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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)

**CONTINUING CONNECTED TRANSACTIONS
AND
MAJOR TRANSACTIONS IN RESPECT OF
THE DEPOSIT SERVICES UNDER
THE 2018 MASTER FINANCIAL SERVICES AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



BAOQIAO PARTNERS CAPITAL LIMITED

**RENEWAL OF ARRANGEMENTS IN RELATION TO TENANCY AND PROPERTY
MANAGEMENT SERVICES, CHARTERING SERVICES, GENERAL SERVICES AND
FINANCIAL SERVICES AND GRANT OF TRADEMARK LICENSES**

The Board is pleased to announce that, on 23 July 2018, the Company entered into the 2018 CCT Master Agreements with CMG, Sinochart, Sinotrans Container Lines, the Finance Company and/or Sinotrans & CSC (as the case may be) (1) to renew the arrangements in relation to tenancy and property management services, chartering services, general services and financial services; and (2) to grant license of certain trademarks registered by the Sinotrans & CSC Group to the Group.

IMPLICATIONS UNDER THE LISTING RULES

Sinotrans & CSC is the controlling shareholder interested in approximately 68.25% of all the issued shares of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

CMG, through its direct ownership of the entire equity interest in Sinotrans & CSC, is an indirect controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

Accordingly, the transactions contemplated under each of the 2018 CCT Master Agreements (which are entered into between the Company and CMG) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Finance Company is an indirect wholly-owned subsidiary of CMG and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2018 Master Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Sinchart and Sinotrans Container Lines are non wholly-owned subsidiaries of the Company given that each of Marine Peace and Marine Harvest has appointment and removal right for a majority of the board of directors of each of Sinchart and Sinotrans Container Lines, respectively. Sinotrans & CSC is a joint venture party to and holds 51% equity interest of each of Sinchart and Sinotrans Container Lines. Accordingly, Sinchart and Sinotrans Container Lines are deemed to be connected persons of the Company for the purpose of Rule 14A.16(1) of the Listing Rules and the transactions with Sinchart and Sinotrans Container Lines constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In relation to the 2018 Master Tenancy and Property Management Agreement, given that some of the applicable percentage ratios for the transactions contemplated thereunder on an annual basis are expected to be more than 0.1% but all of the applicable percentage ratios are less than 5%, such transactions will be exempted from the Independent Shareholders' approval requirement and will be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

In relation to the 2018 Master Services Agreement, the 2018 Sinchart Master Services Agreement and the 2018 SNL Master Services Agreement, given that some of the applicable percentage ratios for the transactions contemplated thereunder on an annual basis, when aggregated under Rule 14A.81 of the Listing Rules are expected to be more than 5%, such transactions will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In relation to the 2018 Master Chartering Agreement, the 2018 Sinchart Master Chartering Agreement and the 2018 SNL Master Chartering Agreement, given that some of the applicable percentage ratios for the transactions contemplated thereunder on an annual basis are expected to be more than 5%, such transactions will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In relation to the 2018 Master Financial Services Agreement, as one or more of the applicable percentages calculated in accordance with the Listing Rules in respect of the maximum daily outstanding balance of the Deposit Services will be higher than 5% and the annual caps exceed HK\$10,000,000, the maximum daily outstanding balance of the Deposit Services is therefore subject to the reporting, annual review, announcement and the approval from Independent Shareholders requirements under Chapter 14A of the Listing Rules. In addition, the deposits made in the Finance Company are provision of financial assistance by the Company under Rule 14.04(1)(e) of the Listing Rules. As some of the percentage ratios in respect of the placing of deposits in the Finance Company exceed 25% but are all below 100% on an annual basis, such placing of deposits also constitute major transactions of the Company which are subject to the reporting, announcement and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

The Loan Services, which is on normal commercial terms (similar or better than those offered by Independent Third Parties for comparable services), and no security over the assets of the Group will be required for the credit facility services, will amount to financial assistance by a connected person for the benefit of the Group which is exempt under the Rule 14A.90 of the Listing Rules from reporting, annual review, announcement and Independent Shareholders' approval requirements.

The annual transaction amount of the Other Financial Services to be provided by the Finance Company to the Group under the 2018 Master Financial Services Agreement will fall within the de minimis threshold for exemption set forth in Rule 14A.76(1) of the Listing Rules. Thus, the provision of the Other Financial Services by the Finance Company to the Group is exempt from reporting, annual review, announcement and approval from Independent Shareholders requirements under the Listing Rules. The Company will comply with the applicable requirements of reporting, annual review, announcement and approval from Independent Shareholders under the Listing Rules if the transaction amount of any Other Financial Services would exceed the relevant threshold.

In relation to the 2018 Trademark License Agreement, given there is no charge for licensing the trademarks thereunder, such transactions will be exempted from reporting, annual review, announcement and approval from the Independent Shareholders requirements under the Listing Rules.

GENERAL

The independent non-executive Directors will express their views after receiving advice from the Independent Financial Adviser as to whether the terms of the 2018 Master Services Agreement, the 2018 Sinchart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinchart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

In addition, the proposed annual caps contemplated under the 2018 CCT Master Agreements are determined by the Directors (other than the independent non-executive Directors) after due and careful consideration and on a fair and reasonable basis. The independent non-executive Directors will express their view after receiving advice from the Independent Financial Adviser as to whether the pricing principles and procedures used in determining (i) the services fees under the 2018 Master Services Agreements, the 2018 Sinochart Master Services Agreement and the 2018 SNL Master Services Agreement; (ii) the chartering fees under 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement and the 2018 SNL Master Chartering Agreement; and (iii) the maximum daily outstanding balance of the Deposit Services under the 2018 Master Financial Services Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders as to whether the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder, in accordance with the Listing Rules. Such appointment has been approved by the Independent Board Committee.

None of the Directors has a material interest in the 2018 CCT Master Agreements and the transactions contemplated thereunder. Pursuant to the articles of association of the Company, all the executive Directors and the non-executive Directors were required to abstain from voting on the relevant resolutions of the Board in relation to the transactions contemplated under the 2018 CCT Master Agreements.

A circular of the Company containing, among others, (i) the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules will be sent to the Shareholders on or around 24 July 2018.

2018 CCT MASTER AGREEMENTS

References are made to the 2016 Announcement and the 2016 Circular in relation to the 2016 CCT Master Agreements.

The Board is pleased to announce that, on 23 July 2018, the Company entered into the 2018 CCT Master Agreements with CMG, Sinochart, Sinotrans Container Lines, the Finance Company and/or Sinotrans & CSC (as the case may be) (1) to renew the arrangements in relation to tenancy and property management services, chartering services, general services and financial services; and (2) to grant license of certain trademarks registered by the Sinotrans & CSC Group to the Group.

Details of the 2018 CCT Master Agreements are as follows:

(1) 2018 Master Tenancy and Property Management Agreement

On 23 July 2018, the 2018 Master Tenancy and Property Management Agreement was entered into between the Company and CMG in respect of (a) the leasing of Properties A by CMG Group to the Group and the provision of property management services by CMG Group to the Group in respect of Properties A; and (b) the leasing of Property B by the Group to CMG Group.

The leasing of the Properties under the 2018 Master Tenancy and Property Management Agreement ensures that the Group will have a continuous and stable use of premises for its business operations at market rate without expending the resources and disruption that relocation inevitably entails.

Term and Scope

The term of the 2018 Master Tenancy and Property Management Agreement commences from 1 January 2019 and expires on 31 December 2021.

The 2018 Master Tenancy and Property Management Agreement provides a framework to govern the tenancy and/or property management arrangement to be provided between CMG Group and the Group. Members of the Group and CMG Group may enter into specific tenancy and property management agreements to specify the detailed terms and arrangements in line with the principles of the 2018 Master Tenancy and Property Management Agreement.

Pricing Policies and relevant Internal Control Measures

The aggregate rentals and/or management fees payable by the Group or CMG Group in respect of the respective Properties will be determined based on the following factors:

- (a) with reference to the prevailing market rate;
- (b) the rentals and management fees payable by the Group to CMG Group should not be higher than the rentals and management fees payable by Independent Third Parties to CMG Group; and

(c) the rentals and management fees which CMG Group charges the Group should be no less favourable than the rentals and management fees payable by Independent Third Parties to CMG Group.

All taxes and other fees and charges arising from the leasing of the Properties will be borne by the lessor of the Properties unless otherwise agreed. During the term of the 2018 Master Tenancy and Property Management Agreement, members of CMG Group and the Group may negotiate and adjust the size of the Properties for leasing and the scope of management services as long as the proposed annual caps are not exceeded.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the rentals and fees and terms of each transaction contemplated under the 2018 Master Tenancy and Property Management Agreement.

Before the Company determines to rent a property from CMG Group, the Company will obtain quotations of rental prices of similar properties located in the same building or at nearby location from at least two Independent Third Parties. Similarly, before the Company determines to obtain property management services in relation to a specific property from CMG Group, the Company will obtain quotations of property management fees from at least two Independent Third Parties. The Company will compare the terms of quotations and determine if the price and terms offered by CMG Group are fair and reasonable and obtain approval from the management of the Company prior to entering into new agreements.

In addition, the finance department of the Company will monitor the actual transaction amounts on an ongoing basis against the approved annual caps, and the Company will engage 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 all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Payment Term

Details of payment terms of the rentals and/or management fees will be set out in the agreements on the specific property to be entered into between the Group and CMG Group.

Historically payments for the rental and/or management fees of each of the Properties were made by the Group to the CMG Group in cash on a regular basis. The rental and/or management fees were negotiated and agreed by the parties on an arm's length basis with reference to the market rental and management fees of similar properties and recent rental transactions in the vicinity.

Option to renew

The Company has an option to renew the 2018 Master Tenancy and Property Management Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and CMG) before the expiry date of the 2018 Master Tenancy and Property Management Agreement, for a further period of three years. For each such renewal, such party will be deemed to have granted a new option to the other party for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Annual Caps

Historical transaction values

A) Provision of tenancy services by CMG Group to the Group

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the aggregate rentals paid by the Group for the leasing of Properties A (which CMG Group has been leasing under the 2016 Supplemental Renewed Master Tenancy and Property Management Agreement to the Group) from CMG Group were approximately US\$1,912,000, US\$2,144,000, US\$3,158,000 and US\$541,000, respectively.

Further details of the above transaction values are set out as follows:

Property	Historical figures			For the two months ended 28 February
	2015	2016	2017	2018
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
(a) 21st Floor, Great Eagle Centre, No. 23 Harbour Road, Wanchai, Hong Kong (rented by the Company for commercial use)	1,168	1,168	1,168	195
(b) 14/F, Block B, Sinotrans Building, No. 5 An Ding Road, Chaoyang District, Beijing, the PRC (rented by Sinochart for commercial use)	nil	nil	751	133

Property	Historical figures			For the two months ended 28 February 2018 (US\$'000) (Note 1)
	For the year ended 31 December			
	2015	2016	2017	
	(US\$'000)	(US\$'000)	(US\$'000)	
(c) Sinotrans Shanghai Tower, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (rented by Sinochart for commercial use)	nil	nil	nil	nil
(d) Room 801, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (rented by Sinotrans Tianze for commercial use)	nil	nil	174	31
(e) 12/F-13/F, Fujian Waiyun Building, No. 79 East Lake Road, Fuzhou, the PRC (rented by Sinotrans Container Lines for commercial use)	45	46	55	10
(f) 24/F, Building A, No. 1032-1034 Xiahe Road, Si Ming District, Xiamen, the PRC (rented by Sinotrans Container Lines for commercial use)	82	78	83	13
(g) 20/F, 21/F, 23/F-25/F, No. 188 Fujian Middle Road, Shanghai, the PRC (rented by Sinotrans Container Lines for commercial use)	617	615	637	112
(h) 12/F., 10C, Guohua Mansion, Guodu Garden, No. 2056 Baoan South Road, Luohu District, Shenzhen, the PRC (rented by Sinotrans Container Lines for residential and commercial use)	nil	12	14	3

Property	Historical figures			For the two
	For the year ended 31 December			months
	2015	2016	2017	ended 28
	(US\$'000)	(US\$'000)	(US\$'000)	February
			2018	
			(US\$'000)	(Note 1)
(i) 6E Tianyuan Building, No. 1029 Honggui Road, Shenzhen, the PRC (rented by Sinotrans Container Lines for commercial use)	nil	6	7	1
(j) Room 101, 102 & 108, 11/F & 1/F Office Tower East, No. 86 Xingang Road, Tanggu District, Tianjin, the PRC (rented by Sinotrans Container Lines for commercial use)	nil	26	26	3
(k) 9/F, No. 85 Zhongshan Remin Road, Dalian, the PRC (rented by Sinotrans Container Lines for commercial use)	nil	56	56	5
(l) 15/F, Sinotrans Mansion, No. 129 Zhonghua Road, Nanjing City, Jiangsu, the PRC (rented by Sinotrans Container Lines for commercial use)	nil	43	57	10
(m) Unit No. 40, Lane 666, Tian Tongan Road, Shanghai, the PRC (rented by Sinotrans Container Lines for residential use)	nil	94	130	23
(n) Room 605, Changhang Building, No. 800 Zhang Yang Road, Shanghai, the PRC (rented by Sinotrans Container Lines for commercial use)	nil	nil	nil	2
(o) Room A1, 10/F., Block A, Universal Towers, 18 Kin Wah Street, North Point, Hong Kong (rented by the Company for residential use)	nil	nil	nil	nil

Property	Historical figures			For the two
	For the year ended 31 December			months
	2015	2016	2017	ended 28
	(US\$ '000)	(US\$ '000)	(US\$ '000)	February
			2018	
			(US\$ '000)	
			(Note 1)	
(p) Room F, 13/F., Block 4, Tanner Gardens, 18 Tanner Road, North Point, Hong Kong (rented by the Company for residential use)	nil	nil	nil	nil
(q) Room 02, 8/F., Block C, Causeway Centre, 28 Harbour Road, Wan Chai, Hong Kong (rented by the Company for residential use)	nil	nil	nil	nil
Total:	<u>1,912</u>	<u>2,144</u>	<u>3,158</u>	<u>541</u>

Note:

1. The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.

B) *Provision of property management services by CMG Group to the Group*

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the aggregate property management fees paid by the Group for the property management services from CMG Group to Properties A (which CMG Group has been providing property management services under the 2016 Supplemental Renewed Master Tenancy and Property Management Agreement to the Group) were approximately US\$181,000, US\$277,000, US\$175,000 and US\$33,000, respectively.

Further details of the above transaction values are set out as follows:

Property	Historical figures			For the two months ended 28 February 2018
	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>
(a) 14/F, Block B, Sinotrans Building, No. 5 An Ding Road, Chaoyang District, Beijing, the PRC (receipt of property management services by Sinochart)	nil	nil	nil	nil
(b) Sinotrans Shanghai Tower, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (receipt of property management services by Sinochart)	nil	nil	nil	nil
(c) Room 801, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (receipt of property management services by Sinotrans Tianze)	nil	nil	29	5
(d) 12/F-13/F, Fujian Waiyun Building, No. 79 East Lake Road, Fuzhou, the PRC (receipt of property management services by Sinotrans Container Lines)	16	17	16	3
(e) 20/F, 21/F, 23/F-25/F, No. 188 Fujian Middle Road, Shanghai, the PRC (receipt of property management services by Sinotrans Container Lines)	165	219	84	15

Property	Historical figures			For the two months ended 28 February 2018
	For the year ended 31 December 2015 (US\$ '000)	For the year ended 31 December 2016 (US\$ '000)	For the year ended 31 December 2017 (US\$ '000)	February 2018 (US\$ '000) (Note 1)
(f) 12/F., 10C, Guohua Mansion, Guodu Garden, No. 2056 Baoan South Road, Luohu District, Shenzhen, the PRC (receipt of property management services by Sinotrans Container Lines)	nil	1	1	nil
(g) 6E Tianyuan Building, No. 1029 Honggui Road, Shenzhen, the PRC (receipt of property management services by Sinotrans Container Lines)	nil	nil	nil	nil
(h) Room 101, 102 & 108, 11/F & 1/F Office Tower East, No. 86 Xingang Road, Tanggu District, Tianjin, the PRC (receipt of property management services by Sinotrans Container Lines)	nil	15	18	6
(i) 9/F, No. 85 Zhongshan Remin Road, Dalian, the PRC (receipt of property management services by Sinotrans Container Lines)	nil	16	15	1
(j) 15/F, Sinotrans Mansion, No. 129 Zhonghua Road, Nanjing City, Jiangsu, the PRC (receipt of property management services by Sinotrans Container Lines)	nil	9	12	2
(k) Room 605, Changhang Building, No. 800 Zhang Yang Road, Shanghai, the PRC (receipt of property management services by Sinotrans Container Lines)	nil	nil	nil	1
Total:	<u>181</u>	<u>277</u>	<u>175</u>	<u>33</u>

Note:

- The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.

Proposed Annual Caps

A) Provision of tenancy services by CMG Group to the Group

It is expected that the aggregate rentals payable by the Group for the leasing of the Properties A from CMG Group will be approximately US\$5,089,000, US\$5,608,000 and US\$6,183,000 for each of the three years ending 31 December 2021, respectively.

Further details of the above annual caps are set out as follows:

Property	Proposed annual caps For the year ending 31 December			Basis of determination for the proposed annual caps
	2019	2020	2021	
	(US\$'000)	(US\$'000)	(US\$'000)	
(a) 21st Floor, Great Eagle Centre, No. 23 Harbour Road, Wanchai, Hong Kong (rented by the Company for commercial use)	1,770	1,950	2,141	Based on the estimated steady increase in commercial rentals in the coming years, taking into account expected market rates of the similar type of tenancy.
(b) 14/F, Block B, Sinotrans Building, No. 5 An Ding Road, Chaoyang District, Beijing, the PRC (rented by Sinochart for commercial use)	871	871	871	Based on the estimated rate of monthly rental taking into account the size of the property.
(c) Sinotrans Shanghai Tower, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (rented by Sinochart for commercial use)	37	37	37	Based on the estimated rate of monthly rental taking into account the size of the property.
(d) Room 801, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (rented by Sinotrans Tianze for commercial use)	242	266	292	Based on the estimation of steady increase in rentals of about 10% for each year.
(e) 12/F-13/F, Fujian Waiyun Building, No. 79 East Lake Road, Fuzhou, the PRC (rented by Sinotrans Container Lines for commercial use)	120	140	160	Based on the estimated steady increase in commercial rentals in the coming years, taking into account expected market rates of the same type of tenancy.

Property	Proposed annual caps For the year ending 31 December			Basis of determination for the proposed annual caps
	2019	2020	2021	
	(US\$'000)	(US\$'000)	(US\$'000)	
(f) 24/F, Building A, No. 1032-1034 Xiahe Road, Si Ming District, Xiamen, the PRC (rented by Sinotrans Container Lines for commercial use)	160	190	210	Based on the estimation of steady increase in rentals for each year.
(g) 20/F, 21/F, 23/F-25/F, No. 188 Fujian Middle Road, Shanghai, the PRC (rented by Sinotrans Container Lines for commercial use)	1,190	1,360	1,570	Based on the estimation of steady increase in rentals for each year.
(h) 12/F., 10C, Guohua Mansion, Guodu Garden, No. 2056 Baoan South Road, Luohu District, Shenzhen, the PRC (rented by Sinotrans Container Lines for residential and commercial use)	27	31	35	Based on the estimation of steady increase in rentals for each year.
(i) 6E Tianyuan Building, No. 1029 Honggui Road, Shenzhen, the PRC (rented by Sinotrans Container Lines for commercial use)	20	22	25	Based on the estimation of steady increase in rentals for each year.
(j) Room 101, 102 & 108, 11/F & 1/F Office Tower East, No. 86 Xingang Road, Tanggu District, Tianjin, the PRC (rented by Sinotrans Container Lines for commercial use)	72	81	90	Based on the estimation of steady increase in rentals for each year.
(k) 9/F, No. 85 Zhongshan Remin Road, Dalian, the PRC (rented by Sinotrans Container Lines for commercial use)	140	160	190	Based on the estimation of steady increase in rentals for each year.
(l) 15/F, Sinotrans Mansion, No. 129 Zhonghua Road, Nanjing City, Jiangsu, the PRC (rented by Sinotrans Container Lines for commercial use)	132	145	160	Based on the estimation of steady increase in rentals for each year.

Property	Proposed annual caps For the year ending 31 December			Basis of determination for the proposed annual caps
	2019	2020	2021	
	(US\$'000)	(US\$'000)	(US\$'000)	
(m) Unit No. 40, Lane 666, Tian Tongan Road, Shanghai, the PRC (rented by Sinotrans Container Lines for residential use)	180	210	240	Based on the estimation of steady increase in rentals for each year.
(n) Room 605, Changhang Building, No. 800 Zhang Yang Road, Shanghai, the PRC (rented by Sinotrans Container Lines for commercial use)	16	21	27	Based on the estimation of steady increase in rentals for each year.
(o) Room A1, 10/F., Block A, Universal Towers, 18 Kin Wah Street, North Point, Hong Kong (rented by the Company for residential use)	39	43	47	Based on the estimated steady increase in residential rentals in the coming years, taking into account expected market rates of the similar type of tenancy.
(p) Room F, 13/F., Block 4, Tanner Gardens, 18 Tanner Road, North Point, Hong Kong (rented by the Company for residential use)	39	43	47	Based on the estimated steady increase in residential rentals in the coming years, taking into account expected market rates of the similar type of tenancy.
(q) Room 02, 8/F., Block C, Causeway Centre, 28 Harbour Road, Wan Chai, Hong Kong (rented by the Company for residential use)	34	38	41	Based on the estimated steady increase in residential rentals in the coming years, taking into account expected market rates of the similar type of tenancy.
Total:	5,089	5,608	6,183	

B) *Provision of property management services by CMG Group to the Group*

It is expected that the aggregate property management fees payable by the Group for the property management services from CMG Group to Properties A will be approximately US\$693,000, US\$760,000 and US\$826,000 for each of the three years ending 31 December 2021, respectively.

Further details of the above annual caps are set out as follows:

Property	Proposed annual caps			Basis of determination for the proposed annual caps
	For the year ending 31 December			
	2019 (US\$'000)	2020 (US\$'000)	2021 (US\$'000)	
(a) 14/F, Block B, Sinotrans Building, No. 5 An Ding Road, Chaoyang District, Beijing, the PRC (receipt of property management services by Sinochart)	121	121	121	Based on the estimated rate of property management services fee taking into account the size of the property.
(b) Sinotrans Shanghai Tower, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (receipt of property management services by Sinochart)	13	13	13	Based on the estimated rate of property management services fee taking into account the size of the property.
(c) Room 801, No. 777 Guozhan Road, Pudong New District, Shanghai, the PRC (receipt of property management services by Sinotrans Tianze)	40	44	48	Based on the estimated 10% increase each year in property management services fee.
(d) 12/F-13/F, Fujian Waiyun Building, No. 79 East Lake Road, Fuzhou, the PRC (receipt of property management services by Sinotrans Container Lines)	33	37	40	Based on the estimation of steady increase in management services fee for each year.
(e) 20/F, 21/F, 23/F-25/F, No. 188 Fujian Middle Road, Shanghai, the PRC (receipt of property management services by Sinotrans Container Lines)	360	400	440	Based on the estimation of steady increase in management services fee for each year.

Property	Proposed annual caps For the year ending 31 December			Basis of determination for the proposed annual caps
	2019	2020	2021	
	(US\$'000)	(US\$'000)	(US\$'000)	
(f) 12/F., 10C, Guohua Mansion, Guodu Garden, No. 2056 Baoan South Road, Luohu District, Shenzhen, the PRC (receipt of property management services by Sinotrans Container Lines)	6	7	8	Based on the estimation of steady increase in management services fee for each year.
(g) 6E Tianyuan Building, No. 1029 Honggui Road, Shenzhen, the PRC (receipt of property management services by Sinotrans Container Lines)	4	5	6	Based on the estimation of steady increase in management services fee for each year.
(h) Room 101, 102 & 108, 11/F & 1/F Office Tower East, No. 86 Xingang Road, Tanggu District, Tianjin, the PRC (receipt of property management services by Sinotrans Container Lines)	48	54	60	Based on the estimation of steady increase in management services fee for each year.
(i) 9/F, No. 85 Zhongshan Remin Road, Dalian, the PRC (receipt of property management services by Sinotrans Container Lines)	32	36	39	Based on the estimation of steady increase in management services fee for each year.
(j) 15/F, Sinotrans Mansion, No. 129 Zhonghua Road, Nanjing City, Jiangsu, the PRC (receipt of property management services by Sinotrans Container Lines)	26	30	34	Based on the estimation of steady increase in management services fee for each year.
(k) Room 605, Changhang Building, No. 800 Zhang Yang Road, Shanghai, the PRC (receipt of property management services by Sinotrans Container Lines)	10	13	17	Based on the estimation of steady increase in management services fee for each year.
Total:	693	760	826	

Apart from the above, the proposed annual caps for the three years ending 31 December 2021 have been determined with reference to (i) the continuing tenancy and/or property management arrangement between the Group and CMG Group in the coming years; (ii) the respective historical amounts between members of CMG Group and members of the Group; and (iii) continuation of the tenancy and/or property management relationship between members of the Group and the members of CMG Group.

(2) 2018 Master Services Agreement

Since general shipping services will be continuously provided between CMG Group and the Group, on 23 July 2018, the 2018 Master Services Agreement was entered into between the Company and CMG to set out such general services to be provided.

The purpose of entering into the 2018 Master Services Agreement is to facilitate the cooperation between CMG Group and the Group and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other.

Term and Scope

The term of the 2018 Master Services Agreement commences from 1 January 2019 and expires on 31 December 2021.

The general services to be provided by the Group to CMG Group under the 2018 Master Services Agreement include (a) commercial management services; (b) corporate administrative services; (c) shipping agency services; (d) freight forwarding services; (e) cargo transportation services; and (f) shipping broker services. The general services to be provided by CMG Group to the Group under the 2018 Master Services Agreement include (a) commercial management services; (b) shipping broker services; (c) shipping agency services; (d) maintenance and repairing services; (e) supervisory services regarding construction of vessels; (f) crew management services; (g) insurance broker services; (h) refuelling services; (i) vessels inspection services; (j) freight forwarding services; (k) containers chartering services; (l) depot services; (m) supply of materials and components services; (n) container terminal services; and (o) tug services.

The 2018 Master Services Agreement provides a framework to govern the general services to be provided between CMG Group and the Group. Members of the Group and CMG Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 Master Services Agreement and the laws and regulations applicable to the Company and CMG. Such agreements should specify (amongst other things) the types of services, quantity of services, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

The prices of the services to be provided by the Group or CMG Group under the 2018 Master Services Agreement will be determined based on the following factors:

- (a) the prices of the services to be provided must be fair and reasonable;
- (b) the terms and conditions in relation to the general services to be provided by the Group to CMG Group should not be more favourable than those available to Independent Third Parties from the Group;
- (c) the terms and conditions in relation to the general services to be provided by CMG Group to the Group should be no less favorable than those available to Independent Third Parties from CMG Group; and
- (d) if the Group requests CMG Group to increase the amount of services to be provided under the 2018 Master Services Agreement, CMG shall use its best efforts to ensure members of CMG Group will provide such services under the 2018 Master Services Agreement, and vice versa. The terms and conditions in respect of such services shall follow the general transaction principles and pricing terms as set out in the 2018 Master Services Agreement and shall be determined after arms length negotiations between the parties.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the price and terms of each transaction contemplated under the 2018 Master Services Agreement.

Before entering into any specific agreement for a new transaction under the 2018 Master Services Agreement, the services team of the Company will conduct checks as to pricing and payment terms of the agreement and consider whether the terms are in accordance with the principles of the 2018 Master Services Agreement and is no less favourable to the Group than those available to Independent Third Parties.

The services team of the Company will obtain from independent market sources the relevant market intelligence regarding pricing of different types of services in the shipping market reflecting what are the then market price of the corresponding services from Independent Third Parties prior to the Group entering into any new agreement. To the extent the Group cannot obtain such market price references from independent market sources, the Group would secure at least two quotes from Independent Third Parties which offer comparable pricing and quality services required by the Group or CMG Group. Under such circumstances, the Group and CMG Group will take reference of such price quotes for comparison purpose prior to the entering into any new agreement. The services team of the Company will also confirm historical transaction data with the finance department of the Company in order to determine the fairness and reasonableness of the pricing terms.

For the provision of general services by the Group to CMG Group, the Group must offer the terms of the supply of general services contracts to CMG Group no more favourable than, i.e. at price higher or equal to the market price of similar services that the Group will offer, to Independent Third Parties. The market price will be referenced to public resources available in the market on or about the time immediately before the date of entering into any new agreement. For instance: (i) in respect of the commercial management services (item (a)), corporate administrative services (item (b)) and shipping agency services (item (c)), the Company will obtain quotations of similar services provided by at least two service providers which are independent ship management companies through which the Company can make reference to, compare the terms of those quotations and pass to the management of the services team of the Company for approval; (ii) freight forwarding services (item (d)) will make reference to the contract price of similar services offered by at least two independent freight forwarders in the market; (iii) cargo transportation services (item (e)) will make reference to the transportation fees of similar services offered by at least two independent cargo transportation service providers in the market; and (iv) shipping broker services (item (f)) will make reference to the brokerage fees charged by at least two independent shipping broker service providers in the market.

Where there is no relevant market price, then the relevant price will be determined according to the historical price of the Group providing similar services or comparable market suppliers of similar size providing similar services in the past year. The services team of the Company will ensure that the terms of the supply of general services contracts to CMG Group should be no more favourable than such historical reference price.

For the provision of general services by CMG Group to the Group, the services team of the Group must obtain from independent market sources the relevant market intelligence regarding pricing of different types of services in the shipping market reflecting the then market price of the corresponding services from Independent Third Parties (or if such market data is not available, the Group will obtain at least two fee quotes from Independent Third Parties of similar scale offering similar services) to determine if the price and terms offered by CMG Group are fair and reasonable and around the ranges of those quotes offered by the Independent Third Parties and approved by the management of the Company prior to entering into any new agreement. The Group will also take into consideration such source of independent market data for similar services to ensure that the pricing of these services will be at market prices depending on the supply and demand for the relevant service and benchmarking against similar service offered by other comparable suppliers in the market and on normal commercial terms. If the terms of provision of general services offered by CMG Group to the Group are no less favourable than those offered by Independent Third Parties, the quality of service and long-term business relationship and cooperation between CMG Group and the Group will be considered, and the Group will select CMG Group as the general services provider.

After the pricing terms have been determined and with the approval from the management, the members of CMG Group and the Group will enter into specific agreements which set out the agreed terms of the transactions.

In addition, the finance department of the Company will monitor the actual transaction amounts on an ongoing basis against the approved annual caps, and the Company will engage 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 all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Payment Terms

Payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Group and CMG Group.

Historically settlement for these transactions were primarily one-off settlement in cash within three months after receipt of the relevant invoices.

Option to Renew

The Company has an option to renew the 2018 Master Services Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and CMG) before the expiry date of the 2018 Master Services Agreement, for a further period of three years. For each such renewal, such party will be deemed to have granted a new option to the other party for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Annual Caps

Historical transaction values

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the service fees charged by:

- (a) the Group in relation to the provision of the general services to CMG Group amounted to approximately US\$225,000, US\$196,030,000, US\$389,430,000 and US\$61,125,000, respectively; and
- (b) CMG Group in relation to the provision of the general services to the Group amounted to approximately US\$426,913,000, US\$32,301,000, US\$40,335,000 and US\$10,582,000, respectively.

Further details of the above charges are set out as follows:

A) Provision of general services by the Group to CMG Group

Service	Historical figures			For the two months ended 28 February 2018 (US\$'000) (Note 1)	Current approved annual cap 2018 (US\$'000)
	For the year ended 31 December				
	2015 (US\$'000)	2016 (US\$'000)	2017 (US\$'000)		
(a) commercial management services	nil	nil	nil	nil	200
(b) corporate administrative services	1	1	1	nil	10
(c) shipping agency services	3	3	nil	nil	30
(d) freight forwarding services	221	236	183	22	1,069
(e) cargo transportation services	nil	195,790	389,246	61,103	573,700#
(f) shipping broker services	nil	nil	nil	nil	nil
Total:	225	196,030	389,430	61,125	575,009

Notes:

- The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.
- The annual cap figure marked with # represents the aggregate annual cap of the relevant service provided by the Group to all members of CMG Group previously approved by the Board and the Shareholders (if applicable) for the year ending 31 December 2018.

B) Receipt of general services by the Group from CMG Group

Service	Historical figures			For the two	Current
	For the year ended 31 December			months	approved
	2015	2016	2017	ended 28	annual cap
	(US\$ '000)	(US\$ '000)	(US\$ '000)	February	2018
				2018	(US\$ '000)
				(US\$ '000)	
				(Note 1)	
(a) commercial management services	nil	nil	750	nil	2,500
(b) shipping broker services	614	66	387	65	2,800#
(c) shipping agency services	356,784	1,995	2,544	413	9,403#
(d) maintenance and repairing services	nil	nil	97	48	8,401#
(e) supervisory services regarding construction of vessels	1,540	390	1,280	380	3,200
(f) crew management services	12,318	13,292	12,343	2,012	20,000
(g) insurance broker services	nil	nil	nil	nil	4,530
(h) refuelling services	nil	230	4,034	4,299	75,687#
(i) vessels inspection services	nil	nil	1	nil	119#
(j) freight forwarding services	43,045	3,360	5,234	676	19,245#
(k) containers chartering services	12,382	9,980	9,747	1,628	21,238
(l) depot services	230	2,988	2,783	863	11,323
(m) supply of materials and components services	nil	nil	43	1	4,451#
(n) container terminal services	nil	nil	1,058	197	11,334#
(o) tug services	nil	nil	34	nil	445
Total:	426,913	32,301	40,335	10,582	194,676

Notes:

1. The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the relevant annual cap for 2018.
2. The annual cap figure marked with # represents the aggregate annual cap of the relevant service provided by the Group to all members of CMG Group previously approved by the Board and the Shareholders (if applicable) for the year ending 31 December 2018.

Proposed Annual Caps

It is expected that the annual amount of the service fees charged by the Group in relation to the provision of the general services to CMG Group will not exceed approximately US\$592,022,000, US\$594,062,000 and US\$596,586,000 for the three years ending 31 December 2021, respectively; and the annual amount of the service fees charged by CMG Group in relation to the provision of the general services to the Group will not exceed approximately US\$242,214,000, US\$262,837,000 and US\$287,608,000 for the three years ending 31 December 2021, respectively.

Further details of the above annual caps are as follows:

A) Provision of general services by the Group to CMG Group

Service	Proposed annual caps			Basis of determination for the proposed annual caps
	For the year ending 31 December			
	2019 (US\$'000)	2020 (US\$'000)	2021 (US\$'000)	
(a) commercial management services	10,000	10,000	10,000	Taking into account the anticipated demand of such general commercial management services from CMG Group following the Reorganisation
(b) corporate administrative services	1	1	1	With reference to the historical transaction values.
(c) shipping agency services	100	130	169	Based on (i) the expected increase in working capacity of the operation team of the Group which will be expanded; and (ii) the expected demand of shipping agency services indicated by CMG Group. (Note 1)
(d) freight forwarding services	633	822	1,069	Based on (i) the expected increase in working capacity of the operation team of the Group which will be expanded; and (ii) the expected demand of freight forwarding services indicated by CMG Group.
(e) cargo transportation services	579,438	581,159	583,397	Based on historical figures and the expected increase in the demand of cargo transportation services in the coming three years.
(f) shipping broker services	1,850	1,950	1,950	Based on the expected demand of chartering services and the average rate of brokerage fee of 1.25% of the ocean freight.
Total:	<u>592,022</u>	<u>594,062</u>	<u>596,586</u>	

Note:

- The proposed annual caps of shipping agency services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) it is expected that the Group will provide shipping agency services for 100 voyages of CMG Group in 2019; (b) the expected fees for shipping agency services each time will be US\$1,000; and (c) the operation team of the Group will expand and therefore their work capacity is expected to increase.

B) Receipt of general services by the Group from CMG Group

Service	Proposed annual caps For the year ending 31 December			Basis of determination for the proposed annual caps
	2019 (US\$'000)	2020 (US\$'000)	2021 (US\$'000)	
(a) commercial management services	2,500	2,700	2,900	Based on the expected increase in demand of the general commercial management services.
(b) shipping broker services	4,500	5,000	5,000	Based on the expected demand of chartering services and the average rate of brokerage fee of 1.25% of the ocean freight.
(c) shipping agency services	4,582	4,983	5,423	Based on the expected increase in demand of the shipping agency services due to expected expansion of fleet size.
(d) maintenance and repairing services	3,830	4,386	5,514	Based on the estimated demand of the Group for such services after the expansion of fleet size in the coming three years. <i>(Note 1)</i>
(e) supervisory services regarding construction of vessels	2,500	2,500	2,500	Based on the anticipated increase in the number of vessels constructed by the Group, resulting in an increase in the demand for supervisory services from CMG Group.
(f) crew management services	15,863	15,237	15,637	Based on the market rate, the expected increase in the wage level for the crew and the expected additional requirements of crew management services.

**Proposed annual caps
For the year ending 31 December**

Service	Proposed annual caps			Basis of determination for the proposed annual caps
	2019 (US\$'000)	2020 (US\$'000)	2021 (US\$'000)	
(g) insurance broker services	9,002	11,138	13,838	Based on the estimated demand for such services in the coming three years.
(h) refuelling services	144,626	155,476	168,081	Based on the historical transaction values and the estimated increase in demand for such services due to the expected increase in fleet size in the coming three years. (Note 2)
(i) vessels inspection services	85	85	85	Based on the estimated demand for such services in the coming three years. (Note 3)
(j) freight forwarding services	8,800	10,330	11,500	Based on the historical transaction values, and the expected growing demand for freight forwarding services.
(k) containers chartering services	23,362	25,698	28,268	Based on the historical transaction values and the estimated increase in demand of about 10% per year for such services in the coming years.
(l) depot services	4,000	4,500	5,500	Based on the historical transaction values and the expected increase in the quantity of containers to be transported in the coming years.
(m) supply of materials and components services	4,991	5,175	5,372	Based on the expected expansion of fleet size in the coming three years. (Note 4)
(n) container terminal services	13,128	15,184	17,545	Based on the historical transaction values and the estimated increase in demand for such services in the coming three years. (Note 5)
(o) tug services	445	445	445	Based on the historical transaction values. (Note 6)
Total:	242,214	262,837	287,608	

Notes:

1. The proposed annual caps of maintenance and repairing services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) it is estimated that the Group will place approximately 200, 160 and 200 orders in respect of maintenance of communication facilities in the years ending 31 December 2019, 2020 and 2021 respectively, at the average maintenance fees of approximately US\$3,000 per order; and (b) it is estimated that the Group will require 10 times of large scale vessel maintenance services from CMG Group in the year ending 31 December 2019 at the average maintenance fees of approximately US\$300,000 each time, and it is expected that the amount of maintenance services required will increase in the subsequent years in accordance with the expansion of fleet size.
2. The proposed annual caps of refuelling services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) it is expected that the annual fuel consumption of the Group is approximately 300,000 tonnes and the cost of fuel is approximately US\$480 per tonne; and (b) it is assumed that the price of fuel will increase at a rate of 8% per annum.
3. The proposed annual caps of vessels inspection services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) the estimated demand of vessels inspection services per year from CMG Group; and (b) the average vessels inspection service fees in the last quarter of 2017.
4. The proposed annual caps of the supply of materials and components services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) it is expected that 25 vessels of the Group will require the supply of materials and components services in 2019 and the amount of services required by each vessel is approximately US\$200,000; and (b) it is assumed that the inflation rate will be 3% per year.

5. The proposed annual caps of the container terminal services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 since historically the Company obtained most of the container terminal services through an Independent Third Party agent but it currently obtains such services directly from the container terminals operated by CMG Group for efficiency and long term stability reasons.
6. The proposed annual caps of the tug services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 since historically the Company obtained most of the tug services through an Independent Third Party agent but it currently obtains such services directly from the container terminals operated by CMG Group for efficiency and long term stability reasons.

Apart from the above, the proposed annual caps for the three years ending 31 December 2021 have been determined with reference to (i) the continuing business cooperation between the Group and CMG Group in the coming years; (ii) the respective historical amounts between members of CMG Group and members of the Group; (iii) continuation of certain services and working relationship between members of the Group and the members of CMG Group; and (iv) the expected growing need for general services between CMG Group and the Group after the Reorganisation.

(3) 2018 Sinochart Master Services Agreement

Since general shipping services will be continuously provided between Sinochart Group and the Combined Group A (i.e. the Group excluding Sinochart Group), on 23 July 2018, the 2018 Sinochart Master Services Agreement was entered into between the Company and Sinochart to set out such general services to be provided.

The purpose of entering into the 2018 Sinochart Master Services Agreement is to facilitate the cooperation between Sinochart Group and the Combined Group A and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other.

Term and Scope

The term of the 2018 Sinochart Master Services Agreement commences from 1 January 2019 and expires on 31 December 2021.

Pursuant to the 2018 Sinochart Master Services Agreement, members of the Combined Group A will provide (a) shipping agency services; (b) vessel technical management services; and (c) shipping broker services to Sinochart Group, and Sinochart Group will provide commercial management services to members of the Combined Group A.

The 2018 Sinochart Master Services Agreement provides a framework to govern the general services to be provided between Sinochart Group and the Combined Group A. Members of the Combined Group A and Sinochart Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 Sinochart Master Services Agreement and the laws and regulations applicable to the Company and Sinochart. Such agreements should specify (amongst other things) the types of services, quantity of services, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

The prices of the services to be provided by the Combined Group A or Sinochart Group under the 2018 Sinochart Master Services Agreement will be determined based on the following factors:

- (a) the prices of the services to be provided must be fair and reasonable;
- (b) the terms and conditions in relation to the general services to be provided by the Combined Group A to Sinochart Group should not be more favourable than those available to Independent Third Parties from the Combined Group A; and
- (c) the terms and conditions in relation to the general services to be provided by Sinochart Group to the Combined Group A should be no less favourable than those available to Independent Third Parties from Sinochart Group.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the price and terms of each transaction contemplated under the 2018 Sinochart Master Services Agreement.

Before entering into any specific agreement for a new transaction under the 2018 Sinochart Master Services Agreement, the services team of the Company will conduct checks as to pricing and payment terms of the agreement and consider whether the terms are in accordance with the principles of the 2018 Sinochart Master Services Agreement and is no less favourable to the Combined Group A or Sinochart than those available to Independent Third Parties.

The services team of the Company will obtain from independent market sources the relevant market intelligence regarding pricing of different types of services in the shipping market reflecting what are the then market price of the corresponding services from Independent Third Parties prior to the Combined Group A entering into any new agreement. To the extent the Combined Group A cannot obtain such market price references from independent market sources, the Combined Group A would secure at least two quotes from Independent Third Parties which offer comparable pricing and quality services required by the Combined Group A or Sinochart. Under such circumstances, the Combined Group A and Sinochart will make reference to such price quotes for comparison purpose prior to the entering into any new agreement. The services team of the Company will also confirm historical transaction data with the finance department of the Company in order to determine the fairness and reasonableness of the pricing terms.

For the provision of general services by the Combined Group A to Sinochart, the Combined Group A must offer the terms of the supply of general services contracts to Sinochart no more favourable than to Independent Third Parties. The market price will be referenced to data and resources available in the market on or about the time immediately before the date of entering into any new agreement, for instance, in respect of shipping agency services, the Company will obtain quotations of similar services provided by at least two service providers which are independent ship management companies through which the Company can make reference to, compare the terms of those quotations and pass to the management of the services team of the Company for approval.

Where there is no relevant market price, then the relevant price will be determined according to the historical price of the Combined Group A providing such services or comparable market suppliers of similar size providing similar services in the past year. The services team of the Company will ensure that the terms of the supply of general services contracts to Sinochart Group should be no more favourable than such historical reference price.

For the provision of commercial management services by Sinochart to the Combined Group A, the services team of the Combined Group A will obtain quotations of similar services provided by at least two service providers which are independent ship management companies through which the Combined Group A can make reference to, compare the terms of those quotations and pass to the management of the services team of the Combined Group A for approval.

After the pricing terms have been determined and with the approval from the management, the members of Sinochart Group and the Combined Group A will enter into specific agreements which set out the agreed terms of the transactions.

In addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage 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 all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Payment Terms

Payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Combined Group A and Sinochart Group.

Historically settlement for these transactions were primarily one-off settlement in cash within three months after receipt of the relevant invoices.

Option to Renew

The Company has an option to renew the 2018 Sinochart Master Services Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and Sinochart) before the expiry date of the 2018 Sinochart Master Services Agreement, for a further period of three years. For each such renewal, such party will be deemed to have granted a new option to the other party for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Annual Caps

Historical transaction values

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the service fees charged by the Combined Group A in relation to the provision of the general services to Sinochart Group amounted to approximately US\$279,000, US\$176,000, US\$126,000 and US\$4,000, respectively.

There was no historical transaction of commercial management services provided by Sinochart Group to the Combined Group A for the three years ended 31 December 2017 and the two months ended 28 February 2018.

Further details of the above charges are set out as follows:

A) *Provision of general services by the Combined Group A to Sinochart Group*

Service	Historical figures			For the two	Current
	For the year ended 31 December			months	approved
	2015	2016	2017	ended 28	annual cap
	(US\$'000)	(US\$'000)	(US\$'000)	February	2018
				2018	(US\$'000)
				(US\$'000)	
				(Note 1)	
(a) shipping agency services	63	51	40	4	304
(b) vessel technical management services	216	125	86	nil	800
Total:	279	176	126	4	1,104

Note:

1. The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.

B) *Receipt of commercial management services by the Combined Group A from Sinochart Group*

There was no historical transaction of commercial management services provided by the Sinochart Group to Combined Group A for the three years ended 31 December 2017 and the two months ended 28 February 2018.

Proposed Annual Caps

It is expected that the annual amount of the service fees to be charged by the Combined Group A in relation to the provision of the general services to Sinochart Group will not exceed approximately US\$2,600,000, US\$2,630,000 and US\$2,669,000 for the three years ending 31 December 2021, respectively. The annual amount of the service fees to be charged by Sinochart Group in relation to the provision of commercial management services to the Combined Group A will not exceed approximately US\$6,150,000, US\$6,150,000 and US\$6,150,000 for the three years ending 31 December 2021, respectively.

Further details of the above annual caps are as follows:

A) Provision of general services by the Combined Group A to Sinochart Group

Service	Proposed annual caps		
	For the year ending 31 December		
	2019	2020	2021
	(US\$'000)	(US\$'000)	(US\$'000)
(a) shipping agency services	100	130	169
(b) vessel technical management services (Note 1)	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>
Total:	<u>2,600</u>	<u>2,630</u>	<u>2,669</u>

Note:

1. The proposed annual caps of vessel technical management services have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) the expected demand of vessel technical management services for a certain vessel controlled by Sinochart as indicated by Sinochart; and (b) the annual estimated operating expenses of such vessel with some buffer for possible repair.

B) Receipt of commercial management services by the Combined Group A from Sinochart Group

Service	Proposed annual caps		
	For the year ending 31 December		
	2019	2020	2021
	(US\$'000)	(US\$'000)	(US\$'000)
commercial management services	<u>6,150</u>	<u>6,150</u>	<u>6,150</u>

In respect of the provision of general services by the Combined Group A to Sinochart, (i) in terms of the vessel technical management services, the proposed annual caps are determined based on the number of vessels which may require such services from Sinochart and the actual demand expected for such vessels; and (ii) in terms of the shipping agency services, the proposed annual caps are determined based on (a) the expected increase in working capacity of the operation team of the Group which will be expanded; and (b) the expected demand for shipping agency services indicated by Sinochart Group.

In respect of the provision of commercial management services by Sinochart to the Combined Group A, although there is no historical transaction value for the three years ended 31 December 2017 which can be used for reference, the Company has determined the proposed annual caps based on the number of vessels which may require such services from the Combined Group A and the actual demand expected for such vessels.

(4) 2018 SNL Master Services Agreement

Since general shipping services will be continuously provided between Sinotrans Container Lines Group and the Combined Group B (i.e. the Group excluding Sinotrans Container Lines Group), on 23 July 2018, the 2018 SNL Master Services Agreement was entered into between the Company and Sinotrans Container Lines to set out such general services to be provided.

The purpose of entering into the 2018 SNL Master Services Agreement is to facilitate the cooperation between Sinotrans Container Lines Group and the Combined Group B and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other.

Term and Scope

The term of the 2018 SNL Master Services Agreement commences from 1 January 2019 and expires on 31 December 2021.

Pursuant to the 2018 SNL Master Services Agreement, members of the Combined Group B will provide container chartering services to Sinotrans Container Lines Group, and members of Sinotrans Container Lines Group will provide vessel technical management services to members of the Combined Group B.

The 2018 SNL Master Services Agreement provides a framework to govern the general services to be provided between Sinotrans Container Lines Group and the Combined Group B. Members of the Combined Group B and Sinotrans Container Lines Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 SNL Master Services Agreement and the laws and regulations applicable to the Company and Sinotrans Container Lines. Such agreements should specify (amongst other things) the types of services, quantity of services, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

The prices of the services to be provided by the Combined Group B or Sinotrans Container Lines Group under the 2018 SNL Master Services Agreement will be determined based on the following factors:

- (a) the prices of the services to be provided must be fair and reasonable;
- (b) the terms and conditions in relation to the container chartering service to be provided by the Combined Group B to Sinotrans Container Lines Group should not be more favourable than those available to Independent Third Parties from the Combined Group B; and
- (c) the terms and conditions in relation to the vessel technical management services to be provided by Sinotrans Container Lines Group to the Combined Group B should be no less favorable than those available to Independent Third Parties from Sinotrans Container Lines Group.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the price and terms of each transaction contemplated under the 2018 SNL Master Services Agreement.

Before entering into any specific agreement for a new transaction under the 2018 SNL Master Services Agreement, the services team of the Company will conduct checks as to pricing and payment terms of the agreement and consider whether the terms are in accordance with the principles of the 2018 SNL Master Services Agreement and is no less favourable to the Combined Group B or Sinotrans Container Lines than those available to Independent Third Parties.

The services team of the Company will obtain from independent market sources the relevant market intelligence regarding pricing of different types of services in the shipping market reflecting what are the then market price of the corresponding services from Independent Third Parties prior to the Combined Group B entering into any new agreement. To the extent the Combined Group B cannot obtain such market price references from independent market sources, the Combined Group B would secure at least two quotes from Independent Third Parties which offer comparable pricing and quality services required by the Combined Group B or Sinotrans Container Lines. Under such circumstances, the Combined Group B and Sinotrans Container Lines will make reference to such price quotes for comparison purpose prior to the entering into any new agreement. The services team of the Company will also confirm historical transaction data with the finance department of the Company in order to determine the fairness and reasonableness of the pricing terms.

For the provision of container chartering services by the Combined Group B to Sinotrans Container Lines, the Combined Group B must offer the terms of the container chartering services contracts to Sinotrans Container Lines no more favourable than to Independent Third Parties. The market price will be referenced to the data and resources available in the market on or about the time immediately before the date of entering into any new agreement.

For the provision of vessel technical management services by Sinotrans Container Lines to the Combined Group B, the pricing of the vessel technical management services will make reference to the price of similar services offered by at least two other independent ship management companies, through which the Company can compare the terms of those quotations and pass to the management of the services team of the Company for approval.

After the pricing terms have been determined and with the approval from the management, the members of Sinotrans Container Lines Group and the Combined Group B will enter into specific agreements which set out the agreed terms of the transactions.

In addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage 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 all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Payment Terms

Payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Combined Group B and Sinotrans Container Lines Group.

Historically settlement for these transactions were primarily one-off settlement in cash within three months after receipt of the relevant invoices.

Option to Renew

The Company has an option to renew the 2018 SNL Master Services Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and Sinotrans Container Lines) before the expiry date of the 2018 SNL Master Services Agreement, for a further period of three years. For each such renewal, such party will be deemed to have granted a new option to the other party for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Annual Caps

Historical transaction values

There was no historical transaction of general services provided between the Combined Group B and Sinotrans Container Lines Group for the three years ended 31 December 2017 and the two months ended 28 February 2018.

Proposed Annual Caps

It is expected that the annual amount of the service fees charged by the Combined Group B in relation to the provision of the container chartering services to Sinotrans Container Lines Group will not exceed approximately US\$23,362,000, US\$25,698,000 and US\$28,268,000 for the three years ending 31 December 2021, respectively. The annual amount of the service fees charged by Sinotrans Container Lines Group in relation to the provision of the vessel technical management services to the Combined Group B will not exceed approximately US\$480,000, US\$480,000 and US\$480,000 for the three years ending 31 December 2021, respectively.

Further details of the above annual caps are as follows:

A) Provision of container chartering services by the Combined Group B to Sinotrans Container Lines Group

Service	Proposed annual caps		
	For the year ending 31 December		
	2019	2020	2021
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
container chartering services	<u>23,362</u>	<u>25,698</u>	<u>28,268</u>

B) Receipt of vessel technical management services by the Combined Group B from Sinotrans Container Lines Group

Service	Proposed annual caps		
	For the year ending 31 December		
	2019	2020	2021
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
vessel technical management services	<u>480</u>	<u>480</u>	<u>480</u>

In respect of the container chartering services by the Combined Group B to Sinotrans Container Lines, although there is no historical transaction value for the three years ended 31 December 2017 which can be used for reference, the parties have considered the following factors in order to determine the proposed annual caps: (a) the historical container chartering expenses of Sinotrans Container Lines was approximately US\$26,167,000 for the year ended 31 December 2017; (b) it is expected that Sinotrans Container Lines will purchase containers in order to reduce the container chartering costs; and (c) it is expected that the container chartering fees will increase at a rate of approximately 10% per year in the coming three years.

In respect of the provision of vessel technical management services by Sinotrans Container Lines to the Combined Group B, although there is no historical transaction value for the three years ended 31 December 2017 which can be used for reference, the parties have determined the proposed annual caps based on the expected demand of such services by seven vessels of the Combined Group B at the fees of US\$480,000 per year in the coming three years.

(5) 2018 Master Chartering Agreement

On 23 July 2018, the 2018 Master Chartering Agreement was entered into between the Company and CMG to set out the chartering services to be provided between CMG Group and the Group. The purpose of entering into the 2018 Master Chartering Agreement is to facilitate the cooperation between CMG Group and the Group and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other.

The vessels to be chartered by CMG Group to the Group are different from those owned by the Group in terms of carriage capacities, shipping routes or located in different piers globally. It provides the flexibility and serves the mutual business needs of CMG Group and the Group.

Term and Scope

The term of the 2018 Master Chartering Agreement commences from 1 January 2019 and expires on 31 December 2021.

The 2018 Master Chartering Agreement provides a framework to govern the chartering services to be provided between CMG Group and the Group. Members of the Group and CMG Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 Master Chartering Agreement and the laws and regulations applicable to the Company and CMG. Such agreements should specify (amongst other things) the types of vessels, number of vessels, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

The charter hire and C/V/E fees under the 2018 Master Chartering Agreement will be determined based on the following factors:

- (a) the amount of charter hire and C/V/E fees must be fair and reasonable;

- (b) the charter hire and C/V/E fees payable by the Group to CMG Group should not be higher than the charter hire and C/V/E fees payable by the Group to Independent Third Parties;
- (c) the address commission (i.e. an expense item in the cost of operation, being the discount given by the ship owner to a charterer based on a certain percentage of the charter hire) which the Group charges CMG Group should not be lower than the address commission which the Group charges Independent Third Parties;
- (d) the charter hire and C/V/E fees which the Group charges CMG Group should not be lower than the charter hire and C/V/E fees which the Group charges Independent Third Parties; and
- (e) the address commission payable by the Group to CMG Group should not be higher than the address commission payable by the Group to Independent Third Parties.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the fees and terms of each transaction contemplated under the 2018 Master Chartering Agreement.

The services team of the Company, having market intelligence regarding pricing of chartering fees in the shipping market and receives daily report from the public shipbrokers, is responsible for reviewing and approving the pricing prior to entering into any new agreement. As there are alternative sources of supplies of chartering of vessels with comparable pricing and quality offered to/by the Group and CMG Group, both the Group and CMG Group will make reference to the fees of similar chartering services quoted from Independent Third Parties for comparison purpose prior to the entering into any new agreement.

For the chartering of vessels by the Group to CMG Group, the Group must offer the terms of the chartering contracts to CMG Group no more favourable than Independent Third Parties. The market price of chartering will be referenced to Baltic Dry Index or the average chartering fees in respect of similar vessel sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter according to the daily quotations as disclosed in more than 10 shipbroker reports received through emails. The Company will then compare the terms of such quotations and pass to the management of the services team of the Company for approval to ensure the terms of the chartering contracts to CMG Group are no more favourable than the Independent Third Parties.

For the chartering of vessels by CMG Group to the Group, the Group will take into consideration the prevailing market price of chartering with reference to independent market data such as the Baltic Dry Index or the average chartering fees in respect of similar vessels sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter according to the daily quotations provided by public shipbrokers, the constant business cooperation between the Group and CMG Group, and will ensure that the pricing of these chartering services will be at market prices and on normal commercial terms.

After the pricing terms have been determined and with the approval from the management, the members of CMG Group and the Group will enter into specific agreements which set out the agreed terms of the transactions.

In addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage 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 all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Payment Terms

Payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Group and CMG Group.

Historically for time charter, the charter hire was payable every 15 days in advance of the delivery; for voyage charter, approximately 90% to 95% of the freight fee less commission and brokerage fee was payable within seven Business Days after signing/releasing the relevant bills of lading. The remaining balance, together with demurrage and/or despatch, was settled within 30 days after completion of the charter.

Option to Renew

The Company has an option to renew the 2018 Master Chartering Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and CMG) before the expiry date of the 2018 Master Chartering Agreement, for a further period of three years. For each such renewal, CMG will be deemed to have granted a new option to the Company for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Annual Caps

Historical transaction values

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the charter hire and C/V/E fees charged by:

- (a) the Group in relation to the provision of chartering services to CMG Group amounted to approximately US\$12,300,000, US\$2,502,000, US\$459,000 and nil, respectively; and
- (b) CMG Group in relation to the provision of chartering services to the Group amounted to approximately US\$10,669,000, US\$4,076,000, US\$3,094,000 and US\$417,000, respectively.

There was no historical payment of address commission by CMG Group to the Group in relation to the provision of chartering services by CMG Group to the Group for the three years ended 31 December 2017 and the two months ended 28 February 2018.

Details of which are set out as follows:

A) Chartering of vessels by the Group to CMG Group

Service	Historical figures			For the two	Current
	For the year ended 31 December			months	approved
	2015	2016	2017	ended 28	annual cap
	(US\$'000)	(US\$'000)	(US\$'000)	February	2018
				2018	(US\$'000)
					<i>(Note 1)</i>
Charter hire and C/V/E fee	12,300	2,502	459	nil	28,250#

Notes:

1. The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.
2. The annual cap figure marked with # represents the aggregate annual cap of the relevant service provided by the Group to all members of CMG Group previously approved by the Board and the Shareholders (if applicable) for the year ending 31 December 2018.

B) Chartering of vessels by CMG Group to the Group

Service	Historical figures			For the two	Current
	For the year ended 31 December			months	approved
	2015	2016	2017	ended 28	annual cap
	(US\$'000)	(US\$'000)	(US\$'000)	February	2018
				2018	(US\$'000)
					<i>(Note 1)</i>
(a) Charter hire and C/V/E fee	10,669	4,076	3,094	417	55,170#
(b) Address commission	nil	nil	nil	nil	684#

Notes:

1. The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual caps for 2018.
2. The annual cap figure marked with # represents the aggregate annual cap of the relevant service provided by the Group to all members of CMG Group previously approved by the Board and the Shareholders (if applicable) for the year ending 31 December 2018.

Proposed Annual Caps

It is expected that the charter hire and C/V/E fees charged by the Group in relation to the provision of chartering services to CMG Group will not exceed approximately US\$10,000,000, US\$12,000,000 and US\$14,000,000 for the three years ending 31 December 2021, respectively; and the annual amount of the charter hire and C/V/E fees charged by CMG Group in relation to the provision of chartering services to the Group will not exceed approximately US\$147,365,000, US\$147,365,000 and US\$147,365,000 for the three years ending 31 December 2021, respectively.

It is expected that the address commission to be paid by CMG Group to the Group in relation to the provision of chartering services to the Group will not exceed approximately US\$5,376,000, US\$5,376,000 and US\$5,376,000 for the three years ending 31 December 2021, respectively.

Details of which are as follows:

A) Chartering of vessels by the Group to CMG Group

Service	Proposed annual caps			Basis of determination for the proposed annual caps
	For the year ended 31 December			
	2019	2020	2021	
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>	
Charter hire and C/V/E fee	10,000	12,000	14,000	Based on the expected increase in the demand for vessels chartering by the Group to CMG Group in the coming years.

B) *Chartering of vessels by CMG Group to the Group*

Service	Proposed annual caps For the year ended 31 December			Basis of determination for the proposed annual caps
	2019 (US\$'000)	2020 (US\$'000)	2021 (US\$'000)	
(a) Charter hire and C/V/E fee	147,365	147,365	147,365	Based on the expected stable demand for vessels chartering by CMG Group to the Group in the coming years. (Note 1)
(b) Address commission	5,376	5,376	5,376	There will be address commission, which is an expense item in the cost of operation, is the discount given by a ship owner (i.e. CMG Group) to a charterer (i.e. the Group) based on a certain percentage on the charter hire, which is calculated at a rate of 3.75% for all vessels according to the industry practice.

Note:

1. The proposed annual caps of charter hire and C/V/E fee have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) CMG Group will charter around 30 vessels to the Combined Group B at a charter hire ranging from approximately US\$12,500 to US\$13,000 per day; and (b) CMG Group will charter around three vessels to Sinotrans Container Lines at a charter hire fee of approximately US\$3,700 per day on average.

Apart from the above, the proposed annual caps of the charter hire and the C/V/E fees charged by CMG Group to the Group and the proposed annual caps of charter hire and the C/V/E fees charged by the Group to CMG Group in relation to the chartering of the vessels for the three years ending 31 December 2021 have been determined with reference to (i) the expected growing need for vessels chartering services between CMG Group and the Group; (ii) the interest in developing continuous business relationship and cooperation between CMG Group and the Group; and (iii) the prevailing market rate of time charter of vessel of a similar class.

(6) 2018 Sinochart Master Chartering Agreement

On 23 July 2018, the 2018 Sinochart Master Chartering Agreement was entered into between the Company and Sinochart to set out the chartering services to be provided between Sinochart Group and the Combined Group A (i.e. the Group excluding the Sinochart Group). The purpose of entering into the 2018 Sinochart Master Chartering Agreement is to facilitate the cooperation between Sinochart Group and the Combined Group A and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other.

The vessels to be chartered by Sinochart Group to the Combined Group A are different from those owned by the Combined Group A in terms of carriage capacities, shipping routes or located in different piers globally. It provides the flexibility and serves the mutual business needs of Sinochart Group and the Combined Group A.

Term and Scope

The term of the 2018 Sinochart Master Chartering Agreement commences from 1 January 2019 and expires on 31 December 2021.

The 2018 Sinochart Master Chartering Agreement provides a framework to govern the chartering services to be provided between Sinochart Group and the Combined Group A. Members of the Combined Group A and Sinochart Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 Sinochart Master Chartering Agreement and the laws and regulations applicable to the Company and Sinochart. Such agreements should specify (amongst other things) the types of vessels, number of vessels, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

The charter hire and C/V/E fees under the 2018 Sinochart Master Chartering Agreement will be determined based on the following factors:

- (a) the amount of charter hire and C/V/E fees must be fair and reasonable;
- (b) the charter hire and C/V/E fees payable by the Combined Group A to Sinochart Group should not be higher than the charter hire and C/V/E fees payable by the Combined Group A to Independent Third Parties;
- (c) the address commission (i.e. an expense item in the cost of operation, being the discount given by the ship owner to a charterer based on a certain percentage of the charter hire) which the Combined Group A charges Sinochart Group should not be lower than the address commission which the Combined Group A charges Independent Third Parties;

- (d) the charter hire and C/V/E fees which the Combined Group A charges Sinochart Group should not be lower than the charter hire and C/V/E fees which the Combined Group A charges Independent Third Parties; and
- (e) the address commission payable by the Combined Group A to Sinochart Group should not be higher than the address commission payable by the Combined Group A to Independent Third Parties.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the fees and terms of each transaction contemplated under the 2018 Sinochart Master Chartering Agreement.

The services team of the Company, having market intelligence regarding pricing of chartering fees in the shipping market and receives daily report from the public shipbroker, is responsible for reviewing and approving the pricing prior to entering into any new agreement. As there are alternative sources of supplies of chartering of vessels with comparable pricing and quality offered to/by the Combined Group A and Sinochart, both the Combined Group A and Sinochart will make reference to the fees of similar chartering services quoted from the Independent Third Parties for comparison purpose prior to the entering into any new agreement.

For the chartering of vessels by the Combined Group A to Sinochart, the Combined Group A must offer the terms of the chartering contracts to Sinochart no more favourable than Independent Third Parties. The market price of chartering will be referenced to Baltic Dry Index or the average chartering fees in respect of similar vessel sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter according to the daily quotations as disclosed in more than 10 shipbroker reports received through emails. The Company will then compare the terms of such quotations and pass to the management of the services team of the Company for approval to ensure the terms of the chartering contracts to Sinochart are no more favourable than the Independent Third Parties.

For the chartering of vessels by Sinochart to the Combined Group A, the Combined Group A will take into consideration the prevailing market price of chartering with reference to independent market data such as the Baltic Dry Index or the average chartering fees in respect of similar vessels sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter according to the daily quotations provided by public shipbrokers, the constant business cooperation between the Combined Group A and Sinochart, and will ensure that the pricing of these chartering services will be at market prices and on normal commercial terms.

After the pricing terms have been determined and with the approval from the management, the members of Sinochart Group and the Combined Group A will enter into specific agreements which set out the agreed terms of the transactions.

In addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage 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 all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Payment Terms

Payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Combined Group A and Sinochart Group.

Historically for time charter, the charter hire was payable every 15 days in advance of the delivery; for voyage charter, approximately 90% to 95% of the freight fee less commission and brokerage fee was payable within seven Business Days after signing/releasing the relevant bills of lading. The remaining balance, together with demurrage and/or despatch, was settled within 30 days after completion of the charter.

Option to Renew

The Company has an option to renew the 2018 Sinochart Master Chartering Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and Sinochart) before the expiry date of the 2018 Sinochart Master Chartering Agreement, for a further period of three years. For each such renewal, Sinochart will be deemed to have granted a new option to the Company for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Annual Caps

Historical transaction values

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the charter hire and C/V/E fees charged by:

- (a) the Combined Group A in relation to the provision of chartering services to Sinochart Group amounted to approximately US\$11,243,000, US\$6,316,000, US\$8,723,000 and US\$1,281,000, respectively; and
- (b) Sinochart Group in relation to the provision of chartering services to the Combined Group A amounted to nil, nil, approximately US\$407,000 and US\$1,569,000, respectively.

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the address commission to be paid by:

- (a) the Combined Group A to Sinochart Group in relation to the provision of chartering services to Sinochart Group amounted to approximately US\$412,000, US\$231,000, US\$335,000 and nil, respectively; and
- (b) Sinochart Group to the Combined Group A in relation to the provision of chartering services to the Combined Group A amounted to nil, nil, nil and nil, respectively.

Details of which are set out as follows:

A) Chartering of vessels by the Combined Group A to Sinochart Group

Service	Historical figures			For the two months ended 28 February 2018	Current approved annual cap 2018
	For the year ended 31 December			(US\$'000) (Note 1)	(US\$'000)
	2015 (US\$'000)	2016 (US\$'000)	2017 (US\$'000)		
(a) Charter hire and C/V/E fee	11,243	6,316	8,723	1,281	49,400
(b) Address commission	412	231	335	nil	1,853

Note:

- The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.

B) Chartering of vessels by Sinochart Group to the Combined Group A

Service	Historical figures			For the two months ended 28 February 2018	Current approved annual cap 2018
	For the year ended 31 December			(US\$'000) (Note 1)	(US\$'000)
	2015 (US\$'000)	2016 (US\$'000)	2017 (US\$'000)		
(a) Charter hire and C/V/E fee	nil	nil	407	1,569	99,245
(b) Address commission	nil	nil	nil	nil	3,726

Note:

- The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.

Proposed Annual Caps

It is expected that the charter hire and C/V/E fees charged by the Combined Group A in relation to the provision of chartering services to Sinochart Group will not exceed approximately US\$49,400,000, US\$49,400,000 and US\$49,400,000 for the three years ending 31 December 2021, respectively; and the annual amount of the charter hire and C/V/E fees charged by Sinochart Group in relation to the provision of chartering services to the Combined Group A will not exceed approximately US\$127,400,000, US\$150,800,000 and US\$181,220,000 for the three years ending 31 December 2021, respectively.

It is expected that the address commission to be paid by the Combined Group A to Sinochart Group in relation to the provision of chartering services to Sinochart Group will not exceed approximately US\$1,853,000, US\$1,853,000 and US\$1,853,000 for the three years ending 31 December 2021, respectively; and the address commission to be paid by Sinochart Group to the Combined Group A in relation to the provision of chartering services to the Combined Group A will not exceed approximately US\$1,853,000, US\$1,853,000 and US\$1,853,000 for the three years ending 31 December 2021, respectively.

Details of which are as follows:

A) Chartering of vessels by the Combined Group A to Sinochart Group

Service	Proposed annual caps		
	For the year ended 31 December		
	2019	2020	2021
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
(a) Charter hire and C/V/E fee	49,400	49,400	49,400
(b) Address commission	1,853	1,853	1,853

B) Chartering of vessels by Sinochart Group to the Combined Group A

Service	Proposed annual caps		
	For the year ended 31 December		
	2019	2020	2021
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
(a) Charter hire and C/V/E fee <i>(Note 1)</i>	127,400	150,800	181,220
(b) Address commission	1,853	1,853	1,853

Note:

1. The proposed annual caps of charter hire and C/V/E fee have significantly increased as compared to the historical transaction values for the three years ended 31 December 2017 after taking into account the following factors: (a) 10 vessels of the Combined Group A will require chartering services from Sinochart Group at a charter hire and C/V/E fee of approximately US\$13,500 per day; and (b) it is expected that there will be 39 voyages to be chartered by Sinochart Group to the Combined Group A in 2019 at a charter hire and C/V/E fee of approximately US\$2,000,000 per voyage.

The proposed annual caps of the charter hire, the C/V/E Fee and the address commission in relation to the chartering of the vessels for the three years ending 31 December 2021 have been determined with reference to (i) the continuing need expressed by Sinochart to the Combined Group A for vessels chartering for each of the three years ending 31 December 2021; (ii) the continuing need expressed by the Combined Group A to Sinochart for vessels chartering for each of the three years ending 31 December 2021; (iii) the interest in developing further business relationship between the Combined Group A and Sinochart; (iv) the prevailing market rate of time charter of a vessel of a similar class; (v) the average rate of the address commission charged by third parties, which is calculated at a rate of 3.75% of the Charter Hire and C/V/E Fee; and (vi) mutual agreement between Sinochart and the Combined Group A.

(7) 2018 SNL Master Chartering Agreement

On 23 July 2018, the 2018 SNL Master Chartering Agreement was entered into between the Company and Sinotrans Container Lines to set out the chartering services to be provided by the Combined Group B (i.e. the Group excluding Sinotrans Container Lines Group) to Sinotrans Container Lines Group. The purpose of entering into the 2018 SNL Master Chartering Agreement is to offer chartering services provided by members of the Combined Group B to Sinotrans Container Lines and to maintain a steady flow of income into the Combined Group B.

Term and Scope

The term of the 2018 SNL Master Chartering Agreement commences from 1 January 2019 and expires on 31 December 2021.

The 2018 SNL Master Chartering Agreement provides a framework to govern the chartering services to be provided by the Combined Group B to Sinotrans Container Lines Group. Members of the Combined Group B and Sinotrans Container Lines Group shall, taking into account of their needs, enter into specific agreements to specify the detailed terms and arrangements in line with the principles of the 2018 SNL Master Chartering Agreement and the laws and regulations applicable to the Company and Sinotrans Container Lines. Such agreements should specify (amongst other things) the types of vessels, number of vessels, fees, payment terms and the effective period.

Pricing Policies and relevant Internal Control Measures

The charter hire and C/V/E fees under the 2018 SNL Master Chartering Agreement will be determined based on the following factors:

- (a) the amount of charter hire and C/V/E fees must be fair and reasonable;
- (b) the charter hire and C/V/E fees which the Combined Group B charges Sinotrans Container Lines Group should not be lower than the charter hire and C/V/E fees which the Combined Group B charges Independent Third Parties; and
- (c) the address commission payable by the Combined Group B to Sinotrans Container Lines Group should not be higher than the address commission payable by the Combined Group B to Independent Third Parties.

Based on the pricing principles as disclosed above, the operation teams and the management of the Company will follow the procedures below in order to determine the fees and terms of each transaction contemplated under the 2018 SNL Master Chartering Agreement.

The services team of the Company, having market intelligence regarding pricing of chartering fees in the shipping market and receives daily report from the public shipbroker, is responsible for reviewing and approving the pricing prior to entering into any new agreement. As there are alternative sources of supplies of chartering services with comparable pricing and quality, the Combined Group B and Sinotrans Container Lines will make reference to the fees of similar chartering services in respect of similar vessel sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter quoted from Independent Third Parties for comparison purpose prior to the entering into any new agreement. For the chartering of vessels by the Combined Group B to Sinotrans Container Lines, the Combined Group B must offer the terms of the chartering contracts to Sinotrans Container Lines no more favourable than Independent Third Parties. The market price of chartering will be referenced to the container chartering fee index announced by Clarkson Research Services Limited or the average chartering fees in respect of similar vessel sizes, speed, consumptions, carrying capacities, shipping routes or periods of charter according to the daily quotations as disclosed in more than 10 shipbroker reports received through emails. The Company will then compare the terms of such quotations and pass to the management of the services team of the Company for approval to ensure the terms of the chartering contracts to Sinotrans Container Lines are no more favourable than the Independent Third Parties.

After the pricing terms have been determined and with the approval from the management, the members of Sinotrans Container Lines Group and the Combined Group B will enter into specific agreements which set out the agreed terms of the transactions.

In addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage 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 all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Payment Terms

Payment of the relevant services provided will be made in accordance with the payment terms as set out in the specific agreements between the Combined Group B and Sinotrans Container Lines Group.

Historically for time charter, the charter hire was payable every 15 days in advance of the delivery; for voyage charter, approximately 90% to 95% of the freight fee less commission and brokerage fee was payable within seven Business Days after signing/releasing the relevant bills of lading. The remaining balance, together with demurrage and/or despatch, was settled within 30 days after completion of the charter.

Option to Renew

The Company has an option to renew the 2018 SNL Master Chartering Agreement, at any time within the 12-month period (or any other time as may be agreed by the Company and Sinotrans Container Lines) before the expiry date of the 2018 SNL Master Chartering Agreement, for a further period of three years. For each such renewal, Sinotrans Container Lines will be deemed to have granted a new option to the Company for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Annual Caps

Historical transaction values

For each of the three years ended 31 December 2017 and the two months ended 28 February 2018, the charter hire and C/V/E fees charged by the Combined Group B in relation to the provision of chartering services to Sinotrans Container Lines Group amounted to approximately US\$18,606,000, US\$23,338,000, US\$27,020,000 and US\$5,758,000, respectively.

There was no historical payment of address commission paid by the Combined Group B to Sinotrans Container Lines Group in relation to the provision of chartering services to Sinotrans Container Lines Group for the three years ended 31 December 2017 and the two months ends 28 February 2018.

Details of which are set out as follows:

Service	Historical figures			For the two	Current
				months	approved
				ended 28	annual cap
	For the year ended 31 December			February	2018
	2015	2016	2017	2018	2018
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
				<i>(Note 1)</i>	
(a) Charter hire and C/V/E fee	18,606	23,338	27,020	5,758	73,000
(b) Address commission	nil	nil	nil	nil	2,738

Note:

- The Company expects that the actual transaction amount of the year ending 31 December 2018 will not exceed the annual cap for 2018.

Proposed Annual Caps

It is expected that the charter hire and C/V/E fees charged by the Combined Group B in relation to the provision of chartering services to Sinotrans Container Lines Group will not exceed approximately US\$47,450,000, US\$54,750,000 and US\$54,750,000 for the three years ending 31 December 2021, respectively.

It is expected that the address commission to be paid by the Combined Group B to Sinotrans Container Lines Group in relation to the provision of chartering services to Sinotrans Container Lines Group will not exceed approximately US\$1,187,000, US\$1,369,000 and US\$1,369,000 for the three years ending 31 December 2021, respectively.

Details of which are as follows:

Service	Proposed annual caps		
	For the year ended 31 December		
	2019	2020	2021
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
(a) Charter hire and C/V/E fee	47,450	54,750	54,750
(b) Address commission	1,187	1,369	1,369

The proposed annual caps of the charter hire, the C/V/E Fee and the address commission in relation to the chartering of the vessels for the three years ending 31 December 2021 have been determined with reference to (i) the continuing need expressed by Sinotrans Container Lines to the Combined Group B for vessels chartering which will be about 13, 15 and 15 vessels to be chartered from the Combined Group B for each of the three years ending 31 December 2021 at an estimated charter hire fee of US\$10,000 per day for each vessel; (ii) the interest in developing further business relationship between the Combined Group B and Sinotrans Container Lines; (iii) the prevailing market rate of time charter of a vessel of a similar class; and (iv) the average rate of the address commission charged by third parties, which is calculated at a rate of 2.5% of the Charter Hire and C/V/E Fee.

(8) 2018 Master Financial Services Agreement

On 23 July 2018, the Company and the Finance Company entered into the 2018 Master Financial Services Agreement in relation to the provision of financial services by the Finance Company to the Group.

Term and Scope

The term of the 2018 Master Financial Services Agreement commences from 1 January 2019 and expires on 31 December 2021.

The Group may from time to time obtain the following financial services from the Finance Company:

1. Deposit Services: provision of deposit services to the Group on normal commercial terms.
2. Loan Services: subject to the applicable laws and regulations, provision of loan services to the Group on normal commercial terms.
3. Other Financial Services:
 - (a) Settlement services: provision of settlement services to the Group on normal commercial terms.
 - (b) Notes services: provision of notes services (including but not limited to bank acceptance bill, commercial acceptance bill and related business) on normal commercial terms on application of the Group.
 - (c) Foreign exchange services: the Finance Company may on application of the Company provide foreign exchange settlement services on normal commercial terms.
 - (d) The Finance Company may also provide other financial services to the Group within the business scope of the relevant entity on normal commercial terms.

Proposed Annual Caps for the Deposit Services

For the years ended 31 December 2015, 31 December 2016, 31 December 2017 and the two months ended 28 February 2018, the maximum daily outstanding balance placed by the Group with the Finance Company were approximately RMB347,128,000, RMB345,213,000, RMB349,633,000 and RMB349,061,000 respectively. Having taken into account the historical figures and the business needs of the Group (including the desirability of allowing some flexibility for members of the Group in establishing its commercial banking relationships), it is provided under the 2018 Master Financial Services Agreement that the maximum daily outstanding balance of deposits placed by the Group with the Finance Company (including accrued interests and surcharges, but not including any loans advanced by the Finance Company) for each of the three years ending 31 December 2021 will not exceed RMB2 billion, respectively.

The proposed annual caps for the three years ending 31 December 2021 represent approximately 42.1% of the cash and cash balances of the Group as at 31 December 2017, and are determined by reference to (i) the historical amounts deposited by the Group to the Finance Company; (ii) the possible deposit amounts that will be placed by them in the Finance Company in the coming three years; and (iii) the interest rates of such deposits which are determined at rates not less favorable than the benchmark rates set by the PBOC or the average interest rates set by the major financial institutions in the relevant jurisdictions from time to time.

Internal Control and Risk Management Measures

- 1) The Group utilises the services of the Finance Company on a voluntary, non-exclusive basis and is not obliged to engage the Finance Company for any services. The Finance Company is merely one of the financial institutions which provide services to the Group.
- 2) In accordance with the compliance and disclosure requirements to which the Group is subject, the Finance Company will provide, to the extent necessary, all legal documents, agreements, government approvals, financial data and other information relating to the performance of the 2018 Master Financial Services Agreement.
- 3) The Finance Company has obligation to keep confidential the Group's unpublished information that it has obtained in the course of its provision of financial services to the Group under the 2018 Master Financial Services Agreement, except as otherwise required by applicable laws and regulations (including the Listing Rules).
- 4) The Finance Company will strictly comply with the relevant laws and regulations and requirements imposed by the regulatory authority and ensure the security of funds of the Group.

As advised by the Finance Company:

- 1) the Finance Company is regulated by the PBOC and the CBIRC. Supervision check by the CBIRC includes regular examination of the audited financial statements and other relevant documents required to be filed by the Finance Company, on-site inspections and interviews with the senior management of the Finance Company. The Finance Company is also required to meet certain financial ratios set by the CBIRC; and
- 2) the Finance Company has established a series of internal control and management measures. A risk control committee has been established to (a) monitor the risk control implementation of each business activity of the Finance Company; and (b) report to the board of directors of the Finance Company.

In addition, the finance department of the Company will monitor the actual transaction amounts against the approved annual caps, and the Company will engage 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 all material respects, in accordance with the pricing policies of the Company. The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

Pricing Mechanism for the Deposit Services

In respect of the Deposit Services, the interest rates shall be higher than or equal to the general interest rates set by the PBOC (if applicable) for the same term of deposit in the same period, and the average interest rate provided by major financial institutions in the PRC, for the same term of deposit in the same period. Before placing the deposits to the Finance Company, the finance department of the Group will (i) obtain the latest general interest rates set by the PBOC for the same term of deposit in the same period; and (ii) make enquiries with major financial institutions to obtain up-to-date information of the interest rates on deposit. In view of the availability of sufficient comparable market data for interest rate quotes for the same term of deposit in the same period, and the finance team of the Group taking steps to ensure that the interest rate offered by the Finance Company would be no less favourable than the average interest rate offered by other major financial institutions to the Group or the general interest rates set by the PBOC, the Board is of the view that the aforesaid arrangement could ensure that the interest rate offered by the Finance Company would be no less favourable than that offered by Independent Third Parties.

(9) 2018 Trademark License Agreement

On 23 July 2018, the Company and Sinotrans & CSC entered into the 2018 Trademark License Agreement in relation to the licensing of the trademarks by Sinotrans & CSC to the Company.

Term

The term of the 2018 Trademark License Agreement commences from 1 January 2019 and expires on 31 December 2021.

Scope

Sinotrans & CSC agreed to grant to the Company and its subsidiaries and joint ventures a non-exclusive and non-transferrable right to use certain trademarks registered by the Sinotrans & CSC Group for the business purpose of the Group (including but not limited to advertising, promotion and exhibition) worldwide at no consideration. Such trademarks are essential for the Group to conduct its business.

The 2018 Trademark License Agreement covers trademarks in various jurisdictions, including but not limited to the United Kingdom, Germany, Hong Kong, Japan, Macau, the PRC, Singapore, Taiwan and the United States.

SUFFICIENCY OF INTERNAL CONTROL MEASURES

In view of the internal control measures implemented in respect of the transactions contemplated under the 2018 CCT Master Agreements as set out in the section headed “Continuing Connected Transactions” above, in particular:

- (a) the Group will only provide services to CMG Group, Sinochart Group and/or Sinotrans Container Lines Group if the terms and conditions are no more favourable than that offered by the Group to Independent Third Parties according to the general pricing policies;
- (b) the Group will only receive services from CMG Group, Sinochart Group and/or Sinotrans Container Lines Group if the terms and conditions offered by them are fair and reasonable and around the ranges of quotes offered by the Independent Third Parties;
- (c) the finance department of the Company will monitor the actual transaction amounts in respect of the transactions contemplated under the 2018 CCT Master Agreements against the proposed annual caps on an ongoing basis and will ensure that the proposed annual caps will not be exceeded;
- (d) if any of the proposed annual caps is exceeded, the finance department of the Company will inform the management and revise the annual caps, and the Company will re-comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules;
- (e) the Company will engage 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 all material respects, in accordance with the pricing policies of the Company; and
- (f) the independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions.

The Directors are of the view that the existing internal control measures and mechanisms are sufficient to ensure that the transactions contemplated under the 2018 CCT Master Agreements will be conducted on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders.

BASIS OF PROPOSED ANNUAL CAPS

The proposed annual caps in respect of the transactions contemplated under the 2018 CCT Master Agreements as set out in the section headed “Continuing Connected Transactions” above have generally taken into account the following factors:

- (a) historical transaction values of the relevant services have been obtained (if available) for the three years ended 31 December 2017 and the two months ended 28 February 2018;
- (b) quotations from at least two Independent Third Parties have been obtained (where applicable) for comparison purpose;
- (c) the current and expected fleet size over the next three years, and the demand of relevant services of CMG Group, Sinochart Group and/or Sinotrans Container Lines Group; and
- (d) the expected increase in demand of the relevant services in the coming three years following the Reorganisation.

Based on the above, the Directors are of the view that the proposed annual caps of all transactions under the 2018 CCT Master Agreements are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

The proposed annual caps for most of the transactions as contemplated under the 2018 CCT Master Agreements have increased as compared to the historical transaction values for the three years ended 31 December 2017. This is mainly attributable to the change in the corporate structure of CMG Group and the Group following the Reorganisation, which leads to an increase in the fleet size and an increase in the demand of the various shipping services by CMG Group and the Group. The proposed annual caps are determined after considering the historical transaction values of the relevant services and the impact of the Reorganisation. For the reasons of significant increments of the proposed annual caps of certain transactions, please refer to the section headed “Continuing Connected Transactions” above.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS CONTEMPLATED UNDER THE 2018 CCT MASTER AGREEMENTS

The 2018 CCT Master Agreements provide a general framework governing certain continuing connected transactions which have been taking place between the Group and CMG Group for years. These continuing connected transactions are essential for the continued business operation and development of the Group.

The leasing of the Properties under the 2018 Master Tenancy and Property Management Agreement allows continuous and stable use by the Group of premises for its business operations at market rate without expending the resources and the disruption that relocation inevitably entails.

Some of the general services provided by CMG Group to the Group under the 2018 Master Services Agreement will enable the Group to provide end-to-end general services to customers covering locations in which the Group does not have operations. The Group requires some of general services from CMG Group because such services to be provided by CMG Group are different in terms of technicality, service scope, physical locations in which the Group does not have available vessels. On the other hand, the Group is able to provide services to members of CMG Group, who are not in the same line of business or who do not operate in the areas in which the Group has its core operations.

The 2018 Master Chartering Agreement facilitates the cooperation between CMG Group and the Group in respect of chartering services and allows for better utilization of internal resources to increase competitiveness, which is mutually beneficial to each other. The vessels to be chartered by CMG Group to the Group are different from those owned by the Group in terms of carrying capacities, shipping routes or located in different piers globally, the entering into of the 2018 Master Chartering Agreement provides the flexibility and serves the mutual business needs of CMG Group and the Group.

The purpose of entering into the 2018 Sinochart Master Services Agreement and the 2018 Sinochart Master Chartering Agreement is to facilitate the cooperation between Sinochart Group and the Group and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to both Sinochart Group and the Group. Similarly, the entering into of the 2018 SNL Master Services Agreement and the 2018 SNL Master Chartering Agreement helps facilitate the cooperation between Sinotrans Container Lines Group and the Group and allow for better utilization of internal resources to increase competitiveness, which is mutually beneficial to both Sinotrans Container Lines Group and the Group.

The Group maintains deposits with and engages commercial banks for financial services from time to time as part of its treasury activities and to satisfy its business needs in its ordinary and usual course of business. The Directors consider that the Finance Company is able to provide a variety of banking and related services in support of the Group's business and treasury activities. There is no restriction under the 2018 Master Financial Services Agreement on the Group's ability to secure the services of other banks or financial institutions of its choice. The entering into of the 2018 Master Financial Services Agreement shall not limit the Group's choice of banks or financial institutions and the Group can decide the extent of use of Deposit Services and other financial services from the Finance Company as long as the relevant proposed annual caps are not exceeded. The Group may make its selection according to the fees being charged and the quality of services being delivered.

Considering that (i) the Finance Company is a state-owned financial institution and an indirect wholly-owned subsidiary of CMG, which is a state wholly-owned enterprise with sound credit rating; and (ii) the internal control and risk management measures referred to in the paragraph headed "(8) 2018 Master Financial Services Agreement-Internal Control and Risk Management Measures" have been adopted, the Group expects that it would not be exposed to high credit risk for depositing in the Finance Company.

The 2018 Trademark License Agreement authorises the Group to use, for no consideration, the trademarks registered by the Sinotrans & CSC Group worldwide. Such trademarks are essential for the Group to conduct its business.

Given that the entering into of the 2018 CCT Master Agreements enable the Group to manage and optimise the use of resources via the platform of CMG Group and create synergies between the CMG Group and the Group, the Directors consider that transactions contemplated under the 2018 CCT Master Agreements are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable, and are in the interest of the Group and the Shareholders as a whole.

INFORMATION OF THE COMPANY AND COUNTERPARTIES

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

CMG is a state wholly-owned enterprise and is supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. As an integrated enterprise with diversified businesses, CMG is currently focusing on three core business sectors – transportation (ports and related services, toll roads, shipping, logistics, offshore engineering and trade), finance (banking, securities, funds, insurance) and property development.

Sinchart is a limited liability company established in the PRC and is an indirect non-wholly owned subsidiary of the Company. It is principally engaged in dry bulk shipping.

Sinotrans Container Lines is a limited liability company established in the PRC and is an indirect non-wholly owned subsidiary of the Company. It is principally engaged in providing international container liner services.

The Finance Company is a limited liability company established in the PRC and is an indirect wholly-owned subsidiary of CMG. Its business scope includes: (i) financial consultancy services, credit appraisal and other relevant advice; (ii) payment and settlement services; (iii) guarantees, bills acceptance and discounting services; (iv) loans and finance lease services; (v) deposit services, (vi) corporate bond underwriting services for members of the CMG Group, and (vii) other financial services approved by regulators in the PRC.

Sinotrans & CSC is a PRC state-owned enterprise which indirectly owns approximately 68.25% of the Company as at the date of this announcement. It is the biggest comprehensive logistics service provider in the PRC with logistics as its core business, followed by shipping and shipbuilding.

IMPLICATIONS UNDER THE LISTING RULES

Sinotrans & CSC is the controlling shareholder interested in approximately 68.25% of all the issued shares of the Company as at the date of this announcement, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

CMG, through its direct ownership of the entire equity interest in Sinotrans & CSC, is an indirect controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

Accordingly, the transactions contemplated under each of the 2018 CCT Master Agreements (which are entered into between the Company and CMG) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Finance Company is an indirect wholly-owned subsidiary of CMG and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2018 Master Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Sinochart and Sinotrans Container Lines are non wholly-owned subsidiaries of the Company as each of Marine Peace and Marine Harvest has appointment and removal right for a majority of the board of directors of each of Sinochart and Sinotrans Container Lines, respectively. Sinotrans & CSC is a joint venture party to and holds 51% equity interest of each of Sinochart and Sinotrans Container Lines. Accordingly, Sinochart and Sinotrans Container Lines are deemed to be connected persons of the Company for the purpose of Rule 14A.16(1) of the Listing Rules and the transactions with Sinochart and Sinotrans Container Lines constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In relation to the 2018 Master Tenancy and Property Management Agreement, given that some of the applicable percentage ratios for the transactions contemplated thereunder on an annual basis are expected to be more than 0.1% but all of the applicable percentage ratios are less than 5%, such transactions will be exempted from the Independent Shareholders' approval requirement and will be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

In relation to the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement and the 2018 SNL Master Services Agreement, given that some of the applicable percentage ratios for the transactions contemplated thereunder on an annual basis, when aggregated under Rule 14A.81 of the Listing Rules are expected to be more than 5%, such transactions will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In relation to the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement and the 2018 SNL Master Chartering Agreement, given that some of the applicable percentage ratios for the transactions contemplated thereunder on an annual basis are expected to be more than 5%, such transactions will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In relation to the 2018 Master Financial Services Agreement, as one or more of the applicable percentages calculated in accordance with the Listing Rules in respect of the maximum daily outstanding balance of the Deposit Services will be higher than 5% and the annual caps exceed HK\$10,000,000, the maximum daily outstanding balance of the Deposit Services is therefore subject to the reporting, annual review, announcement and the approval from Independent Shareholders requirements under Chapter 14A of the Listing Rules. In addition, the deposits made in the Finance Company are provision of financial assistance by the Company under Rule 14.04(1)(e) of the Listing Rules. As some of the percentage ratios in respect of the placing of deposits in the Finance Company exceed 25% but are all below 100% on an annual basis, such placing of deposits also constitute major transactions of the Company which are subject to the reporting, announcement and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

The Loan Services, which is on normal commercial terms (similar or better than those offered by Independent Third Parties for comparable services), and no security over the assets of the Group will be required for the credit facility services, will amount to financial assistance by a connected person for the benefit of the Group which is exempt under the Rule 14A.90 of the Listing Rules from reporting, annual review, announcement and Independent Shareholders' approval requirements.

The annual transaction amount of the Other Financial Services to be provided by the Finance Company to the Group under the 2018 Master Financial Services Agreement will fall within the de minimis threshold for exemption set forth in Rule 14A.76(1) of the Listing Rules. Thus, the provision of the Other Financial Services by the Finance Company to the Group is exempt from reporting, annual review, announcement and approval from Independent Shareholders requirements under the Listing Rules. The Company will comply with the applicable requirements of reporting, annual review, announcement and approval from Independent Shareholders under the Listing Rules if the transaction amount of any Other Financial Services would exceed the relevant threshold.

In relation to the 2018 Trademark License Agreement, given there is no charge for licensing the trademarks thereunder, such transactions will be exempted from reporting, annual review, announcement and approval from the Independent Shareholders requirements under the Listing Rules.

GENERAL

The independent non-executive Directors will express their views after receiving advice from the Independent Financial Adviser as to whether the terms of the 2018 Master Services Agreement, the 2018 Sinohart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinohart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

In addition, the proposed annual caps contemplated under the 2018 CCT Master Agreements are determined by the Directors (other than the independent non-executive Directors) after due and careful consideration and on a fair and reasonable basis. The independent non-executive Directors will express their view after receiving advice from the Independent Financial Adviser as to whether the pricing principles and procedures used in determining (i) the services fees under the 2018 Master Services Agreements, the 2018 Sinochart Master Services Agreement and the 2018 SNL Master Services Agreement; (ii) the chartering fees under 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement and the 2018 SNL Master Chartering Agreement; and (iii) the maximum daily outstanding balance of the Deposit Services under the 2018 Master Financial Services Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders as to whether the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder, in accordance with the Listing Rules. Such appointment has been approved by the Independent Board Committee.

None of the Directors has a material interest in the 2018 CCT Master Agreements and the transactions contemplated thereunder. Pursuant to the articles of association of the Company, all the executive Directors and the non-executive Directors were required to abstain from voting on the relevant resolutions of the Board in relation to the transactions contemplated under the 2018 CCT Master Agreements.

A circular of the Company containing, among others, (i) the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules will be sent to the Shareholders on or around 24 July 2018.

DEFINITIONS

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

“2016 CCT Master Agreements”	comprising: (a) the 2016 CMB Financial Services Agreement; (b) the 2016 CMG Energy Master Chartering Agreement; (c) the 2016 CMG Subsidiaries Master Services Agreements; (d) the 2016 Sinochart Master Chartering Agreement; (e) the 2016 Sinochart Master Services Agreement; (f) the 2016 Sinotrans Financial Services Framework Agreement; (g) the 2016 SNL Master Chartering Agreement; (h) the 2016 SNL Master Services Agreement; (i) the 2016 Supplemental Parent Master Chartering Agreement; (j) the 2016 Supplemental Parent Master Services Agreement; and (k) the 2016 Supplemental Renewed Master Tenancy and Property Management Agreement;
“2016 CMB Financial Services Agreement”	the financial services agreement dated 13 June 2016 entered into between the Company and China Merchants Bank;
“2016 CMG Energy Master Chartering Agreement”	the master chartering agreement dated 13 June 2016 entered into between the Company and China Merchants Energy;
“2016 CMG Subsidiaries Master Services Agreements”	comprising (a) the 2016 Hoi Tung Master Services Agreement; (b) the 2016 CMG Industrial Maintenance and Repairing Services Agreement; and (c) the 2016 CMG Logistic Services Agreement;
“2016 Hoi Tung Master Services Agreement”	the master services agreement dated 13 June 2016 entered into between the Company and HK Hoi Tung;
“2016 CMG Industrial Maintenance and Repairing Services Agreement”	the industrial maintenance and repairing services agreement dated 13 June 2016 entered into between the Company and CMG Industry;
“2016 CMG Logistic Services Agreement”	the logistic services agreement dated 13 June 2016 entered into between the Company and CMG Logistic;
“2016 Sinochart Master Chartering Agreement”	the Sinochart master chartering agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;
“2016 Sinochart Master Services Agreement”	the Sinochart master services agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;

“2016 Sinotrans Financial Services Framework Agreement”	the financial services framework agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;
“2016 SNL Master Chartering Agreement”	the SNL master chartering agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;
“2016 SNL Master Services Agreement”	the SNL master services agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;
“2016 Supplemental Parent Master Chartering Agreement”	the supplemental parent master chartering agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;
“2016 Supplemental Parent Master Services Agreement”	the supplemental parent master services agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;
“2016 Supplemental Renewed Master Tenancy and Property Management Agreement”	the supplemental renewed master tenancy and property management agreement dated 13 June 2016 entered into between the Company and Sinotrans & CSC;
“2018 CCT Master Agreements”	comprising: (a) the 2018 Master Chartering Agreement; (b) the 2018 Sinochart Master Chartering Agreement; (c) the 2018 SNL Master Chartering Agreement; (d) the 2018 Master Services Agreement; (e) the 2018 Sinochart Master Services Agreement; (f) the 2018 SNL Master Services Agreement; (g) the 2018 Master Tenancy and Property Management Agreement; (h) the 2018 Master Financial Services Agreement; and (i) the 2018 Trademark License Agreement;
“2018 Master Chartering Agreement”	the master chartering agreement dated 23 July 2018 entered into between the Company and CMG;
“2018 Master Services Agreement”	the master services agreement dated 23 July 2018 entered into between the Company and CMG;
“2018 Master Tenancy and Property Management Agreement”	the master tenancy and property management agreement dated 23 July 2018 entered into between the Company and CMG;
“2018 Master Financial Services Agreement”	the master financial services agreement dated 23 July 2018 entered into between the Company and the Finance Company;

“2018 Sinochart Master Chartering Agreement”	the master chartering agreement dated 23 July 2018 entered into between the Company and Sinochart;
“2018 Sinochart Master Services Agreement”	the master services agreement dated 23 July 2018 entered into between the Company and Sinochart;
“2018 SNL Master Chartering Agreement”	the master chartering agreement dated 23 July 2018 entered into between the Company and Sinotrans Container Lines;
“2018 SNL Master Services Agreement”	the master services agreement dated 23 July 2018 entered into between the Company and Sinotrans Container Lines;
“2018 Trademark License Agreement”	the trademark license agreement dated 23 July 2018 entered into between the Company and Sinotrans & CSC;
“Board”	the board of Directors;
“Business Day”	any day (other than a Saturday, Sunday and a public holiday) on which commercial banks in Hong Kong and the PRC (as the case may be) are open for business;
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) of the PRC
“China Merchants Bank”	China Merchants Bank Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the A Shares of which are listed on the Shanghai Stock Exchange and the H shares of which are listed on the Stock Exchange;
“China Merchants Energy”	China Merchants Energy Shipping Co., Ltd., a company incorporated in the PRC with limited liability and is an indirect non-wholly owned subsidiary of CMG;
“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 is an indirect controlling shareholder of the Company and directly owned the entire equity interest in Sinotrans & CSC as of the date of this announcement;
“CMG Group”	CMG, its subsidiaries and associates (but excluding the Group);

“CMG Logistic”	China Merchants Logistics Holdings Co., Ltd., a company established in the PRC with limited liability and is an indirect non-wholly owned subsidiary of CMG as at the date of this announcement;
“Combined Group A”	the Group excluding Sinochart Group;
“Combined Group B”	the Group excluding Sinotrans Container Lines Group;
“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(s)”	has the meaning ascribed to it under the Listing Rules;
“C/V/E”	cable, victuals and entertainment;
“Deposit Services”	the provision of the deposit services by the CMG Group to the Group under the 2018 Master Financial Services Agreement;
“Director(s)”	the director(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder;
“Finance Company”	招商局集團財務有限公司 (China Merchants Group Finance Co., Ltd.*) (formerly known as Sinotrans & CSC Finance Co., Ltd.), a limited liability company established in the PRC and is an indirect wholly-owned subsidiary of CMG as at the date of this announcement;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;

“HK Hoi Tung”	China Merchants Hoi Tung Trading Company Limited (formerly known as Hoi Tung Marine Machinery Supplies Ltd), a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of CMG as at the date of this announcement;
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser”	BaoQiao Partners Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which is appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2018 Master Services Agreement, the 2018 Sinochart Master Services Agreement, the 2018 SNL Master Services Agreement, the 2018 Master Chartering Agreement, the 2018 Sinochart Master Chartering Agreement, the 2018 SNL Master Chartering Agreement and the 2018 Master Financial Services Agreement;
“Independent Shareholder(s)”	in respect of the Shareholders other than Sinotrans & CSC and its associates (as defined under the Listing Rules);
“Independent Third party(ies)”	individual(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of the Company and its connected persons;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Services”	the provision of the loan services by the CMG Group to the Group under the 2018 Master Financial Services Agreement;
“Marine Harvest”	Marine Harvest Shipping Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly owned subsidiary of the Company;

“Marine Peace”	Marine Peace Shipping Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly owned subsidiary of the Company;
“Other Financial Services”	the provision of financial services (other than the Deposit Services and the Loan Services) by the CMG Group to the Group under the 2018 Master Financial Services Agreement, including settlement services, notes services, foreign exchange services and other financial services;
“PBOC”	People’s Bank of China;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Properties”	Properties A and Property B;
“Properties A”	the properties to be leased by CMG to the Group pursuant to the 2018 Master Tenancy and Property Management Agreement, further details of the properties are set out in the paragraph headed “(1) 2018 Master Tenancy and Property Management Agreement” in this announcement;
“Property B”	the property to be leased by the Group to CMG pursuant to the 2018 Master Tenancy and Property Management Agreement, further details of the property are set out in the paragraph headed “(1) 2018 Master Tenancy and Property Management Agreement” in this announcement;
“Reorganisation”	the strategic reorganisation between CMG and Sinotrans & CSC which has been approved by the State-owned Assets Supervision and Administration Commission of the State Council on 29 December 2015 (please refer to the announcement of the Company dated 29 December 2015). As disclosed in the announcement of the Company dated 10 April 2017, the relevant legal procedures of the strategic reorganisation have been completed and Sinotrans & CSC has become a wholly-owned subsidiary of CMG and the Company has become a listed subsidiary of CMG;
“Shareholder(s)”	holders of the issued Shares;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;

“Sinochart”	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 as at the date of this announcement;
“Sinochart Group”	Sinochart and its subsidiaries;
“Sinotrans Container Lines”	Sinotrans Container Lines Co., Ltd. (中外運集裝箱運輸有限公司), a limited liability company established in the PRC and is an indirect non-wholly owned subsidiary of the Company as at the date of this announcement;
“Sinotrans Container Lines Group”	Sinotrans Container Lines and its subsidiaries;
“Sinotrans Tianze”	中外運天澤輪船有限公司(Sinotrans Navigation Ltd.*), a limited liability company established in the PRC and is a direct wholly-owned subsidiary of the Company as at the date of this announcement;
“Sinotrans & CSC”	中國外運長航集團有限公司(Sinotrans & CSC Holdings Corporation Limited*), a PRC state-owned enterprise which is wholly-owned by CMG and indirectly owns approximately 68.25% of the Company as at the date of this announcement;
“Sinotrans & CSC Group”	Sinotrans & CSC, its subsidiaries and associates (but excluding the Group);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“US\$”	United States dollar, the lawful currency of the United States.

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

Hong Kong, 23 July 2018

As at the date of this announcement, the executive Director is Mr. Li Hua; the non-executive Directors are Mr. Su Xingang (Chairman) and Mr. Lin Weiwu; and the independent non-executive Directors are Mr. Lee Peter Yip Wah, Mr. Zhou Qifang, Mr. Xu Zhengjun and Mr. Wu Tak Lung.