the provision of the Terminal Services by the CMG Subsidiaries to Sinotrans Container Lines will be US\$2,680,000 and US\$3,484,000, respectively. Such proposed annual caps were determined based on the historical transaction volume, the estimated demand for the Terminal Services by Sinotrans Container Lines with reference to the estimated number of vessels to be berthed at the terminals of the CMG Subsidiaries in the coming two years.

## **GENERAL PRICING PRINCIPLES**

In respect of the provision of the Terminal Services to the Group by the CMG Subsidiaries, the services team of the Group has obtained at least two fee quotes from the Independent Third Parties offering similar services to determine if the fees and terms offered by the CMG Subsidiaries are fair and reasonable and around the ranges of those quotes offered by the Independent Third Parties. The services team of the Group has also taken into consideration some independent market data for similar services to ensure that the service fees of these services are at the prevailing market rate. It is the responsibility for the services team of the Group to ensure that the terms of the Container Terminal Service Agreement are no less favourable than those terms offered by the CMG Subsidiaries to the Independent Third Parties. After all the foregoing analysis, the services team of the Group submitted the proposed services fees and terms of the Container Terminal Service Agreement to the management of the Company for approval.

The finance department of the Company monitors the actual transaction amounts against any excess of the approved annual caps, and the Company engages the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company. The independent non-executive Directors conducts an annual review of the implementation and enforcement of the continuing connected transactions.

## **LISTING RULES IMPLICATIONS**

Given the Parent Company will be administratively allocated (for no consideration) into and become a wholly-owned subsidiary of CMG after completion of the Reorganisation, CMG will directly hold the Parent Company and become an indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. Each of the CMG Subsidiaries, which is an indirect wholly-owned subsidiary of CMG, will be an associate of the Company under the Listing Rules, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transaction under the Container Terminal Service Agreement will become a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (other than the profit ratio) in respect of the provision of the Terminal Services (when aggregated with the Tug Services) are expected to be more than 0.1% but less than 5%, the transaction contemplated under the Container Terminal Service Agreement will be subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will comply with the requirements of the Listing Rules when the terms of the Container Terminal Service Agreement are varied.

## **INFORMATION OF THE GROUP**

The Company is principally engaged in dry bulk shipping, container shipping, liquefied natural gas shipping, vessel time chartering and cargo voyage chartering businesses.

Sinotrans Container Lines is a non wholly-owned subsidiary of the Company and is held as to 49% equity interest by the Company and 51% equity interest by the Parent Company. Sinotrans Container Lines is principally engaged in providing international container liner services.

## **REASONS AND BENEFITS OF THE CONTAINER TERMINAL SERVICE AGREEMENT**

Each of the CMG Subsidiaries is principally engaged in providing container terminal services.

Shekou, Chiwan and Mawan are important container ports where Sinotrans Container Lines provides scheduled container liner services. Sinotrans Container Lines requires port support and container terminal services when its container vessels berth at these terminals. The Directors are of the view that the Terminal Services are necessary for Sinotrans Container Lines in its usual and ordinary course of business.

## **GENERAL**

Save for Mr. Li Zhen (who is the Assistant to General Manager of the Parent Company), none of the Directors has a material interest in the Container Terminal Service Agreement and the transaction contemplated thereunder. Pursuant to the articles of association of the Company, all the executive Directors and the non-executive Directors are required to abstain from voting the relevant resolutions of the Board in relation to the transaction contemplated under the Container Terminal Service Agreement.

Taking into account that the services provided to Sinotrans Container Lines were under normal commercial terms and were reached after arm's length negotiations and are being carried out in the usual and ordinary course of business of each of the parties, the Directors (excluding all the executive Directors and the non-executive Directors who are required to abstain from voting pursuant to the articles of association of the Company) are of the view that the terms of the Container Terminal Service Agreement (including the proposed annual caps) were entered into on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Shareholders as a whole.

## DEFINITIONS

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

“Announcement”	the announcement dated 3 August 2016 made by the Company in respect of the continuing connected transactions of the Company
“Chiwan Container”	Chiwan Container Terminal Co., Ltd., a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of CMG
“CMG Subsidiaries”	comprising Shekou Container, Chiwan Container, Shenzhen Chiwan, Shenzhen Mawan Port and Shenzhen Mawan Terminals
“Container Terminal Service Agreement”	the container terminal service agreement dated 3 March 2017 entered into between the CMG Subsidiaries and Sinotrans Container Lines in respect of the Terminal Services
“Shenzhen Chiwan”	Shenzhen Chiwan Harbour Container Co., Ltd., a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of CMG
“Shenzhen Mawan Port”	Shenzhen Mawan Port Service Co., Ltd., a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of CMG
“Shenzhen Mawan Terminals”	Shenzhen Mawan Terminals Co., Ltd., a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of CMG
“Tug Services”	the Tug Services as defined in the Announcement

By Order of the Board  
**Sinotrans Shipping Limited**  
**KOO Ching Fan**  
*Company Secretary*

Hong Kong, 15 March 2017

*As at the date of this announcement, the Directors of the Company are Mr. Li Hua and Ms. Feng Guoying as Executive Directors; Mr. Li Zhen (Chairman) and Mr. Tian Zhongshan as Non-executive Directors; and Mr. Tsang Hing Lun, Mr. Lee Peter Yip Wah, Mr. Zhou Qifang and Mr. Xu Zhengjun as Independent Non-executive Directors.*