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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 CONTINUING CONNECTED TRANSACTIONS FOR
CONTAINER TERMINAL AND TUG SERVICES**

THE AGREEMENTS

On 4 May 2018, the Subsidiary entered into (1) the First Agreement with the First Connected Person; (2) the Second Agreement with the Second Connected Person; (3) the Third Agreement with the Third Connected Person and the Fourth Connected Person; (4) the Fourth Agreement with the Fifth Connected Person; and (5) the Fifth Agreement with the Sixth Connected Person and the Seventh Connected Person.

On 4 May 2018, the SNL Subsidiary entered into the Sixth Agreement with the Eighth Connected Person.

LISTING RULES IMPLICATIONS

CMG wholly owns the Parent Company which 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 Agreements and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Each of the CMG Connected Persons (except the Fifth Connected Person) is a subsidiary of CMG and the Fifth Connected Person is held as to more than 30% equity interest by a subsidiary of CMG, and is therefore an associate of a connected person of the Company. Accordingly, the transactions contemplated under the Agreements constitute continuing connected transactions of the Company.

As all of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the annual caps under the Agreements when aggregated with the Other Services exceed 0.1% but all of them are less than 5%, the Agreements are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE AGREEMENTS

Details of the Agreements are set out as follows.

(1) THE FIRST AGREEMENT

On 4 May 2018, the Subsidiary entered into the First Agreement with the First Connected Person in relation to the container terminal services.

Subject matter

The First Connected Person will provide the container terminal services to the Subsidiary for a term commencing on 1 January 2018 and expiring 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 Qingdao terminal, the number of containers or cargoes to be loaded or transferred at the Qingdao terminal and the expected service volume in the coming months and the reference rates obtained from the Independent Third Parties offering similar services at the Qingdao terminal.

Payment Terms

Payment of the terminal services fee will be made by the Subsidiary to the First Connected Person within 20 days after receipt of the relevant invoices, failure of which will be subject to a daily penalty interest of 0.5%.

Historical transaction values

There were no historical transaction amounts for the provision of the terminal services at Qingdao.

Proposed Annual Cap

It is expected that the proposed annual cap for the year ending 31 December 2018 in respect of the provision of the terminal services under the First Agreement will be US\$6,000,000. Such proposed annual cap was determined based on the estimated demand for the terminal services by the Subsidiary with reference to the estimated number of vessels to be berthed at the Qingdao terminal in the coming months and the expected terminal costs.

(2) THE SECOND AGREEMENT

On 4 May 2018, the Subsidiary entered into the Second Agreement with the Second Connected Person in relation to the container terminal services.

Subject matter

The Second Connected Person will provide the container terminal services to the Subsidiary for a term commencing on 1 May 2018 and expiring on 30 April 2019.

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 HK terminal operated by the Second Connected Person, the number of containers or cargoes to be loaded or transferred at the HK terminal operated by the Second Connected Person and the expected service volume in the coming months and the reference rates obtained from the Independent Third Parties offering similar services at the HK terminal operated by the Second Connected Person.

Payment Terms

Payment of the terminal services fee will be made by the Subsidiary to the Second Connected Person within 30 days after receipt of the relevant invoices, failure of which will be subject to a penalty interest of 1% per calendar month on the outstanding amounts.

Historical transaction values

There were no historical transaction amounts for the provision of the terminal services at the HK terminal operated by the Second Connected Person.

Proposed Annual Cap

It is expected that the proposed annual caps for the year ending 31 December 2018 and for the period from 1 January 2019 to 30 April 2019 in respect of the provision of the terminal services under the Second Agreement will be US\$500,000 and US\$192,000, respectively. Such proposed annual caps were determined based on the estimated demand for the terminal services by the Subsidiary with reference to the estimated number of vessels to be berthed at the HK terminal operated by the Second Connected Person in the coming months and the expected terminal costs.

(3) THE THIRD AGREEMENT

On 4 May 2018, the Subsidiary entered into the Third Agreement with the Third Connected Person and the Fourth Connected Person in relation to the container terminal services.

Subject matter

The Third Connected Person and the Fourth Connected Person will provide the container terminal services to the Subsidiary for a term commencing on 1 December 2017 and expiring 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 Pearl River Delta harbour terminal, the number of containers or cargoes to be loaded or transferred and the expected service volume in the coming months and the reference rates obtained from the Independent Third Parties offering similar services at the Pearl River Delta harbour terminal.

Payment Terms

Monthly payment of the terminal services fee will be made by the Subsidiary to the Third Connected Person and the Fourth Connected Person, failure of which will be subject to a daily penalty interest of 0.05%.

Historical transaction values

There were no historical transaction amounts for the provision of the terminal services at Pearl River Delta harbour terminal.

Proposed Annual Cap

It is expected that the proposed annual cap for the year ending 31 December 2018 in respect of the provision of the terminal services under the Third Agreement will be US\$50,000. Such proposed annual cap was determined based on the estimated demand for the terminal services by the Subsidiary with reference to the estimated number of vessels to be berthed at the Pearl River Delta harbour terminal in the coming months and the expected terminal costs.

(4) THE FOURTH AGREEMENT

On 4 May 2018, the Subsidiary entered into the Fourth Agreement with the Fifth Connected Person in relation to the container terminal services.

Subject matter

The Fifth Connected Person will provide the container terminal services to the Subsidiary for a term commencing on 1 January 2018 and expiring 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 Ningbo terminal, the number of containers or cargoes to be loaded or transferred at the Ningbo terminal and the expected service volume in the coming months and the reference rates obtained from the Independent Third Parties offering similar services at the Ningbo terminal.

Payment Terms

Payment of the terminal services fee shall be made by the Subsidiary to Fifth Connected Person within the prescribed days after the receipt of the relevant invoices.

Historical transaction values

There were no historical transaction amounts for the provision of the terminal services at Ningbo.

Proposed Annual Cap

It is expected that the proposed annual cap for the year ending 31 December 2018 in respect of the provision of the terminal services under the Fourth Agreement will be US\$900,000. Such proposed annual cap was determined based on the estimated demand for the terminal services by the Subsidiary with reference to the estimated number of vessels to be berthed at the Ningbo terminal in the coming months and the expected terminal costs.

(5) THE FIFTH AGREEMENT

On 4 May 2018, the Subsidiary entered into the Fifth Agreement with the Sixth Connected Person and the Seventh Connected Person in relation to the tug services for bringing ships into and from the Shekou terminal.

Subject matter

The Sixth Connected Person will provide the tug services to the Subsidiary for a term commencing on 1 January 2018 and expiring on 31 December 2018.

Determination of the tug services Fee

The tug services fee is determined based on the estimated number of ships and times to be berthed at the Shekou terminal, the demand of the models for the high-powered tugs for such services and the reference rates obtained from the Independent Third Parties offering similar services.

Payment Terms

Payment of the tug services fee will be made by the Subsidiary to the Sixth Connected Person via the Seventh Connected Person which acts as an agent to the Subsidiary, within 45 days after receipt of the relevant invoices, failure of which will be subject to a daily penalty interest of 0.5%. The Sixth Connected Person has the right to terminate the tug services under the relevant invoice if the Subsidiary fails to make payment within 55 days after receipt of the invoice.

Historical transaction values

A) Tug services at Shekou

	Historical figures			
	For the year ended 31 December			
	2015	2016	2017	2018
	<i>(US\$ '000)</i>	<i>(US\$ '000)</i>	<i>(US\$ '000)</i>	<i>(US\$ '000)</i>
			<i>(Note 1)</i>	<i>(Note 2)</i>
Provision of the tug services	Nil	Nil	34	Nil
Total:	Nil	Nil	34	Nil

Note:

1. Reference is made to the announcement of the Company dated 3 August 2016. Annual cap for the year ended 31 December 2017 was obtained.
2. Figure as of 31 March 2018.

Proposed Annual Caps

It is expected that the proposed annual cap for the year ending 31 December 2018 in respect of the provision of the tug services under the Fifth Agreement will be US\$445,000. Such proposed annual cap was determined based on the historical transaction volume for the year ended 31 December 2017, the estimated number of ships and times to be berthed at the Shekou terminal, the demand of the models for the high-powered tugs for such services and the reference rates obtained from the Independent Third Parties offering similar services.

(6) THE SIXTH AGREEMENT

On 4 May 2018, the SNL Subsidiary entered into the Sixth Agreement with the Eighth Connected Person in relation to the container terminal services at the Shantou terminal.

Subject matter

The Eighth Connected Person will provide the container terminal services to the SNL Subsidiary for a term commencing on 1 January 2018 and expiring 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 Shantou terminal, the number of containers or cargoes to be loaded or transferred and the expected service volume in the coming months and the reference rates obtained from the Independent Third Parties offering similar services at the Shantou terminal.

Payment Terms

Monthly payment of the container terminal and tug services fees will be made by the SNL Subsidiary to the Eighth Connected Person.

Historical transaction values

There were no historical transaction amounts for the provision of the container terminal services at Shantou.

Proposed Annual Caps

It is expected that the proposed annual cap for the year ending 31 December 2018 in respect of the provision of the container terminal services under the Sixth Agreement will be US\$400,000. Such proposed annual caps were determined based on the estimated number of ships and times to be berthed at the Shantou terminal, the expected terminal costs, and the reference rates obtained from the Independent Third Parties offering similar services.

GENERAL PRICING PRINCIPLES

In respect of the services provision under the Agreements to the Subsidiary by the CMG Connected Persons, the services team of the Subsidiary 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 Connected Persons 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 Agreements are no less favourable than those terms offered by the CMG Connected Persons to the Independent Third Parties. After all the foregoing analyzes, the services team of the Group submitted the proposed services fees and terms of the Agreements 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

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As all of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the annual caps under the Agreements when aggregated with the Other Services exceed 0.1% but all of them are less than 5%, the Agreements are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION ON THE GROUP

The Company is an integrated shipping enterprise involved in investment, operation and management of vessels with dry bulk shipping and container shipping as its core businesses. The Subsidiary is a non wholly-owned subsidiary of the Company and is indirectly held as to 49% equity interest by the Company and 51% equity interest by the Parent Company. The SNL Subsidiary is a wholly-owned subsidiary of the Subsidiary. The Subsidiary and the SNL Subsidiary are principally engaged in providing international container transportation services.

INFORMATION ON THE CONNECTED PERSONS

Each of the CMG Connected Persons is principally engaged in providing container terminal services and port services.

REASONS AND BENEFITS OF THE AGREEMENTS

The Subsidiary has scheduled container transportation services at different terminals. It requires container terminal support (including berthage, cargo handling/loading, container storage, transfer of containers at such terminals) and tug services when its container vessels berth at the terminals. Given the CMG Connected Persons have substantial experiences in providing such relevant services and offer rates which are no less favourable to the Group than those rates offered by the Independent Third Parties. The Directors are of the view that it would be more reliable for the Subsidiary to use the services provided by the CMG Connected Persons in its usual and ordinary course of business.

Taking into account that the services provided to the Subsidiary 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 considered to be interested in the transactions contemplated under the Agreements) are of the view that the terms of the Agreements (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 of the Company as a whole.

DEFINITIONS

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

“Agreements”	the First Agreement, the Second Agreement, the Third Agreement, the Fourth Agreement, the Fifth Agreement and the Sixth Agreement
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of the Company
“CMG”	China Merchants Group Limited, a state wholly-owned enterprise established under the laws of the PRC under direct control of the State-owned Assets Supervision and Administration Commission of the State Council, which indirectly owns approximately 68.25% of all the issued shares of the Company and directly owns the Parent Company
“CMG Connected Persons”	the First Connected Person, the Second Connected Person, the Third Connected Person, the Fourth Connected Person, the Fifth Connected Person, the Sixth Connected Person and the Eighth Connected Person

“Company”	Sinotrans Shipping Limited (中外運航運有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Directors”	the directors of the Company
“Eighth Connected Person”	汕頭招商局港口集團有限公司 (Shantou CMPort Group Co.,Ltd. *), a limited liability company established in the PRC and is a subsidiary of CMG
“Fifth Agreement”	the agreement dated 4 May 2018 entered into between the Subsidiary, the Sixth Connected Person and the Seventh Connected Person in relation to the tug services at the Shekou terminal in the PRC
“Fifth Connected Person”	寧波大榭招商國際碼頭有限公司 (Ningbo Daxie Merchants International Terminals Limited), a limited liability company established in the PRC
“First Agreement”	the agreement dated 4 May 2018 entered into between the Subsidiary and the First Connected Person in relation to the terminal services at the Qingdao terminal in the PRC
“First Connected Person”	青島前灣聯合集裝箱碼頭有限責任公司(Qingdao Qianwan United Container Terminal Co., Ltd.), a limited liability company established in the PRC and is a subsidiary of CMG
“Fourth Agreement”	the agreement dated 4 May 2018 entered into between the Subsidiary and the Fifth Connected Person in relation to the terminal services at the Ningbo terminal in the PRC
“Fourth Connected Person”	深圳媽灣港航有限公司 (Shenzhen Mawan Ganghang Co.,Ltd.*), a limited liability company established in the PRC and is a subsidiary of CMG
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party(ies)”	individual(s) or company(ies) not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Other Services”	the Refuelling Services and the Shipping Agency Services as defined in the announcement of the Company dated 11 April 2017
“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 68.25% of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Second Agreement”	the agreement dated 4 May 2018 entered into between the Subsidiary and the Second Connected Person in relation to the terminal services at the HK terminal operated by the Second Connected Person
“Second Connected Person”	招商局貨櫃服務有限公司 (China Merchants Container Services Ltd.), a limited liability company established in the PRC and is a subsidiary of CMG
“Seventh Connected Person”	深圳中外運船務代理有限公司 (China Marine Shipping Agency, Shenzhen Co., Ltd), a limited liability company established in the PRC and is a subsidiary of the Parent Company
“Sixth Agreement”	the agreement dated 4 May 2018 entered into between the SNL Subsidiary and the Eighth Connected Person in relation to the terminal services at the Shantou terminal in the PRC
“Sixth Connected Person”	深圳聯達拖輪有限公司(Shenzhen Lianda Tug Co., Ltd), a limited liability company established in the PRC and is a subsidiary of CMG
“SNL Subsidiary”	中外運集裝箱運輸（香港）有限公司(Sinotrans Container Lines (Hong Kong) Co., Ltd.), a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Subsidiary
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subsidiary”	中外運集裝箱運輸有限公司(Sinotrans Container Lines Co., Ltd.), a limited liability company established in the PRC and is a non wholly-owned subsidiary of the Company
“Third Agreement”	the agreement dated 4 May 2018 entered into between the Subsidiary, the Third Connected Person and the Fourth Connected Person in relation to the terminal services at the Pearl River Delta harbour terminal in the PRC
“Third Connected Person”	招商港務(深圳)有限公司(China Merchants Port Service(Shenzhen) Co.,Ltd*), a limited liability company established in the PRC and is a subsidiary of CMG
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 4 May 2018.

As at the date of this announcement, the Executive Director is Mr. Li Hua; the Non-executive Directors are Mr. Su Xingang (Chairman), Mr. Liu Weiwu and Mr. Li Zhen; and the Independent non-executive Directors are Mr. Lee Peter Yip Wah, Mr. Zhou Qifang, Mr. Xu Zhengjun and Mr. WuTak Lung.

**For identification purpose only*