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中外運航運有限公司
SINOTRANS SHIPPING LTD.

(Incorporated in Hong Kong with limited liability)
(Stock Code: 368)

EXEMPTED CONNECTED TRANSACTION
DISPOSAL OF THE VESSEL

THE DISPOSAL

On 12 February 2018, the Subsidiary entered into the Agreement with the Purchaser in relation to the Disposal.

LISTING RULES IMPLICATIONS

The Parent Company is the controlling shareholder of the Company interested in approximately 68.25% of all the issued shares of the Company as at the date of the Agreement and therefore a connected person of the Company under Chapter 14A of the Listing Rules. The Purchaser is an indirect wholly-owned subsidiary of the Parent Company, and is therefore an associate of a connected person of the Company. Accordingly, the transactions contemplated under the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the Disposal exceed 0.1% but all of them are less than 5%, the Disposal is subject to the reporting and announcement requirements but exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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Asset to be disposed of

The Vessel is a handymax bulk carrier with a capacity of 57,065.5 deadweight tonnes and was

built in the year 2010 by Dalian Marine Diesel Co., Ltd. The Vessel was acquired by the Subsidiary in 2013 at the consideration of RMB95,100,000.

According to the management accounts of the Group, the unaudited net book value of the Vessel as at 31 December 2017 was approximately RMB70,581,435.90 (equivalent to approximately HK\$87,796,000).

The net losses before and after taxation and extraordinary items attributable to the Vessel for the three years ended 31 December 2017 were as follows:

	Financial year ended 31 December 2015 (unaudited) RMB	Financial year ended 31 December 2016 (unaudited) RMB	Financial year ended 31 December 2017 (unaudited) RMB
Net losses before taxation and extraordinary items attributable to the Vessel	2,330,121.17	599,749.20	9,248,276.43
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Consideration

The Consideration is RMB84,300,000 (equivalent to approximately HK\$104,861,000) (inclusive of a value-added tax of 17%) and shall be payable by the Purchaser to the Subsidiary in cash in the following manner:

- (a) the Deposit within 3 business days after the date of the Agreement; and
- (b) the remaining balance of the Consideration on the date of delivery of the Vessel.

The Consideration has been arrived at after arm's length negotiations between the Purchaser and the Subsidiary with reference to the Group's analysis of recently concluded sale and purchase of bulk carriers of comparable size and year of built in the market.

Delivery and Completion

The Vessel is expected to be delivered during the period from 14 February 2018 to 13 March 2018. The Vessel, at the time of its delivery, will be free from any encumbrances. Completion of the Disposal shall take place at the time of delivery of the Vessel. Upon completion of the Disposal, the Subsidiary will cease to have any interest in the Vessel.

Termination

If the Purchaser fails to pay the Deposit, the Subsidiary shall have the right to terminate the Agreement and request the Purchaser to indemnify for any loss with any interest accrued.

If the Consideration is not paid in accordance with the Agreement, the Subsidiary shall have the right to terminate the Agreement, forfeit the Deposit with interest accrued and request the Purchaser to indemnify for any loss.

If the Subsidiary fails to deliver the Vessel in accordance with the Agreement, the Purchaser shall have the right to terminate the Agreement, require the Subsidiary to return the Deposit and indemnify for any loss.

REASONS FOR AND BENEFITS OF THE DISPOSAL

By entering into the Disposal, the Directors considered that the sale proceeds from the Disposal will provide additional funding to the Subsidiary by enhancing its cashflow. The Subsidiary intends to use the sale proceeds from the Disposal for general working capital purposes. The Board (including the independent non-executive Directors) therefore considers that the terms of the Agreement are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the transactions contemplated under the Agreement. Pursuant to the articles of association of the Company, the executive Directors and the non-executive Directors are required to abstain from voting on the relevant Board resolutions to approve the Agreement and the transactions contemplated thereunder.

FINANCIAL EFFECT OF THE DISPOSAL

The Vessel was derecognized as property, plant and equipment and classified as asset held for sale as at 31 December 2017 because its carrying amount was to be recovered principally through a sale transaction which was considered highly probable. An impairment loss of RMB12,191,283.53 (equivalent to approximately HK\$15,165,000) was recognized, so that the carrying amount of the Vessel was written down to its fair value less cost to sell. Subject to audit, it is estimated that the Group will not record any further gain or loss from the Disposal. The net proceeds of the Disposal is approximately RMB70,581,000 (equivalent to approximately HK\$87,796,000).

INFORMATION OF THE PURCHASER AND THE PARENT COMPANY

The Purchaser is an indirect wholly-owned subsidiary of the Parent Company and is principally engaged in domestic and international marine transportation business.

The Parent Company was established in the PRC and is the biggest comprehensive logistics service supplier in the PRC with logistics as its core business, followed by shipping and shipbuilding.

INFORMATION OF THE SUBSIDIARY AND THE COMPANY

The Subsidiary, a non wholly-owned subsidiary of the Company, is principally engaged in dry bulk shipping.

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

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“Agreement”	the agreement dated 12 February 2018 entered into between the Subsidiary and the Purchaser in relation to the Disposal;
“Board”	the board of Directors;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Company”	Sinotrans Shipping Limited (中外運航運有限公司), a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange;
“Consideration”	the consideration for the Disposal;
“Deposit”	an amount of RMB12,645,000, representing 15% of the Consideration;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Vessel by the Subsidiary to the Purchaser;

“Group”	the Company and its subsidiaries as at the date of this announcement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region;
“Independent Shareholders”	the Shareholders other than the Parent Company and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Parent Company”	中國外運長航集團有限公司 (Sinotrans & CSC Holdings Co., Ltd), a PRC state-owned enterprise;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Purchaser”	上海長航國際海運有限公司 (Shanghai Changhang Shipping Co., Ltd.), a company established in the PRC with limited liability;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	China National Chartering Co., Ltd. (中國租船有限公司), a limited liability company established in the PRC and is an indirect non wholly-owned subsidiary of the Company; and
“Vessel”	a 2010 built bulk carrier in the name of “Da Cheng”.

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

Hong Kong, 13 February 2018.

As at the date of this announcement, the Executive Directors are Mr. Li Hua and Ms. Feng Guoying; the Non-Executive Directors are Mr. Li Zhen (Chairman) and Mr. Tian Zhongshan; and the Independent Non-Executive Directors are Mr. Lee Peter Yip Wah, Mr. Zhou Qifang,

Mr. Xu Zhengjun and Mr. Wu Tak Lung.

In this announcement, unless otherwise indicated, amounts in RMB have been converted into HK\$ at the rate of RMB1 = HK\$1.2439 for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted.