
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Proposal, this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Sinotrans Shipping Limited, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Sinotrans Shipping (Holdings) Limited
(incorporated under the laws of British Virgin Islands)

中外運航運有限公司
SINOTRANS SHIPPING LTD.

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

**PROPOSAL TO PRIVATISE
SINOTRANS SHIPPING LIMITED BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTIONS 670, 671, 673 AND 674 OF THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF THE LISTING OF
SINOTRANS SHIPPING LIMITED**

Financial Adviser to the Offeror



Independent Financial Adviser to the Independent Board Committee



Unless the context otherwise requires, capitalised terms used hereunder shall have the same meanings as defined in this Scheme Document.

A letter from the Board is set out on pages 10 to 18 of this Scheme Document. The Explanatory Statement is set out on pages 49 to 69 of this Scheme Document. A letter from the Independent Board Committee in relation to the Proposal and the Scheme of Arrangement is set out on pages 19 to 20 of this Scheme Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in relation to the Proposal and the Scheme of Arrangement is set out on pages 21 to 48 of this Scheme Document. **The actions to be taken by the Shareholders are set out on pages ii to iv of this Scheme Document.**

Notices convening the Court Meeting and the EGM to be held at Concord Room, 8/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong on Thursday, 13 December 2018 at 2:00 p.m. and 2:30 p.m. respectively (or in the case of the EGM as soon thereafter as the Court Meeting shall have concluded or been adjourned) are set out on pages CM-1 to CM-3 and EGM-1 to EGM-3 of this Scheme Document, respectively. Whether or not you are able to attend the Court Meeting or the EGM or any adjournment thereof in person, if you are an Independent Shareholder, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly encouraged to complete and sign the enclosed white form of proxy in respect of the EGM, in accordance with the instructions printed respectively on them and deposit them, together with the power of attorney or other authority (if any), with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any case not later than the respective times stated under the section entitled "Actions to be taken" set out on pages ii to iv of this Scheme Document. In the case of the pink form of proxy in respect of the Court Meeting, it should be deposited not later than 2:00 p.m. on Tuesday, 11 December 2018 or it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the white form of proxy for use at the EGM must be deposited not later than 2:30 p.m. on Tuesday, 11 December 2018. The completion and return of a form of proxy for each of the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the Court Meeting or the EGM or any adjournment thereof. In such event, the returned form of proxy shall be deemed to have been revoked. The Scheme Document is issued jointly by the Offeror and the Company. In case of inconsistency, the English language text of this Scheme Document shall prevail over the Chinese language text.

20 November 2018

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ACTIONS TO BE TAKEN

ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purpose of determining the entitlements of the Independent Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 10 December 2018 to Thursday, 13 December 2018 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. (Hong Kong time) on Friday, 7 December 2018.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with copies of this Scheme Document sent to the Registered Owners. Subsequent purchasers of Scheme Shares will need to obtain a proxy form from the transferor.

Whether or not you are able to attend the Court Meeting or the EGM or any adjournment thereof in person, if you are an Independent Shareholder, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly encouraged to complete and sign the enclosed white form of proxy in respect of the EGM, in accordance with the instructions printed respectively on them and deposit them, together with the power of attorney or other authority (if any), with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any case not later than the following respective times. In the case of the pink form of proxy in respect of the Court Meeting, it should be deposited not later than 2:00 p.m. on Tuesday, 11 December 2018 or it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the white form of proxy for use at the EGM must be deposited not later than 2:30 p.m. on Tuesday, 11 December 2018.

The completion and return of a form of proxy for each of the Court Meeting and/or the EGM (as the case may be) will not preclude you from attending and voting in person at the Court Meeting or the EGM or any adjournment thereof. In such event, the returned form of proxy shall be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting or the EGM, you will still be bound by the outcome of such Court Meeting and EGM. You are therefore strongly urged to attend and vote at the Court Meeting and the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

ACTIONS TO BE TAKEN

An announcement will be made by the Company in relation to the results of the Court Meeting and the EGM, and if all the resolutions are passed at those meetings, further announcement(s) will be made in relation to the results of the hearing of the petition for the sanction of the Scheme of Arrangement by the High Court, the Effective Date, the date of withdrawal of the listing of the Shares from the Hong Kong Stock Exchange and if the Scheme of Arrangement is withdrawn or lapses.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you should contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and for such purpose the Registered Owner may appoint you as its proxy.

Alternatively, if you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you may arrange for some or all of your Shares to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the Court Meeting or the EGM. In such event, the returned form of proxy will be deemed to have been revoked.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such Shares with another CCASS participant, regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or at the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of

ACTIONS TO BE TAKEN

the deadline in respect of the Court Meeting and the EGM set by them, in order to provide such person with sufficient time to provide HKSCC Nominees Limited with instructions or make arrangements with HKSCC Nominees Limited in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

HKSCC Nominees Limited may also vote for and against the Scheme in accordance with instructions received from CCASS participants (as defined under the General Rules of CCASS).

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote in person at the Court Meeting (if you are an Independent Shareholder) and the EGM (as a Shareholder). You can become a Shareholder of record by withdrawing all or any of your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay a withdrawal fee to CCASS per board lot withdrawn, a registration fee, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares into your name so as to qualify to attend and vote at the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE COMPANY AND THE OFFEROR STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAM, YOU ARE URGED TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A BENEFICIAL OWNER WHOSE SHARES ARE DEPOSITED IN CCASS, YOU ARE ENCOURAGED TO PROVIDE HKSCC NOMINEES LIMITED WITH INSTRUCTIONS OR MAKE ARRANGEMENTS WITH HKSCC NOMINEES LIMITED IN RELATION TO THE MANNER IN WHICH THOSE SHARES SHOULD BE VOTED AT THE COURT MEETING AND/OR AT THE EGM WITHOUT DELAY AND/OR WITHDRAWN FROM CCASS AND TRANSFERRED INTO YOUR NAME (AS DETAILED IN THE SECTION “ACTIONS TO BE TAKEN – ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS” ABOVE).

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR VOTE.

ACTIONS TO BE TAKEN

IF YOU ARE IN ANY DOUBT AS TO ANY ASPECT OF THE PROPOSAL, THIS SCHEME DOCUMENT OR AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT A LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT, OR OTHER PROFESSIONAL ADVISERS.

DEFINITIONS

In this Scheme Document, the following expressions shall have the meanings respectively set opposite them unless the context requires otherwise:

“acting in concert”	has the meaning given to it in the Takeovers Code, and “parties acting in concert” and “concert parties” shall be construed accordingly
“Announcement”	the announcement dated 27 September 2018 jointly issued by the Offeror and the Company in relation to the Proposal
“associate(s)”	has the meaning given to it in the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions, waivers, exemptions and approvals required from the Relevant Authorities or other third parties which are necessary for the Company to carry on its business
“Beneficial Owner(s)”	beneficial owner(s) of the Shares
“Board”	the board of the Directors
“Cancellation Consideration”	the consideration of HK\$2.70 in cash for every Scheme Share cancelled pursuant to the Scheme of Arrangement
“CCASS”	the Central Clearing and Settlement Systems established and operated by HKSCC
“Certain Fund Period”	from the date of the new credit facility made available to the Offeror by Bank of China (Hong Kong) Limited until the earlier of: (i) the full settlement of the total consideration payable by the Offeror in respect of the Proposal; (ii) the date on which the Proposal is withdrawn or lapses in accordance with its terms and the Takeovers Code; and (iii) the date falling twelve (12) months from the date of such facility agreement
“CIMC”	China International Marine Containers (Group) Co., Ltd., a joint stock company incorporated in the PRC with limited liability whose shares are listed on the Hong Kong Stock Exchange (stock code: 2039) and an associated company of the Offeror

DEFINITIONS

“CMG”	China Merchants Group Limited, a state wholly-owned enterprise established under the laws of the PRC under the direct control of the State-owned Assets Supervision and Administration Commission of the State Council, which is an indirect controlling shareholder of the Offeror and the Company
“CM Energy Investment”	China Merchants Energy Transport Investment Company (招商局能源運輸投資有限公司), a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by China Merchants Energy Shipping Co., Ltd (招商局能源運輸股份有限公司), a company established under the laws of the PRC, whose A shares are listed on the Shanghai Stock Exchange (stock code: 601872)
“CO Disinterested Shares”	Shares in issue other than those held by: (i) the Offeror (or by a nominee on its behalf); (ii) an associate (as defined in section 667(1)(b) of the Companies Ordinance) of the Offeror, except a person who falls within section 667(1)(b)(iii) of the Companies Ordinance or a person specified in section 674(4) of the Companies Ordinance; or (iii) a person who is a party to an acquisition agreement within the meaning of section 667(5) of the Companies Ordinance with the Offeror (except a person specified in section 674(4) of the Companies Ordinance), or by a nominee on behalf of the person under the acquisition agreement, as described in section 674(3)(a) of the Companies Ordinance
“Companies Ordinance”	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“Company”	Sinotrans Shipping Limited, a company incorporated in Hong Kong with limited liability whose Shares are listed on the Hong Kong Stock Exchange (stock code: 368)
“Condition(s)”	the condition(s) to which the Proposal is subject, as set out on pages 51 to 56 of this Scheme Document
“Court Meeting”	a meeting of the Independent Shareholders to be convened at the direction of the High Court, notice of which is set out on pages CM-1 to CM-3 of this Scheme Document, and any adjournment thereof for the purpose of approving the Scheme of Arrangement

DEFINITIONS

“Dalian Port”	Dalian Port (PDA) Company Limited, a sino-foreign joint stock limited company incorporated in the PRC whose shares are listed on the Hong Kong Stock Exchange (stock code: 2880) and an associated company of the Offeror
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which the Scheme of Arrangement becomes effective
“EGM”	an extraordinary general meeting of the Company, notice of which is set out on pages EGM-1 to EGM-3 of this Scheme Document, and any adjournment thereof to be held immediately following the Court Meeting for the purpose of approving, among other matters, the reduction of the share capital of the Company and implementing the Scheme of Arrangement
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Explanatory Statement”	the explanatory statement in relation to the Scheme of Arrangement set out on pages 49 to 69 of this Scheme Document issued in compliance with Section 671 of the Companies Ordinance
“Financial Adviser”	UBS AG (acting through its Hong Kong Branch), a registered institution under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the financial adviser to the Offeror in relation to the Proposal
“Group”	the Company and its subsidiaries
“High Court”	the High Court of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“holder(s)”	registered holder(s) including any person entitled by transmission to be registered as such and joint holders
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent committee of the Board formed to advise the Independent Shareholders in connection with the Proposal and comprising Mr. Lee Peter Yip Wah, Mr. Zhou Qifang, Mr. Xu Zhengjun and Mr. Wu Tak Lung, being all the independent non-executive Directors
“Independent Financial Adviser”	Somerley Capital Limited
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and the Offeror Concert Parties
“Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s)
“Last Trading Day”	17 September 2018, being the last full day of trading in the Shares on the Hong Kong Stock Exchange immediately prior to the suspension of trading pending publication of the Announcement
“Latest Practicable Date”	16 November 2018, being the latest practicable date prior to the publication and printing of this Scheme Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“New Shares”	new Shares to be issued to the Offeror pursuant to the Scheme of Arrangement and being the same in number as the number of the Scheme Shares
“Offeror”	Sinotrans Shipping (Holdings) Limited, a limited liability company incorporated in the British Virgin Islands which is directly wholly-owned by Sinomarine Limited and is ultimately wholly-owned by CMG

DEFINITIONS

“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code (except in the capacity of an exempt principal trader or exempt principal fund manager), including Sinotrans Hong Kong, CM Energy Investment, Sinotrans Shipping Inc., Dalian Port and CIMC
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS participant
“Overseas Shareholder(s)”	Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	for the purposes of this Scheme Document, the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposal”	the proposed privatisation of the Company by the Offeror by way of the Scheme of Arrangement
“Record Date”	11 January 2019, or such other date as shall be announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme of Arrangement
“Registered Owner(s)”	any person (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance
“Relevant Authorities”	applicable governments or governmental bodies, regulatory bodies, courts of institutions including but not limited to the SFC, the Hong Kong Stock Exchange, the Hong Kong Monetary Authority and the Hong Kong Insurance Authority
“Scheme Document”	this scheme document, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time

DEFINITIONS

“Scheme of Arrangement”	the scheme of arrangement under Sections 670, 671, 673 and 674 of the Companies Ordinance as set out on pages S-1 to S-7 of this Scheme Document, with or subject to any modification thereof or addition thereto or condition approved or imposed by the High Court, for the implementation of the Proposal
“Scheme Share(s)”	the Share(s) in issue on the Record Date other than those beneficially owned by the Offeror, Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc.
“Scheme Shareholders”	registered holders of the Scheme Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	registered holder(s) of the Share(s)
“Share Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s share registrar
“Sinomarine Limited”	Sinomarine Limited (中國經貿船務有限公司), a company established under the laws of the PRC and is ultimately wholly-owned by CMG
“Sinotrans Hong Kong”	Sinotrans (Hong Kong) Holdings Limited, a company incorporated in Hong Kong with limited liability and is ultimately wholly-owned by CMG
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers (as revised from time to time)
“TC Disinterested Shares”	Shares in issue on the Record Date other than those beneficially owned by the Offeror and the Offeror Concert Parties
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

EXPECTED TIMETABLE

Shareholders should note that the timetable, which is mainly dependent on the date of the High Court hearing, is subject to change and is indicative only. Any changes to the timetable will be jointly announced by the Offeror and the Company. Unless otherwise specified, all times and dates refer to Hong Kong local times and dates.

Hong Kong time

Date of despatch of this Scheme Document Tuesday, 20 November 2018

Latest time for lodging transfers of the Shares
in order to be entitled to attend and vote at
the Court Meeting and the EGM 4:30 p.m. on Friday, 7 December 2018

Closure of register of members for determination of
entitlement to attend and vote at the Court Meeting
and the EGM (*Note 1*) Monday, 10 December 2018 to
Thursday, 13 December 2018
(both days inclusive)

Latest time for lodging forms of proxy in respect of the
Court Meeting (*Note 2*) 2:00 p.m. on Tuesday, 11 December 2018

EGM (*Note 2*) 2:30 p.m. on Tuesday, 11 December 2018

Court Meeting (*Note 2, 3*) 2:00 p.m. on Thursday, 13 December 2018

EGM (*Note 2, 3*) 2:30 p.m. on Thursday, 13 December 2018
(or as soon as the Court Meeting
has been concluded or adjourned)

Announcement of the results of the Court Meeting and
the EGM posted on the website of the Hong Kong
Stock Exchange by 7:00 p.m. on Thursday, 13 December 2018

Latest time for trading of Shares on the
Hong Kong Stock Exchange 4:10 p.m. on Friday, 14 December 2018

Suspension of trading of the Shares pending
withdrawal of listing 9:00 a.m. on Monday, 17 December 2018

Latest time for lodging transfers of the Shares
in order to qualify for entitlements under
the Scheme of Arrangement 4:30 p.m. on Wednesday, 19 December 2018

Register of members of the Company closed for
determining entitlements to qualify under
the Scheme of Arrangement (*Note 4*) From Thursday, 20 December 2018
onwards

EXPECTED TIMETABLE

High Court hearing of the petition for the sanction of
the Scheme of Arrangement (*Note 5*) 10:00 a.m. on, Thursday, 10 January 2019

Announcement of (1) the result of the High Court
hearing, (2) the expected Effective Date and
(3) the expected date of withdrawal of the listing of
the Shares on the Hong Kong Stock Exchange posted on
the website of the Hong Kong Stock Exchange by 7:00 p.m. on Thursday,
10 January 2019

Announcement of, among other things, the Effective Date
and the withdrawal of the listing of the Shares on
the Hong Kong Stock Exchange posted on the website
of the Hong Kong Stock Exchange by 1:00 p.m. on Friday,
11 January 2019

Record Date Friday, 11 January 2019

Effective Date (*Note 5*) Friday, 11 January 2019

Withdrawal of the listing of the Shares on the
Hong Kong Stock Exchange becomes effective . . . 9:00 a.m. on Monday, 14 January 2019

Cheques for the cash payment under the Proposal
to be despatched on or before (*Note 6*) Tuesday, 22 January 2019

Notes:

- (1) The register of members of the Company will be closed during such period for the purpose of determining entitlements of the Independent Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the EGM. For the avoidance of doubt, this period of closure is not for determining entitlements of Scheme Shareholders under the Scheme of Arrangement.
- (2) The pink form of proxy in respect of the Court Meeting and the white form of proxy in respect of the EGM should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event by the times and dates stated above. In the case of the pink form of proxy in respect of the Court Meeting, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. The white form of proxy for the EGM must be lodged no later than the time and date stated above in order for it to be valid. Completion and return of the forms of proxy will not preclude a member from attending and voting in person at the relevant meeting or any adjournment thereof if he so wishes. In such event, the relevant form of proxy shall be deemed to have been revoked.
- (3) If a tropical cyclone warning signal No.8 or above is or is expected to be hoisted or a black rainstorm warning signal is or is expected to be in force at any time after 12:00 noon on the date of the Court Meeting and the EGM, the Court Meeting and the EGM will be postponed. The Company will post an announcement on the respective websites of Hong Kong Exchanges and Clearing Limited and the Company to notify the members of the date, time and venue of the rescheduled meetings.
- (4) The register of members of the Company will be closed during such period for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme of Arrangement.

EXPECTED TIMETABLE

- (5) The Scheme of Arrangement shall become effective when it is sanctioned (with or without modification) by the High Court and an office copy of the order of the High Court, together with the minute and the return containing the particulars required by Section 230 of the Companies Ordinance, are delivered to and registered by the Registrar of Companies in compliance with the procedural requirements of Section 230 and Section 673 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme of Arrangement, respectively.

- (6) Cheques for cash entitlements of Scheme Shareholders will be despatched by ordinary post in envelopes addressed to Scheme Shareholders at their respective addresses as appearing in the register of members at the Record Date or, in the case of joint holders, at the address appearing in the register of members at the Record Date of the joint holder whose name then stands first in the register of members in respect of the relevant joint holdings as soon as possible but in any event within 7 business days (as defined in the Takeovers Code) following the Effective Date. Cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, the Financial Adviser, the Independent Financial Adviser and the Share Registrar shall be responsible for any loss or delay in receipt.

LETTER FROM THE BOARD



中外運航運有限公司
SINOTRANS SHIPPING LTD.

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

Executive Director:

Mr. Li Hua

Non-executive Directors:

Mr. Su Xingang (*Chairman*)

Mr. Liu Weiwu

Independent non-executive Directors:

Mr. Lee Peter Yip Wah

Mr. Zhou Qifang

Mr. Xu Zhengjun

Mr. Wu Tak Lung

Registered Office:

21st Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

20 November 2018

To the Shareholders

Dear Sir or Madam,

PROPOSAL TO PRIVATISE
SINOTRANS SHIPPING LIMITED BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTIONS 670, 671, 673 AND 674 OF THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF THE LISTING OF
SINOTRANS SHIPPING LIMITED

INTRODUCTION

It was jointly announced by the Offeror and the Company on 27 September 2018 that on 18 September 2018, the Offeror had requested the Board to put forward to the Scheme Shareholders the Proposal which, if implemented, would result in the withdrawal of the listing of the Shares from the Hong Kong Stock Exchange.

As at the Latest Practicable Date, the Offeror is interested in 2,600,000,000 Shares, representing approximately 65.13% of the issued Shares. The Offeror, Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc. together are interested in 2,742,639,000 Shares, representing approximately 68.70% of the issued Shares. Dalian Port and CIMC together are interested in 12,531,500 Shares, representing approximately 0.32% of the issued

LETTER FROM THE BOARD

Shares. The proposed privatisation of the Company will be implemented by way of a scheme of arrangement under Sections 670, 671, 673 and 674 of the Companies Ordinance. Upon the Scheme of Arrangement becoming effective, the Scheme Shares will be cancelled and New Shares will be issued as fully paid to the Offeror, and the listing of the Shares will be withdrawn from the Hong Kong Stock Exchange.

If the Proposal is approved and implemented:

- (1) all the Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled in exchange for the payment to each Scheme Shareholder of the Cancellation Consideration in cash for each Scheme Share by the Offeror;
- (2) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. The credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up such number of New Shares as is equal to the number of Scheme Shares cancelled, so allotted and issued, credited as fully paid, to the Offeror. Upon such reduction and the issuance of the New Shares, the issued share capital of the Company will be increased to its former amount by the creation the New Shares; and
- (3) the expected withdrawal of the listing of the Shares on the Hong Kong Stock Exchange is expected to take place forthwith following the Effective Date.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and, in particular, the Scheme of Arrangement, and to give you notice of the Court Meeting and of the EGM (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 19 to 20 of this Scheme Document; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee set out on pages 21 to 48 of this Scheme Document; (iii) the Explanatory Statement set out on pages 49 to 69 of this Scheme Document; and (iv) the terms of the Scheme of Arrangement set out on pages S-1 to S-7 of this Scheme Document.

THE PROPOSAL

Subject to the conditions described in the section entitled "Conditions of the Proposal and the Scheme of Arrangement" in the Explanatory Statement on pages 51 to 56 of this Scheme Document being fulfilled or waived (as applicable), the proposed privatisation of the Company will be implemented by way of the Scheme of Arrangement.

THE SCHEME OF ARRANGEMENT

Subject to the Scheme of Arrangement becoming effective, the Scheme Shareholders will receive from the Offeror as Cancellation Consideration:

HK\$2.70 in cash for every Scheme Share cancelled

LETTER FROM THE BOARD

Under the Scheme of Arrangement, the total consideration payable for cancellation of the Scheme Shares will be payable by the Offeror.

The Cancellation Consideration will not be revised in the course of the Scheme of Arrangement and the Offeror does not reserve the right to do so.

The Cancellation Consideration of HK\$2.70 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents:

- (i) a premium of approximately 49.2% over the closing price of HK\$1.81 per Share as quoted on the Hong Kong Stock Exchange immediately before the suspension of trading in the Shares pending publication of the Announcement;
- (ii) a premium of approximately 50.0% over the closing price of HK\$1.80 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 55.2% over the average closing price of approximately HK\$1.74 per Share as quoted on the Hong Kong Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 42.9% over the average closing price of approximately HK\$1.89 per Share as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 37.8% over the average closing price of approximately HK\$1.96 per Share as quoted on the Hong Kong Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 32.4% over the average closing price of approximately HK\$2.04 per Share as quoted on the Hong Kong Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 28.0% over the average closing price of approximately HK\$2.11 per Share as quoted on the Hong Kong Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (viii) a premium of approximately 3.8% over the closing price of HK\$2.60 per Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date;
- (ix) a discount of approximately 24.4% to the net asset value per Share attributable to the Shareholders (after deducting minority interests) of approximately HK\$3.57 as at 31 December 2017 (according to the audited consolidated financial statements of the Company for the year ended 31 December 2017, and converted based on an exchange rate of US\$1:HK\$7.85 for illustrative purposes); and

LETTER FROM THE BOARD

- (x) a discount of approximately 25.2% to the unaudited net asset value per Share attributable to the Shareholders (after deducting minority interests) of approximately HK\$3.61 as at 30 June 2018 (according to the unaudited interim financial statements of the Company for the six months ended 30 June 2018, and converted based on an exchange rate of US\$1:HK\$7.85 for illustrative purposes).

The Cancellation Consideration has been determined after taking into account a number of factors, including but not limited to the prices of the Shares traded on the Hong Kong Stock Exchange, the trading multiples (such as price to earnings ratio and price to book ratio) of comparable companies listed on the Hong Kong Stock Exchange that engaged in the international shipping services business and had a comparable market capitalisation (including Orient Overseas (International) Limited, COSCO Shipping Energy Transportation Co., Ltd., Pacific Basin Shipping Limited and Chu Kong Shipping Enterprises (Group) Company Limited) and with reference to stock liquidity profile, the Company's operational performance and overall industry outlook, as well as comparable precedent privatisation transactions in Hong Kong in recent years. As set out in the section entitled "Reasons for and benefits of the Proposal" in the Explanatory Statement appearing on pages 59 to 60 of this Scheme Document, the trading liquidity of the Shares has been at a low level over a period of time which has caused, in part, a substantial discount to the historical trading prices (approximately 50.1% discount to the closing price of HK\$1.80 on the Last Trading Day, relative to the unaudited net asset value per Share (after deducting minority interests) of approximately HK\$3.61 as at 30 June 2018), whereas the Cancellation Consideration only represents a 25.2% discount to the unaudited net asset value per Share (after deducting minority interests) of approximately HK\$3.61 as at 30 June 2018.

Assuming that the Scheme of Arrangement becomes effective on Friday, 11 January 2019, cheques for cash entitlements under the Scheme of Arrangement will be despatched as soon as possible but in any event within 7 business days (as defined in the Takeovers Code) following the Effective Date and accordingly, the cheques are expected to be despatched on or before Tuesday, 22 January 2019. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Offeror, the Company, the Financial Adviser, the Independent Financial Adviser and the Share Registrar will be responsible for any loss or delay in receipt.

TOTAL CONSIDERATION AND CONFIRMATION OF FINANCIAL RESOURCES

On the basis of the Cancellation Consideration of HK\$2.70 per Scheme Share and 1,249,461,000 Scheme Shares in issue as at the Latest Practicable Date, the amount of cash required for the Proposal is approximately HK\$3,373.5 million. The Offeror intends to finance the cash required for the Proposal from a new credit facility made available to the Offeror by Bank of China (Hong Kong) Limited for the Certain Fund Period and/or internal financial resources.

The Financial Adviser is satisfied that sufficient financial resources are available to the Offeror to implement the Proposal in full in accordance with its terms.

LETTER FROM THE BOARD

CONDITIONS OF THE PROPOSAL AND THE SCHEME OF ARRANGEMENT

The Proposal is subject to the satisfaction or waiver, as applicable, of the Conditions as set out in the section entitled “Conditions of the Proposal and the Scheme of Arrangement” in the Explanatory Statement appearing on pages 51 to 56 of this Scheme Document.

In accordance with Rule 31.1 of the Takeovers Code, except with the consent of the Executive, neither the Offeror nor the Offeror Concert Parties in relation to the Proposal, may within 12 months from which the Proposal is withdrawn or lapses, either announce an offer or possible offer for the Company or acquire any voting rights of the Company if the Offeror or the Offeror Concert Parties would thereby become obliged under Rule 26 of the Takeovers Code to make an offer.

If approved, the Scheme of Arrangement will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting.

Shareholders and potential investors should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented and the Scheme of Arrangement may or may not become effective. Shareholders and potential investors are advised to exercise caution when dealing in the Shares or in securities of the Offeror, as appropriate. Persons who are in any doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the issued share capital of the Company is 3,992,100,000 Shares.

A table setting out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme of Arrangement becoming effective and assuming no other new Shares will be issued prior thereto is to be found in the section headed “Shareholding Structure of the Company” and “Effect of the Proposal and the Scheme of Arrangement” in the Explanatory Statement on pages 57 to 58 of this Scheme Document.

As at the Latest Practicable Date, the Directors are not interested in any Shares.

As at the Latest Practicable Date, the Offeror is interested in 2,600,000,000 Shares, representing approximately 65.13% of the issued Shares. The Offeror, Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc. together are interested in 2,742,639,000 Shares, representing approximately 68.70% of the issued Shares. The Shares beneficially owned by the Offeror, Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc. will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting and will not be cancelled upon the Scheme of Arrangement becoming effective. Dalian Port and CIMC together are interested in 12,531,500 Shares, representing approximately 0.32% of the issued Shares. The Shares beneficially owned by Dalian Port

LETTER FROM THE BOARD

and CIMC will form part of the Scheme Shares and will be cancelled upon the Scheme of Arrangement becoming effective; however, as each of Dalian Port and CIMC is an Offeror Concert Party, the Shares beneficially owned by Dalian Port and CIMC will not be voted at the Court Meeting.

As at the Latest Practicable Date, the Scheme Shares comprise 1,249,461,000 Shares, representing approximately 31.30% of the issued Shares.

All Shareholders are entitled to vote on the special resolution to be proposed at the EGM to approve and give effect to the reduction of capital and the implementation of the Scheme of Arrangement. The Offeror has indicated that, if the Scheme of Arrangement is approved at the Court Meeting, the Offeror will vote in favour of the special resolution to be proposed at the EGM to approve and give effect to the Scheme of Arrangement, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of New Shares as is equal to the number of the Scheme Shares cancelled.

The Offeror Concert Parties will also be entitled to vote on the special resolution to be proposed at the EGM to approve and give effect to the Scheme of Arrangement. The Offeror Concert Parties have indicated that if the Scheme of Arrangement is approved at the Court Meeting, each of them intends to, in respect of each of its own beneficial shareholdings, vote in favour of the special resolution to be proposed at the EGM to approve and give effect to the Scheme of Arrangement.

As at the Latest Practicable Date, the Company does not have any outstanding options, warrants, derivatives or securities convertible into Shares in issue.

REASONS FOR AND BENEFITS OF THE PROPOSAL AND EFFECTS OF THE SCHEME OF ARRANGEMENT

You are urged to read carefully the sections entitled “Reasons for and benefits of the Proposal”, “If the Proposal does not proceed” and “Effect of the Proposal and the Scheme of Arrangement” in the Explanatory Statement appearing on respectively pages 59 to 60, page 60 and pages 58 to 59 of this Scheme Document.

FUTURE PLANS FOR THE COMPANY

Your attention is drawn to the section entitled “Future Plans for the Company” in the Explanatory Statement appearing on page 60 of this Scheme Document.

FINANCIAL ADVISER TO THE OFFEROR AND INDEPENDENT BOARD COMMITTEE

The Offeror has appointed UBS AG (acting through its Hong Kong Branch) as its financial adviser in connection with the Proposal.

LETTER FROM THE BOARD

The Independent Board Committee, comprising Mr. Lee Peter Yip Wah, Mr. Zhou Qifang, Mr. Xu Zhengjun and Mr. Wu Tak Lung, being all independent non-executive Directors, has been formed to advise the Independent Shareholders in connection with the Proposal. Mr. Su Xingang, a non-executive Director and Chairman of the Company, and Mr. Liu Weiwu, a non-executive Director, are the Chairman and a director of China Merchants Energy Shipping Co., Ltd (招商局能源運輸股份有限公司) (a fellow subsidiary of the Offeror), respectively. Accordingly, Mr. Su Xingang and Mr. Liu Weiwu are considered to be interested in the Proposal and would not be appointed as a member of the Independent Board Committee pursuant to Rule 2.8 of the Takeovers Code. Save for Mr. Su Xingang and Mr. Liu Weiwu, the Independent Board Committee comprised all non-executive Directors.

The full text of the letter from the Independent Board Committee is set out on 19 to 20 of this Scheme Document.

INFORMATION ABOUT THE OFFEROR AND THE COMPANY

Your attention is drawn to Appendix I entitled “Financial Information relating to the Group” appearing on pages I-1 to I-4 of this Scheme Document and the section entitled “Information on the Company” in the Explanatory Statement appearing on page 61 of this Scheme Document.

Your attention is also drawn to the section entitled “Information on the Offeror and Sinomarine Limited” in the Explanatory Statement appearing on page 61 of this Scheme Document.

OVERSEAS SHAREHOLDERS

Overseas Shareholders are requested to read specifically the section entitled “Overseas Shareholders” in the Explanatory Statement appearing on pages 63 to 64 of this Scheme Document.

COURT MEETING AND EGM

For the purpose of exercising your votes at the Court Meeting and the EGM, you are requested to read carefully the sections entitled “Court Meeting and EGM” in the Explanatory Statement and “Actions to be taken” appearing on pages 65 to 66 and pages 66 to 68, respectively, of this Scheme Document. The notices of the Court Meeting and of the EGM are to be found on pages CM-1 to CM-3 and EGM-1 to EGM-3 respectively of this Scheme Document.

ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out under the section entitled “Actions to be taken” appearing on pages 66 to 68 of this Scheme Document.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (other than the Independent Board Committee whose view is set out in the letter from the Independent Board Committee on pages 19 to 20 of this Scheme Document) believe the terms of the Proposal and the Scheme of Arrangement are fair and reasonable and in the interests of the Shareholders as a whole.

Your attention is drawn to the recommendation of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal and the Scheme of Arrangement as set out in the letter from the Independent Financial Adviser on pages 21 to 48 of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal and the Scheme of Arrangement as set out in the letter from the Independent Board Committee on pages 19 to 20 of this Scheme Document.

SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Upon the Scheme of Arrangement becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will make an application for the listing of the Shares to be withdrawn from the Hong Kong Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from the Effective Date.

Subject to the requirements of the Takeovers Code, the Scheme of Arrangement will lapse if any of the conditions described in the section headed “Conditions of the Proposal and the Scheme of Arrangement” has not been fulfilled or waived, as applicable, on or before 30 June 2019 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code). In addition, the Offeror is required to obtain prior written consent from the Financial Adviser if it intends to extend the offer period beyond the Certain Fund Period.

The Scheme Shareholders will be notified by way of an announcement of the dates of the last day for dealing in the Shares and on which the Scheme of Arrangement and the withdrawal of the listing of the Shares on the Hong Kong Stock Exchange will become effective.

If the Scheme of Arrangement is withdrawn or not approved or sanctioned by the High Court or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn.

Your attention is drawn to the sections entitled “Withdrawal of the listing of the Shares and the share certificates” and “Entitlements to and payment of Cancellation Consideration” in the Explanatory Statement set out on page 62 and pages 62 to 63, respectively, of this Scheme Document.

LETTER FROM THE BOARD

TAXATION, EFFECTS AND LIABILITIES

It is emphasised that none of the Offeror, the Company, the Financial Adviser, the Independent Financial Adviser nor any of their respective directors, officers, employees, agents or affiliates or any persons involved in the Proposal and the Scheme of Arrangement accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal and the Scheme of Arrangement. Accordingly, you are urged to read the section entitled “Taxation and Independent Advice” in the Explanatory Statement set out on page 64 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Board Committee and from the Independent Financial Adviser, as set out on pages 19 to 20, and pages 21 to 48 respectively of this Scheme Document. The Explanatory Statement, together with the appendices thereto, are set out on pages 49 to 69 of this Scheme Document. In addition, the terms of the Scheme of Arrangement are set out on pages S-1 to S-7 of this Scheme Document. You are advised to read such documents carefully before taking any action in respect of the Proposal.

In addition, a pink form of proxy for use by the Independent Shareholders for the Court Meeting and a white form of proxy for use by all Shareholders for the EGM are enclosed with copies of this Scheme Document sent to the Registered Owners of the Shares.

Yours faithfully,
By order of the Board
Sinotrans Shipping Limited
Li Hua
Executive Director



中外運航運有限公司
SINOTRANS SHIPPING LTD.

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

20 November 2018

To the Independent Shareholders,

Dear Sir and Madam,

PROPOSAL TO PRIVATISE
SINOTRANS SHIPPING LIMITED BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTIONS 670, 671, 673 AND 674 OF THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF LISTING OF
SINOTRANS SHIPPING LIMITED

INTRODUCTION

We refer to the document dated 20 November 2018 jointly issued by the Company and the Offeror in relation to the Proposal (the “**Scheme Document**”) of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Proposal and the Scheme of Arrangement and to advise you as to whether, in our opinion, the terms of the Proposal and the Scheme of Arrangement are fair and reasonable so far as the Independent Shareholders are concerned. Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Proposal and the Scheme of Arrangement.

We also wish to draw your attention to (i) the letter from the Independent Financial Adviser; and (ii) the additional information set out in the appendices to the Scheme Document.

In the “Letter from the Independent Financial Adviser” of this Scheme Document, the Independent Financial Adviser states that it considers the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned, and advises the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Scheme of Arrangement.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATIONS

Having considered the terms of the Proposal and the Scheme of Arrangement, and having taken into account the opinion of the Independent Financial Adviser and, in particular, the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser on pages 21 to 48 of the Scheme Document, we consider that the terms of the Proposal and the Scheme of Arrangement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions which will be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme of Arrangement.

Yours faithfully,
Independent Board Committee

Mr. Lee Peter Yip Wah
Independent non-executive Director
Mr. Xu Zhengjun
Independent non-executive Director

Mr. Zhou Qifang
Independent non-executive Director
Mr. Wu Tak Lung
Independent non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Independent Board Committee, which has been prepared for the purpose of inclusion in this Scheme Document.



SOMERLEY CAPITAL LIMITED

20th Floor

China Building

29 Queen's Road Central

Hong Kong

20 November 2018

To: the Independent Board Committee

Dear Sirs,

**PROPOSAL TO PRIVATISE SINOTRANS SHIPPING LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTIONS 670, 671, 673 AND 674 OF
THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF THE LISTING OF
SINOTRANS SHIPPING LIMITED**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Proposal. Details of the Proposal and the Scheme of Arrangement are set out in the Scheme Document dated 20 November 2018, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 27 September 2018, the Company and the Offeror jointly announced that on 18 September 2018 the Offeror requested the Board to put forward to the Scheme Shareholders the Proposal for the proposed privatisation of the Company by way of the Scheme of Arrangement under Sections 670, 671, 673 and 674 of the Companies Ordinance which, if implemented, would result in the withdrawal of listing of the Shares from the Hong Kong Stock Exchange. Upon the Scheme of Arrangement becoming effective, the Scheme Shares will be cancelled and the New Shares will be issued as fully paid to the Offeror. The Offeror has proposed that the Scheme Shareholders will receive from the Offeror the Cancellation Consideration of HK\$2.70 in cash for every Scheme Share cancelled.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Lee Peter Yip Wah, Mr. Zhou Qifang, Mr. Xu Zhengjun and Mr. Wu Tak Lung, has been formed to advise the Independent Shareholders as to (i) whether the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the action that should be taken by the Independent Shareholders as to voting at the Court Meeting and the EGM. Mr. Su Xingang, a non-executive Director and the chairman of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company, and Mr. Liu Weiwu, a non-executive Director, are the chairman and a director of China Merchants Energy Shipping Co., Ltd (招商局能源運輸股份有限公司) (a fellow subsidiary of the Offeror), respectively. Accordingly, Mr. Su Xingang and Mr. Liu Weiwu are considered to be interested in the Proposal and have not been appointed as members of the Independent Board Committee pursuant to Rule 2.8 of the Takeovers Code. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee in this regard.

We are not associated with the Company, the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Proposal. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, (i) the Scheme Document; (ii) the interim report of the Company for the six months ended 30 June 2018; (iii) the annual reports of the Company for the two years ended 31 December 2017 and 31 December 2016; and (iv) the material change statement set out in Appendix I to the Scheme Document, together with the future prospects of the Group, which we have discussed with the management of the Company.

We have relied on the information and facts supplied by the Company and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Scheme Document were true at the time they were made and at the Latest Practicable Date. Shareholders will be informed as soon as possible if we become aware of any material change to such representations before the time of the Court Meeting and the EGM. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them; nor have we carried out any independent verification of the information supplied.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Proposal, as the case may be, since these are particular to their individual circumstances. In particular, the Independent Shareholders who are oversea residents or subject to overseas taxation or Hong Kong taxation on security dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL TERMS OF THE PROPOSAL

The Proposal and the Scheme of Arrangement

The terms set out below are summarised from the “Letter from the Board” and the Explanatory Statement of the Scheme Document. Independent Shareholders are encouraged to read the Scheme Document and the appendices in full.

The Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme of Arrangement under Sections 670, 671, 673 and 674 of the Companies Ordinance involves the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Consideration of HK\$2.70 in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Hong Kong Stock Exchange. As disclosed in the section headed “The Scheme of Arrangement” in the “Letter from the Board” of the Scheme Document, the Cancellation Consideration has been determined after taking into account a number of factors, including but not limited to the prices of the Shares traded on the Hong Kong Stock Exchange, the trading multiples of comparable companies listed on the Hong Kong Stock Exchange and with reference to stock liquidity profile, the Company’s operational performance and overall industry outlook, as well as comparable precedent privatisation transactions in Hong Kong in recent years.

If the Proposal is approved and implemented:

- (1) all the Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled in exchange for the payment to each Scheme Shareholder of the Cancellation Consideration in cash for each Scheme Share by the Offeror;
- (2) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. The credit arising in the Company’s books of account as a result of the capital reduction will be applied in paying up such number of New Shares as is equal to the number of Scheme Shares cancelled, so allotted and issued, credited as fully paid, to the Offeror. Upon such reduction and the issuance of the New Shares, the issued share capital of the Company will be increased to its former amount by the creation the New Shares; and
- (3) the expected withdrawal of the listing of the Shares on the Hong Kong Stock Exchange is expected to take place forthwith following the Effective Date.

The Offeror has advised that the Cancellation Consideration will not be revised in the course of the Scheme of Arrangement and the Offeror does not reserve the right to do so.

As at the Latest Practicable Date, the Offeror is interested in 2,600,000,000 Shares, representing approximately 65.13% of the issued shares. The Offeror, Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc. together are interested in 2,742,639,000 Shares, representing approximately 68.70% of the issued shares. The Shares beneficially owned by the Offeror, Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Inc., will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting and will not be cancelled upon the Scheme of Arrangement becoming effective. Dalian Port and CIMC together are interested in 12,531,500 Shares, representing approximately 0.3% of the issued shares. The Shares beneficially owned by Dalian Port and CIMC will form part of the Scheme Shares and will be cancelled upon the Scheme of Arrangement becoming effective; however, as each of Dalian Port and CIMC is an Offeror Concert Party, the Shares beneficially owned by Dalian Port and CIMC will not be voted at the Court Meeting. As at the Latest Practicable Date, the Scheme shares comprise 1,249,461,000 Shares, representing approximately 31.30% of the issued Shares. On the basis of the Cancellation Consideration of HK\$2.70 per Scheme Share and 1,249,461,000 Scheme Shares in issue as at the Latest Practicable Date, the amount of cash required for the Proposal is approximately HK\$3,373.5 million.

All Shareholders are entitled to vote on the special resolution to be proposed at the EGM to approve and give effect to the reduction of capital and the implementation of the Scheme of Arrangement. The Offeror and the Offeror Concert Parties have indicated that, if the Scheme of Arrangement is approved at the Court Meeting, their respective Shares will be voted in favour of the special resolution to be proposed at the EGM to approve and give effect to the Scheme of Arrangement, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of New Shares as is equal to the number of the Scheme Shares cancelled. The Offeror Concert Parties will also be entitled to vote on the special resolution to be proposed at the EGM to approve and give effect to the Scheme of Arrangement.

Conditions of the Proposal

The Proposal will become effective and binding on the Company and all Shareholders subject to the fulfilment or waiver, as applicable, of the conditions on or before 30 June 2019 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code), otherwise the Scheme of Arrangement will lapse. Details of the conditions are set out in the section headed “Conditions of the Proposal and the Scheme of Arrangement” in the “Letter from the Board” and the Explanatory Statement of the Scheme Document. One of the main conditions is the approval of the Scheme of Arrangement by the Independent Shareholders at the Court Meeting.

As at the Latest Practicable Date, none of the conditions has been fulfilled or waived.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background to and reasons for the Proposal

As set out in the section headed “Reasons for and benefits of the Proposal” in the Explanatory Statement, the Proposal is intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at a premium over prevailing Share price. The Cancellation Consideration of HK\$2.70 per Scheme Share represents premia in a range of approximately 28.0% to 55.2% over the closing Share prices

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for different periods before the suspension of trading in the Shares pending publication of the Announcement. In addition, the trading liquidity of the Shares has been at a low level over a period of time. The average daily trading volume of the Shares for the 3 months up to and including the Last Trading Day was approximately 4.0 million Shares per day, representing only approximately 0.10% of the issued shares as at the Latest Practicable Date. The low trading liquidity of the Shares could make it difficult for Scheme Shareholders to execute on-market disposals without adversely affecting the Share price. Further details on our analysis on the Cancellation Consideration against historical price performance, liquidity of the Shares and premia represented by the Cancellation Consideration are set out in the sub-section headed “Analysis of price performance and trading liquidity of the Shares” of this letter below.

2. Information and prospects of the Group

(i) Information on the background of the Company

The Company is incorporated in Hong Kong with limited liability and its Shares have been listed on the Main Board of the Hong Kong Stock Exchange since 23 November 2007. As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties together are interested in approximately 69.02% of the issued shares of the Company. The Group is principally engaged in, among other things, dry bulk and container shipping, and more recently liquefied natural gas shipping. The Group owns, manages and operates a dry bulk fleet, a container fleet and, through joint ventures, an ice-class liquefied natural gas carriers fleet (“**Ice-class LNG carriers**”).

Fleet structure of the Group

The table below summarises the Group’s fleet structure as extracted from the Company’s 2018 interim report:

	Self-owned vessels (unit)	Chartered- in vessels (unit)	Total (unit)	Orderbook (unit)
Number of bulk vessels	38	25	63	3
Number of container vessels	14	17	31	–
Number of Ice-class LNG carriers (<i>Note</i>)	2	–	2	3
Total number of vessels	54	42	96	6

Note: collectively owned by the Group and its partners

As at 30 June 2018, there are (a) 54 self-owned vessels of the Group, which consist of 38 bulk vessels, 14 container vessels and 2 Ice-class LNG carriers; and (b) 42 chartered-in vessels, which consist of 25 bulk vessels and 17 container vessels. As at 30 June 2018, there were 6 vessels on the orderbook, which consist of 3 bulk vessels and 3 Ice-class LNG carriers.

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As disclosed in the Company's 2017 annual report, the key business operations of the Group comprise mainly two segments, namely dry bulk shipping and container shipping, which contribute roughly equal revenue for 2017.

- (a) Revenue from the dry bulk shipping segment primarily consists of ocean freight income and charter hire income. The provision of dry bulk shipping business of the Group was carried out internationally. As at the end of 2017, the Group owned 36 dry bulk vessels and the fleet utilisation rate of these self-owned dry bulk vessels was approximately 97% in 2017. During 2017, the shipping volume of the dry bulk shipping segment was approximately 42 million tons, compared with approximately 41 million tons in 2016.
- (b) Revenue from the container shipping segment mainly consists of container liner service and freight forwarding for the major trade lanes in Intra-Asia area, including mainly Asia and Australia. As at the end of 2017, the Group owned 14 container vessels and the fleet utilisation rate of these self-owned container vessels was approximately 99% in 2017. In 2017, the shipping volume of the container shipping segment of the Group was approximately 1.01 million twenty-foot equivalent unit ("TEU"), compared with approximately 0.88 million TEU in 2016.

As further discussed in the paragraph headed "Financial information of the Group" below, both the dry bulk and the container shipping segments have been the key revenue contributors of the Group for the past three financial years and the six months ended 30 June 2017 and 2018. Revenue generated from ocean freight income and liner service accounted for over 75% of the Group's total revenue in 2017. Further details on the financial information of these operating segments of the Group are set out in the following paragraph.

(ii) Financial information of the Group

Details of the accounts of the Group are set out in Appendix I to the Scheme Document.

(a) Financial performance

The following is a summary of the financial results of the Group for (a) the three years ended 31 December 2015, 2016 and 2017 (2015 annual results having been extracted from the Company's 2016 annual report and both the 2016 and 2017 annual results having been extracted from the Company's 2017 annual report); (b) the six months ended 30 June 2017 and 2018 (both of 2017 and 2018 interim results having been extracted from the Company's 2018 interim report); and (c) the six months ended 31 December 2017 by comparing interim results of 2017 with the annual results of 2017.

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	For the six months ended			For the year ended 31 December		
	30 June 2018	December 2017	30 June 2017	2017	2016	2015
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	(For illustration purpose only) <i>(Note 1)</i>)					
Revenue <i>(Note 2)</i>	497,002	505,773	500,622	1,006,395	841,461	999,774
Operating profit/ (loss)	32,056	30,464	5,100	35,564	(245,818)	(86,089)
Profit/(loss) for the period/year	40,366	32,327	7,675	40,002	(242,114)	(81,537)
Profit/(loss) attributable to owners of the Company	40,018	24,265	8,006	32,271	(229,579)	(66,334)

Notes:

1. Calculated by subtracting 2017 interim results from 2017 annual results.
2. Segment revenue includes revenue derived from joint ventures measured at proportionate consolidated basis. Total revenues of the Group as shown in the consolidated statement of profit or loss and other comprehensive income represented segment revenue less the revenues derived from joint ventures measured at proportionate consolidated basis.

(i) Revenue

For the three years ended 31 December 2015, 2016 and 2017, the Group's total revenue amounted to approximately US\$999.8 million, US\$841.5 million and US\$1,006.4 million respectively. For the six months ended 30 June 2017, 31 December 2017 and 30 June 2018, total revenue amounted to approximately US\$500.6 million, US\$505.8 million and US\$497.0 million respectively. The following table sets out the breakdown of revenue, cost of operations and results by business segment extracted/calculated from the Company's 2016 and 2017 annual report and the 2018 interim report.

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	For the six months ended 31			For the year ended 31 December		
	30 June 2018	December 2017	30 June 2017	2017	2016	2015
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	(For illustration purpose only) <i>(Note 2)</i>)					
Revenue <i>(Note 1)</i>						
– Dry bulk shipping	211,845	248,005	241,097	489,102	368,691	503,331
– Container shipping	283,922	258,063	259,867	517,930	473,333	495,895
Cost of operations						
– Dry bulk shipping	187,626	224,192	234,054	458,246	440,310	557,994
– Container shipping	260,394	236,621	243,933	480,554	448,114	471,522
Segment results						
– Dry bulk shipping	23,861	30,400	6,265	36,665	(238,118)	(72,124)
– Container shipping	25,120	21,726	15,364	37,090	26,774	24,860

Notes:

1. Excluding inter-segment revenue.
2. Calculated by subtracting 2017 interim results from 2017 annual results.

As set out in the Company's 2017 annual report, the revenue of the Group was mainly generated from two key business segments, namely (a) dry bulk shipping segment, which primarily consists of ocean freight income and charter hire income; and (b) container shipping segment, mainly from container liner service and freight forwarding in Intra-Asia area. The dry bulk and the container shipping segment have been the key revenue contributors of the Group for the past three financial years and the six months ended 30 June 2018, representing almost all of the total revenue of the Group.

2016 vs 2015

In 2016, the Group recorded total revenue of approximately US\$841.5 million, representing a drop of approximately 15.8% from the total revenue of approximately US\$999.8 million in 2015, which was mainly due to a decrease in

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revenue of the dry bulk shipping segment from approximately US\$503.3 million in 2015 to approximately US\$368.7 million in 2016. As set out in the Company's 2016 annual report, the drop in revenue from the dry bulk shipping segment was primarily as a result of weak shipping demand and overcapacity in the dry bulk shipping market, which together led to an imbalance between supply and demand in the dry bulk shipping market. In 2016, while fleet growth decelerated, overall fleet capacity in the dry bulk shipping market was still large. As a result, the problem of overcapacity in the shipping market remained during 2016. The Baltic Dry Index ("BDI"), a leading freight market indicator which indicates the daily charter rate in spot market and reflects the condition of the dry bulk shipping market, averaged 673 points in 2016, representing a drop of 6.3% from the previous historical low in 2015. The Group's revenue from container shipping dropped slightly from approximately US\$495.9 million in 2015 to approximately US\$473.3 million in 2016 amid a general downturn in the container shipping market. In the first half of 2016, revival of the world economy and international trade were below expectation while fleet capacity in the container shipping market continued to grow. The average China Containerized Freight Index, which reflects the fluctuation of spot freight rates on the China export container transportation market, recorded a low level of 712 points during 2016, representing a year-on-year decrease of approximately 19%.

2017 vs 2016

Total revenue of the Group rebounded in 2017. The Group recorded total revenue of approximately US\$1,006.4 million for the year ended 31 December 2017, representing an increase of approximately 19.6% compared with the total revenue of approximately US\$841.5 million in 2016. The increase in total revenue was mainly driven by the improved performance of the dry bulk shipping segment. The Group's revenue from the dry bulk shipping segment increased from approximately US\$368.7 million in 2016 to approximately US\$489.1 million in 2017, showing an increase of approximately 32.7%. As set out in the Company's 2017 annual report, the increase in revenue from the dry bulk shipping segment was mainly driven by, among others, recovery in the global economy and improved dry bulk seaborne demand, in particular, China's major commodities imports increased at a fast pace. The Group's revenue from the container shipping segment grew from approximately US\$473.3 million in 2016 to approximately US\$517.9 million in 2017 mainly as a result of, among other things, the general uptrend in the container shipping market due to economic growth in Asia, improving supply and demand balance in the container shipping market, and a steady increase in freight rates.

2018H1 vs 2017H1 and 2018H1 vs 2017H2

Total revenue of the Group for the six months ended 30 June 2018 of approximately US\$497.0 million was comparable to that of the same period in 2017 of approximately US\$500.6 million and represents a slight drop from second half of 2017 as shown in the table above. Revenue of the Group from dry bulk shipping increased slightly from approximately US\$241.1 million in the first half

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of 2017 to approximately US\$248.0 million in the second half of 2017 but decreased to approximately US\$211.8 million in the first half of 2018. The decrease was mainly due to the adjustment for the proportion of voyage chartering business and time chartering business in the first half of 2018 and the reduction in the number of chartered-in vessels. As advised by the executive Director, time chartering is the hiring of a vessel for a specific period of time where certain costs such as fuel costs and port charges are paid by the charterer, whereas voyage chartering is the hiring of a vessel for a voyage between two designated locations where certain costs such as fuel costs and port charges are paid by the ship owner. Voyage chartering therefore generates higher revenue and incur higher costs at the same time from the perspective of the ship owner whereas time chartering generates lower revenue at lower costs. As set out in the Company's 2018 interim report, number of contracted days of the Group's fleet has increased in the first half of 2018 compared with the first half of 2017. The average daily time charter equivalent rate of the Group's dry bulk vessels was US\$12,430 in the first half of 2018, comparing with that of US\$9,514 in the first half of 2017. Revenue of the Group from container shipping decreased slightly from approximately US\$259.9 million in the first half of 2017 to approximately US\$258.0 million in the second half of 2017 and increased to approximately US\$283.9 million in the first half of 2018 mainly due to a steady increase in demand within Asia Pacific area despite a general market decline for the major trading route in the global container shipping market. The decrease in revenue generated from the dry bulk shipping segment was largely off-set by the increase in revenue from the container shipping segment in the first half of 2018.

(ii) Cost of operations

Operating costs of dry bulk shipping decreased from approximately US\$558.0 million in 2015 to approximately US\$440.3 million in 2016, and increased to approximately US\$458.2 million in 2017. The operating costs of dry bulk shipping decreased to US\$187.6 million for the six months ended 30 June 2018 from US\$234.1 million in the same period in 2017. As set out in the Company's 2018 interim report, the decrease in the operating costs in 2018 was mainly caused by the decrease in voyage costs (such as port and fuel charges) with respect to dry bulk shipping by approximately 53% from approximately US\$74.4 million for the first half of 2017 to approximately US\$35.0 million for the first half of 2018. As advised by the executive Director, the decrease in voyage costs with respect to dry bulk shipping was mainly due to the adjustment for the proportion of voyage chartering business and time chartering business which has implemented starting in the second half of 2017. Total cost of operations for dry bulk shipping was approximately US\$234.1 million for the first half of 2017. In the second half of 2017, with the effects of the adjustment between time/voyage chartering business started to realise, cost of operations for dry bulk shipping decreased to approximately US\$224.2 million. Such effects continued in the first half of 2018, with cost of operations for dry bulk shipping further decreased to approximately US\$187.6 million. Movement of the cost of operations with respect to container shipping was largely in line with the revenue generated from container shipping during the period from 2015 to 30 June 2018.

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(iii) Profit/loss attributable to owners of the Company

2016 vs 2015

The Group's loss attributable to owners of the Company deepened from US\$66.3 million in 2015 to US\$229.6 million in 2016. As set out in the Company's 2016 annual report, the results of the Company were mainly affected by, among others, overcapacity in the shipping market and weak international trading activities which was also discussed above. With persistent depression in the dry bulk shipping market, the Group recognised a non-cash impairment loss of approximately US\$162.8 million on the Group's self-owned dry bulk vessels. The increase in loss in 2016 as compared to 2015 was mainly attributable to (a) an increase in vessels impairment from approximately US\$4.7 million in 2015 to approximately US\$162.8 million in 2016; and (b) decrease in total revenue of approximately 15.8% in 2016 as set out in the paragraph above.

2017 vs 2016

The Group recorded profit attributable to owners of the Company of approximately US\$32.3 million in 2017. As set out in the Company's 2017 annual report, the improvement in results was attributable to, among other things, growing international trade, increasing prices of major commodities and improving supply and demand balance. The profit turnaround in 2017 was mainly due to (a) growth in total revenue of approximately 19.6% in 2017 as set out in the paragraph above; and (b) the absence of vessels impairment in the same period. In 2017, as market conditions improved, the Group has adjusted its fleet structure (i.e. through fleet upgrade in terms of types and age) and allocated more effort in exploring strategic customers to improve profitability in the dry bulk shipping segment. While revenue has grown by approximately 19.6% in 2017, total cost of operations only increased slightly by approximately 5.8%, with cost of operations from dry bulk shipping and container shipping increasing by approximately 4.1% and 7.2% respectively. During 2017, the Group developed 3 new routes for its container liner services which led to an overall improvement in vessel utilisation and improved profitability for the Group's container shipping segment.

2018H1 vs 2017H1 and 2018H1 vs 2017H2

The Group's turnaround results in 2017 as set out above was mainly attributable to the Group's improved second half performance in the same year. Operating profits of the Group in the first half of 2018 is broadly in line with that of the second half of 2017. The Group recorded profit attributable to owners of the Company of approximately US\$40.0 million for the six months ended 30 June 2018, representing a substantial increase compared with the profit attributable to owners of the Company of approximately US\$8.0 million for the same period in 2017. The increase in profit attributable to owners of the Company was mainly due to an improvement in operating results starting from the second half of 2017 and the share of profits of joint ventures in the first half of 2018 of approximately

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US\$4.2 million comparing with a loss of approximately US\$0.05 million for the same period in 2017, which is mainly because of the joint ventures of LNG shipping business of the Group only commenced in December 2017.

(iv) Dividends

The total dividend per Share for the financial years ended 31 December 2016 and 2017 was HK\$0.04 and HK\$0.03 respectively. No interim dividend was declared for the six months ended 30 June 2018. The Company's implied dividend yield based on the Cancellation Consideration of HK\$2.70 per Scheme Share and the total dividend of the Company of HK\$0.03 for the year ended 31 December 2017 is approximately 1.1%.

(b) Financial position

Set out below is a summary of the financial position of the Group (a) as at 31 December 2015, 2016 and 2017 (2015 financial position having been extracted from the Company's 2016 annual report and both the 2016 and 2017 financial position having been extracted from the Company's 2017 annual report); and (b) as at 30 June 2018 (as extracted from the Company's 2018 interim report).

	As at 30 June 2018	As at 31 December		
	2018	2017	2016	2015
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
	(Unaudited)	(Audited)	(Audited)	(Audited)
Total assets	2,185,645	2,188,946	2,074,342	2,353,225
Total liabilities	331,838	355,052	278,099	296,231
Equity attributable to owners of the Company	1,836,947	1,817,028	1,788,437	2,035,380

As at 30 June 2018, the Group's total assets were approximately US\$2,185.6 million. Assets of the Group mainly include (a) property, plant and equipment of approximately US\$1,158.7 million, which mainly comprised of the Group's vessels; (b) trade and other receivables of approximately US\$109.4 million; and (c) cash and bank balances of approximately US\$701.1 million. As at 30 June 2018, the Group recorded total liabilities amounted to approximately US\$331.8 million, which mainly consisted of (a) trade and other payables of approximately US\$257.4 million; and (b) borrowings of approximately US\$59.2 million.

As at 30 June 2018, the Group had borrowings of approximately US\$59.2 million. Taking into account the cash and bank balances amounting to approximately US\$701.1 million, the Group had a net cash balance of approximately US\$641.9 million as at 30 June 2018. As set out in Appendix I to the Scheme Document, as at 30 September 2018, secured bank loans, secured finance lease obligations and amount due to an holding company of the Group amounted to approximately US\$18.7 million, approximately US\$38.43 million and US\$81.0 million respectively.

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Net asset value attributable to owners of the Company amounted to approximately US\$1,836.9 million and US\$1,817.0 million as at 30 June 2018 and 31 December 2017, with a value per ordinary share of approximately HK\$3.61 and HK\$3.57 respectively. The Cancellation Consideration of HK\$2.70 per Scheme Share represents a discount of approximately 25.2% and 24.4% to the net asset value per Share attributable to owners of the Company as at 30 June 2018 and 31 December 2017 respectively. Further analysis on the comparison of the historical price to book (P/B) ratio and implied P/B represented by the Cancellation Consideration are set out in the paragraph headed “Historical P/Bs of the Company” of this letter below.

(iii) Prospects of the Group

As discussed in the paragraph headed “Financial information of the Group” above, the Group suffered poor financial results in the financial years ended 31 December 2015 and 2016 mainly due to factors such as overcapacity in the shipping market and weak international trading activities. The financial performance of the Group recovered in 2017 and the first half of 2018 following an industry recovery.

According to a report published by the United Nations Conference on Trade and Development (“UNCTAD”) in October 2018 (the “**Report**”), following the weak performances of the two previous years, container trade increased by 6.4% in 2017, while dry bulk commodities trade increased by 4%, up from 1.7% in 2016. According to UNCTAD, world seaborne trade is projected to expand at a compound annual growth rate of 3.8% between 2018 and 2023. Although the prospects for seaborne trade are positive, it is further stated in the Report that caution would be advisable, given the uncertainty surrounding the sustainability of the recovery and related implications for shipping. Downside risks such as the rise of trade protectionism are, nevertheless, weighing on the outlook. Escalating trade frictions may lead to a trade war that could derail recovery, reshape global maritime trade patterns and dampen the outlook.

The executive Director is of the view that the recovery momentum of the world economy will continue and international trade and seaborne demand are expected to maintain growth in the second half of 2018. As set out in the Company’s 2018 interim report, for the dry bulk market, with the effect of sustained recovery of the world economy and a slower growth in fleet capacity, improvement in the supply and demand balance is expected to continue. For container shipping, as the economic growth of the Asia Pacific region is faster than the global average, demand within the region will grow moderately and the freight rate is expected to see stable growth. However, the executive Director considers that the Group is facing complicated market conditions and uncertainties and risks such as trade frictions (including the recent escalation in trade tension between China and US) and geopolitical risks which may affect the pace of recovery and growth in the medium term. Such market factors may significantly impact the Group’s business while the Group remains cautiously optimistic towards the market in the near term.

As discussed above in the paragraph headed “Financial information of the Group”, with dry bulk and container shipping as its core business, the Group’s performance was affected in 2015 and 2016 by weak demand and overall poor sentiment of the global shipping industry. The Group’s financial performance showed a rebound in 2017 and recorded net

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profit attributable to owners of the Company of approximately US\$32.3 million with approximately US\$8.0 million recorded in the first half of 2017. As discussed in the abovementioned paragraph, for illustration purpose, operating profits of the second half of 2017 were broadly in line with that of the first half of 2018. As one of the largest shipping companies in China, the Group's performance and hence its share price, is bound to be affected by general market conditions. We concur with the executive Director's view that, despite a turnaround in the Group's performance in 2017, uncertainty, including the effect of introduction of tariffs, remains a significant factor which could derail recovery and weigh on the Group's prospect in the near to medium term.

3. Information on the Offeror and its intention regarding the Company

As set out in the section headed "Information on the Offeror and Sinomarine Limited" in the Explanatory Statement, the Offeror is a limited liability company incorporated in the British Virgin Islands which is ultimately wholly-owned by CMG, a state wholly-owned enterprise established under the laws of the PRC. It is principally engaged in investment holding.

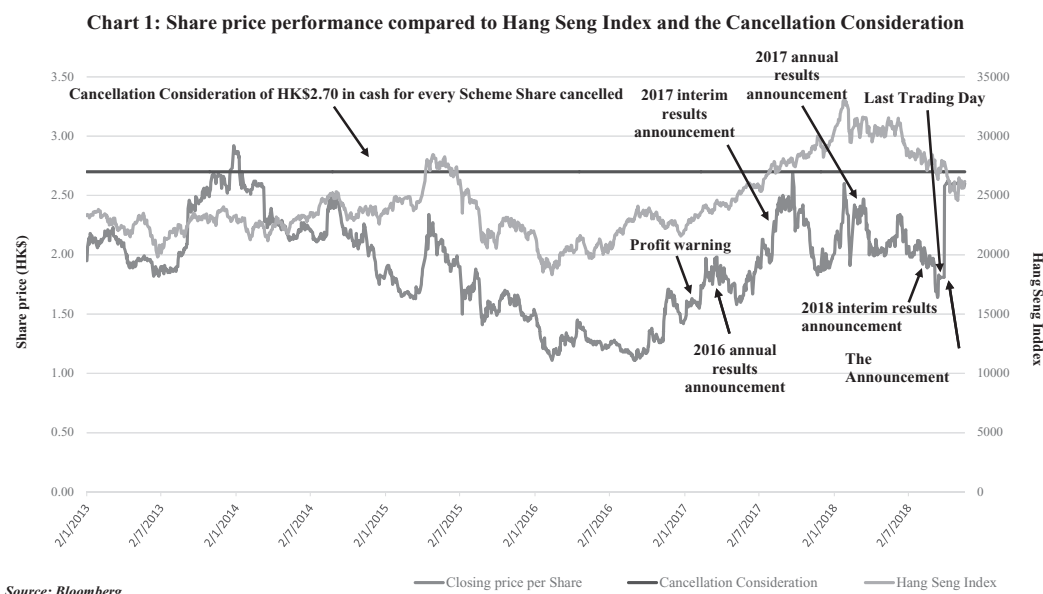
It is the intention of the Offeror to continue the core business of the Company in shipping and chartering businesses after the successful privatisation of the Company. The Offeror has been considering various strategic alternatives post privatisation, including but not limited to potential restructuring of the privatised assets with its other subsidiaries and/or associated companies. In the event that the proposed privatisation of the Company by the Offeror is not successful, the Company will continue to carry on its core businesses in shipping and chartering businesses.

4. Analysis of price performance and trading liquidity of the Shares

(i) Historical price performance of the Shares

As discussed in the paragraph headed "Financial information of the Group" above, the Group's performance was affected in 2015 and 2016 by weak demand and overall poor sentiment of the global shipping industry and the improvement in results in 2017 was attributable to, among other things, growing international trade, increasing prices of major commodities and improving supply and demand balance in the global shipping industry. In view of the cyclical nature of shipping industry, we consider a review period since the starting date of the Company's latest five completed financial years (i.e. 1 January 2013) would be useful for the Independent Shareholders in considering the current Proposal. Chart 1 below illustrates the daily closing price per Share from 1 January 2013 up to and including the Latest Practicable Date (the "**Review Period**"), and the comparison of the Share price performance with the Hang Seng Index and the Cancellation Consideration.

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Over 99% of the trading days during the Review Period saw a closing Share price below the Cancellation Consideration of HK\$2.70 per Scheme Share.

In 2013, the Shares closed between HK\$1.82 to HK\$2.92 per Share (HK\$2.92 being a closing high on 27 December 2013). Thereafter, the Share price showed a general downward trend and closed at HK\$1.11 per Share as at 12 February 2016. As illustrated in Chart 1 above, the performance of the Shares has in general followed the Hang Seng Index and showed an upward trend since 12 February 2016 up to the middle of September 2017. As at 22 September 2017, the Share price closed at HK\$2.69 per share. Afterwards, the Share prices showed a downward trend, hitting a low of HK\$1.83 on 22 November 2017. Since then and up to the Last Trading Day, the Share prices have generally traded in line with the Hang Seng Index.

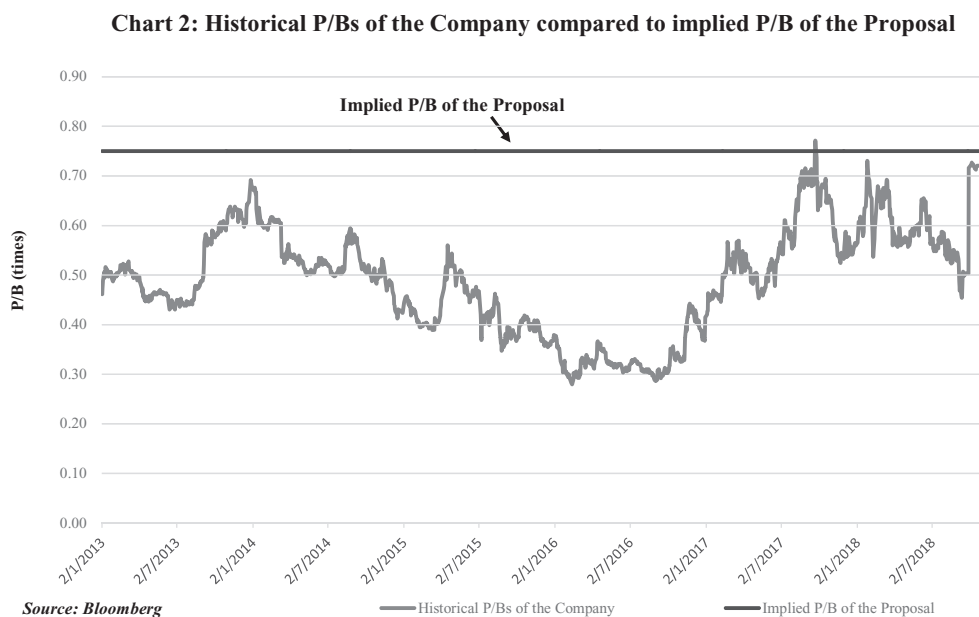
The Shares closed at HK\$1.80 on 17 September 2018 (i.e. the Last Trading Day) and trading in the Shares was suspended from 1:00 p.m. on 18 September 2018 at a closing Share price of HK\$1.81. The Announcement was published after trading hours on 27 September 2018 and trading in the Shares resumed on 28 September 2018. The Shares closed at HK\$2.58 on 28 September 2018, representing an increase of approximately 42.5% compared to the closing Share price of HK\$1.81 on 18 September 2018 before suspension of trading in the Shares.

Following the Announcement, we consider the price of the Shares has been largely determined by the Cancellation Consideration of HK\$2.70 per Scheme Share. The Shares closed at HK\$2.60 as at the Latest Practicable Date and the Cancellation Consideration of HK\$2.70 represents a premium of approximately 3.8% over the closing Share price on the Latest Practicable Date.

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The movement of the Share price, in our view, is generally in line with Hang Seng Index as shown in Chart 1 above. In view of the recent stock market volatility, Independent Shareholders should be aware that the current Share price may not be sustained if the Proposal and the Scheme of Arrangement lapse, which makes the opportunity to exit at a fixed cash price a potentially valuable one (depending on the prevailing market price).

(ii) *Historical P/Bs of the Company*



The implied P/B of the Proposal of approximately 0.75 times is calculated based on the Cancellation Consideration of HK\$2.70, the issued share capital of the Company of 3,992,100,000 Shares and the net asset value attributable to the shareholders of the Company of approximately US\$1,836,947,000 as at 30 June 2018. The historical P/Bs of the Company ranged from approximately 0.28 times to approximately 0.77 times during the Review Period. As shown in Chart 2 above, except for the P/B on 22 September 2017 of approximately 0.77 times, the P/Bs during the Review Period were lower than the implied P/B of the Proposal of approximately 0.75 times. The recent increase in P/Bs is largely due to the increase in Share price following the publication of the Announcement as shown in Chart 1 above.

(iii) *Trading liquidity*

Set out in the table below are the monthly total trading volumes of the Shares and the percentages of such monthly total trading volumes to the total issued share capital and the public float of the Company during the period from January 2016 up to the Latest Practicable Date:

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	Monthly total trading volume of the Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to the total issued share capital (Note 2)	Percentage of the monthly total trading volume of the Shares to the public float of the Company (Note 2 and 3)
2016			
January	41,771,906	1.0%	3.3%
February	24,048,550	0.6%	1.9%
March	34,342,695	0.9%	2.7%
April	29,308,468	0.7%	2.3%
May	14,944,500	0.4%	1.2%
June	19,370,432	0.5%	1.5%
July	85,046,300	2.1%	6.7%
August	79,789,897	2.0%	6.3%
September	110,157,666	2.8%	8.7%
October	78,399,000	2.0%	6.2%
November	159,419,301	4.0%	12.5%
December	54,716,613	1.4%	4.3%
2017			
January	49,543,822	1.2%	3.9%
February	217,175,699	5.4%	17.1%
March	238,386,497	6.0%	18.8%
April	97,272,985	2.4%	7.8%
May	102,747,100	2.6%	8.2%
June	111,395,688	2.8%	8.9%
July	146,558,330	3.7%	11.7%
August	297,721,256	7.5%	23.8%
September	218,828,373	5.5%	17.5%
October	107,340,710	2.7%	8.6%
November	90,875,757	2.3%	7.3%
December	76,853,168	1.9%	6.2%

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	Monthly total trading volume of the Shares <i>(Note 1)</i>	Percentage of the monthly total trading volume of the Shares to the total issued share capital <i>(Note 2)</i>	Percentage of the monthly total trading volume of the Shares to the public float of the Company <i>(Note 2 and 3)</i>
2018			
January	179,052,432	4.5%	14.3%
February	153,596,065	3.8%	12.3%
March	189,821,597	4.8%	15.2%
April	81,691,644	2.0%	6.5%
May	73,854,970	1.9%	5.9%
June	88,259,600	2.2%	7.1%
July	52,857,800	1.3%	4.2%
August	63,555,236	1.6%	5.1%
September	245,167,458	6.1%	19.6%
October	507,133,948	12.7%	40.6%
From 1 November to the Latest Practicable Date	59,571,900	1.5%	4.8%

Notes:

1. Source: Bloomberg
2. The calculation is based on the monthly total trading volume of the Shares divided by the total issued share capital of the Company or the total number of the Shares in public float at the end of each month (or as at the Latest Practicable Date for November 2018).
3. The total number of Shares in public float is calculated based on the number of total issued share capital excluding the Shares held by the Offeror, Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc. at the end of each month (or as at the Latest Practicable Date for November 2018).

From the table above, we noted that the monthly total trading volume of the Shares (as a percentage to the total issued share capital) has been generally low. From January 2016 to October 2018, except for February, March, August, September 2017 and September, October 2018, the percentage of the monthly total trading volumes of the Shares to the total issued share capital was below 5%. For the month of February, March, August, September 2017 and September, October 2018, the monthly total trading volume of the Shares was within a range of approximately 5.4% to 12.7% of the total issued share capital. The management of the Company advised us that they are not aware of any reasons for the higher trading volume in those months. In our opinion, the publication of the Announcement on 27 September 2018 heightened the trading activity, with the total trading volume of Shares increasing to 711,787,681 Shares (representing approximately 17.8% of the total issued share capital and approximately 57.0% of the public float of the Company) in the period after the publication of the Announcement on 27 September 2018 to the Latest Practicable Date.

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Given the above, if Independent Shareholders wish to sell a significant number of Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the Shares. The higher level of trading volume subsequent to the Announcement will not, in our view, be sustained if the Proposal and the Scheme of Arrangement lapse. Therefore, the Proposal provides an opportunity for the Scheme Shareholders to dispose of their holdings at a fixed Cancellation Consideration if they so wish.

(iv) Cancellation Consideration comparisons

The Cancellation Consideration of HK\$2.70 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents:

- (i) a premium of approximately 49.2% over the closing price of HK\$1.81 per Share as quoted on the Hong Kong Stock Exchange immediately before the suspension of trading in the Shares pending publication of the Announcement;
- (ii) a premium of approximately 50.0% over the closing price of HK\$1.80 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 55.2% over the average closing price of approximately HK\$1.74 per Share as quoted on the Hong Kong Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 42.9% over the average closing price of approximately HK\$1.89 per Share as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 37.8% over the average closing price of approximately HK\$1.96 per Share as quoted on the Hong Kong Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 32.4% over the average closing price of approximately HK\$2.04 per Share as quoted on the Hong Kong Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 28.0% over the average closing price of approximately HK\$2.11 per Share as quoted on the Hong Kong Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (viii) a premium of approximately 3.8% over the closing price of HK\$2.60 per Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date;
- (ix) a discount of approximately 24.4% to the net asset value per Share attributable to the Shareholders (after deducting minority interests) of approximately HK\$3.57 as at 31 December 2017 (according to the audited consolidated financial statements of the Company for the year ended 31 December 2017, and converted based on an exchange rate of US\$1:HK\$7.85 for illustrative purposes); and

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- (x) a discount of approximately 25.2% to the unaudited net asset value per Share attributable to the Shareholders (after deducting minority interests) of approximately HK\$3.61 as at 30 June 2018 (according to the unaudited interim financial statements of the Company for the six months ended 30 June 2018, and converted based on an exchange rate of US\$1:HK\$7.85 for illustrative purposes).

In summary, the Cancellation Consideration of HK\$2.7 represents (a) premia in a range of approximately 28.0% to 55.2% over the closing Share prices for different periods before the suspension of trading in the Shares pending publication of the Announcement; and (b) a discount of approximately 24.4% and 25.2% to the net asset value per Share attributable to the Shareholders as at 31 December 2017 and 30 June 2018 respectively.

5. Peer company analysis

As mentioned in the sub-section headed “Information and prospects of the Group” of this letter above, the Group is principally engaged in, among other things, dry bulk and container shipping, and more recently liquefied natural gas shipping. Accordingly, we have conducted a search on Bloomberg for companies listed on the Main Board of the Hong Kong Stock Exchange which, based on their latest published annual reports available as at the date immediately before the Latest Practicable Date, are principally engaged in the provision of international shipping services by seagoing merchant vessels. As we noted from the latest published annual report of one of the companies matching the above criteria that its business segments were restated into two new reportable operating segments, in order to achieve a fairer selection of companies, we have selected the companies (the “**Comparable Companies**”) which are principally engaged in the provision of international shipping services by seagoing merchant vessels as stated in their latest two published annual reports available as at the date immediately before the Latest Practicable Date. The Comparable Companies set out in the table below represent an exhaustive list of companies comparable to the Company based on the above criteria.

Comparable Companies	Closing market capitalisation as at the date immediately prior to the Latest Practicable Date <i>(Approximate HK\$' million)</i> <i>(Note 1)</i>	Historical P/E (based on annual results for the year ended 31 December 2017) <i>(Approximate times)</i> <i>(Note 2)</i>	Historical P/E (based on trailing twelve months earnings) (For illustration purpose only) <i>(Approximate times)</i> <i>(Note 1)</i>	Historical P/B <i>(Approximate times)</i> <i>(Note 3)</i>
COSCO SHIPPING Holdings Co., Ltd. (“COSCO SHIPPING Holdings”) (stock code: 1919) <i>(Note 4)</i>	43,184.12	14.23	32.78	1.82

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Comparable Companies	Closing market capitalisation as at the date immediately prior to the Latest Practicable Date <i>(Approximate HK\$' million)</i> <i>(Note 1)</i>	Historical P/E (based on annual results for the year ended 31 December 2017) <i>(Approximate times)</i> <i>(Note 2)</i>	Historical P/E (based on trailing twelve months earnings) (For illustration purpose only) <i>(Approximate times)</i> <i>(Note 1)</i>	Historical P/B <i>(Approximate times)</i> <i>(Note 3)</i>
Orient Overseas (International) Limited (“Orient Overseas”) (stock code: 316) <i>(Note 5)</i>	29,819.05	27.59	99.24	0.82
COSCO SHIPPING Energy Transportation Co., Ltd. (“COSCO SHIPPING Energy”) (stock code: 1138)	20,540.93	10.15	60.20	0.65
Pacific Basin Shipping Limited (“Pacific Basin”) (stock code: 2343)	7,887.71	278.34 <i>(Note 6)</i>	20.77	0.84
	Mean (simple average)	17.33	–*	1.03
	Median	14.23	–*	0.83
	Maximum	27.59	–*	1.82
	Minimum	10.15	–*	0.65
	The Company	42.55 <i>(Note 7)</i>	21.36 <i>(Note 8)</i>	0.75 <i>(Note 9)</i>

* Calculation of mean/median/maximum/minimum is not considered meaningful, as explained further below.

Notes:

1. Closing market capitalisations and historical P/Es based on trailing twelve months earnings of the Comparable Companies are sourced from Bloomberg as at the date immediately before the Latest Practicable Date.
2. The historical P/Es of the Comparable Companies are calculated based on their respective profit attributable to the shareholders of the Comparable Company as set out in their respective latest annual report available as at the date immediately before the Latest Practicable Date and their respective closing market capitalisation as at the date immediately before the Latest Practicable Date.

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3. The historical P/Bs of the Comparable Companies are calculated based on their respective net asset value attributable to the shareholders of the Comparable Company as at 30 June 2018 as set out in their respective latest interim report available as at the date immediately before the Latest Practicable Date and their respective closing market capitalisation as at the date immediately before the Latest Practicable Date.
4. As set out in COSCO SHIPPING Holdings' 2017 annual report, the segment profit generated from the container terminal and related business segment of COSCO SHIPPING Holdings represented approximately 60% of the operating profit from continuing operations (after inter-segment elimination), whereas segment assets of the container terminal and related business segment represented approximately 27% of the total segment assets (after inter-segment elimination), which, in our view may be regarded by the market as different value drivers (i.e. level of contribution to operating profit from the container terminal and related business segment and its assets component) as compared to those of the Company and other Comparable Companies.
5. On 7 July 2017, a possible voluntary general offer to Orient Overseas' qualifying shareholders involving change of control was announced. The offer price was HK\$78.67 per share, equivalent to an implied P/B of approximately 1.4 times. The closing share price of Orient Overseas surged to HK\$72.00 on 10 July 2017 from HK\$60.00 on 7 July 2017, being the date of announcement. The voluntary general offer closed on 27 July 2018. As at the date immediately prior to the Latest Practicable Date, the closing share price of Orient Overseas was HK\$47.65 and its P/B was approximately 0.82 times.
6. Excluded in the calculation of the mean/median/maximum/minimum historical P/E of the Comparable Companies as an outlier since the P/E ratio of Pacific Basin is abnormally high, and, in our view, is attributable to depressed profits.
7. The implied P/E of the Company (based on the Group's 2017 annual results) is calculated based on the Cancellation Consideration of HK\$2.70, the issued share capital of the Company of 3,992,100,000 Shares, and the profit attributable to the shareholders of the Company of approximately US\$32,271,000 for the year ended 31 December 2017.
8. The implied P/E of the Company (based on trailing twelve months earnings) is calculated based on the Cancellation Consideration of HK\$2.70, the issued share capital of the Company of 3,992,100,000 Shares, and the deduced profit attributable to the shareholders of the Company for the period from 1 July 2017 to 30 June 2018 by subtracting 2017 interim results from 2017 annual results and adding 2018 interim results (for illustration purpose only).
9. The implied P/B of the Company is calculated based on the Cancellation Consideration of HK\$2.70, the issued share capital of the Company of 3,992,100,000 Shares, and the net asset value attributable to the shareholders of the Company of approximately US\$1,836,947,000 as at 30 June 2018.

P/E ratio

As set out in the table above, the implied P/E of the Company at the Cancellation Consideration (based on the Group's 2017 annual results) of approximately 42.6 times is above the range of the historical P/Es of the Comparable Companies (excluding Pacific Basin which is an outlier as set out in Note 6 above), which we consider favourable to the Independent Shareholders.

In view of the increase in the Group's profit for the first half of 2018, for illustration purpose only, we have also performed a P/E analysis based on trailing twelve months earnings which results in an implied P/E of the Company at the Cancellation Consideration of approximately 21.4 times. The figure for Orient Overseas and COSCO SHIPPING Energy of approximately 99.24 times and 60.20 times are regarded as outlier and the P/E for COSCO SHIPPING Holdings of approximately

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32.78 times may, owing to the factors as discussed in Note 4 to the table above, reflect different value drivers as compared to those of the Company and other Comparable Companies. The implied P/E of the Company of approximately 21.4 times based on trailing twelve months earnings is, nonetheless, slightly higher than the P/E of Pacific Basin of approximately 20.77 times based on trailing twelve months earnings sourced from Bloomberg. The above analysis based on trailing twelve months earnings is set out for illustration purpose and does not form a material basis for us to assess the fairness of the Cancellation Consideration.

P/B ratio

As set out in the table above, the historical P/Bs of the Comparable Companies range from approximately 0.65 times to 1.8 times, with a mean and median of approximately 1.0 times and 0.8 times respectively. The implied P/B of the Company as represented by the Cancellation Consideration as discussed above of approximately 0.75 times is below average but within the range of the historical P/Bs of the Comparable Companies. As shown in Chart 2 in the sub-section headed “Analysis of price performance and trading liquidity of the Shares” of this letter above, the Company’s Share price has traded at substantial and persistent discounts to the Company’s net asset value per Share during the Review Period. Albeit the Cancellation Consideration represents a discount of around 25% to net asset value per Share as at 30 June 2018 (i.e. implied P/B of approximately 0.75 times), such implied P/B is higher than the historical P/B of the Company ranging from approximately 0.28 times to approximately 0.746 times during the Review Period (except for the P/B on 22 September 2017 of approximately 0.77 times). The recent increase in P/B is largely due to the increase in Share price following the publication of the Announcement. Further, the Cancellation Consideration of HK\$2.70 per Scheme Share represents premia in a range of approximately 28% to 55% over the closing Share prices for different periods before the suspension of trading in the Shares pending publication of the Announcement, which in our view, is favourable to the Independent Shareholders.

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6. Privatisation precedents

We have compared the Proposal to privatisation proposals of other companies listed on the Hong Kong Stock Exchange announced since 1 January 2017 and up to the Latest Practicable Date, excluding privatisation proposals which were not/yet to be approved (the “**Privatisation Precedents**”), which represents an exhaustive list of privatisation proposals we were able to identify from the Hong Kong Stock Exchange’s website satisfying the above selection criteria. The table below illustrates the premiums/discounts represented by the cancellation consideration over/to the respective last trading day and respective last 5 trading days, 30 trading days, 60 trading days, 90 trading days, and 180 trading days average share prices in respect of such privatisation proposals:

Date of the announcement	Company (Stock code)	Cancellation consideration HK (\$)	Premium/(discount) of the cancellation consideration over/(to)											
			Closing price per share on the last trading day (%)	average price closing per share for the last 5 trading days up to and including the last trading day (%)	average price closing per share for the last 30 trading days up to and including the last trading day (%)	average price closing per share for the last 60 trading days up to and including the last trading day (%)	average price closing per share for the last 90 trading days up to and including the last trading day (%)	average price closing per share for the last 180 trading days up to and including the last trading day (%)						
10 June 2018	Hong Kong Aircraft Engineering Company Limited (0044)	71.81	63.20	63.24	62.43	60.25	56.96	49.98						
7 June 2018	Portico International Holdings Limited (0589)	4.10	50.18	51.63	49.20	45.18	45.82	49.85						
10 November 2017	Welling Holding Limited (0382)	2.06	30.40	30.38	33.80	35.53	28.75	22.62						
3 July 2017	Chima Assets (Holdings) Limited (0170)	6.80	61.52	70.26	76.62	77.08	76.62	74.81						
19 June 2017	Bloomage BioTechnology Corporation Limited (0963)	16.30	16.76	23.41	24.76	30.84	34.01	32.56						
29 May 2017	Chima Metal International Holdings Inc. (0319)	3.01	27.54	26.68	25.94	22.86	24.38	18.29						
28 April 2017	Belle International Holdings Limited (1880)	6.30	19.54	23.34	21.47	22.94	28.38	26.44						
20 April 2017	TCC International Holdings Limited (1136) (Note 1)	3.60	38.46	40.08	51.26	66.67	74.30	84.73						
29 March 2017	Goldin Properties Holdings Limited (0283)	9.00	14.20	26.40	33.74	31.43	33.24	44.01						

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The terms of the privatisation proposals set out above provide, in our view, a general guide to the premium over market prices needed in Hong Kong to secure a successful privatisation. On the other hand, none of the Privatisation Precedents are shipping companies and some aspects of pricing are likely to be industry-specific.

Based on the table above, the average premiums of the Privatisation Precedents over the last trading day share price, 5 trading days, 30 trading days, 60 trading days, 90 trading days and 180 trading days share price averages were approximately 33%, 36%, 41%, 45%, 47% and 49% respectively, and the premiums represented by the Cancellation Consideration are in a similar range of approximately 28% to 55%. The premiums represented by the Cancellation Consideration over the average closing prices of the Shares for the shorter periods were above the corresponding mean and median of premiums while the average closing prices of the Shares for the longer periods were below. This is attributable to the relative strength of the Share price over the longer periods, as set out in Chart 1 above. Overall, we consider the premia represents by the Cancellation Consideration is in line with market practice.

DISCUSSION

The Group is principally engaged in dry bulk and container shipping and consequently is exposed to changes in capacity and sentiment in the shipping markets, world economic cycles and the climate for international trade. The UNCTAD Report referred to above forecasts annual growth of about 3.8% in world seaborne trade but warns caution is advisable. The Group's financial performance rebounded in 2017, attributable to recovery of the world economy and international trade and seaborne demand. In the first half of 2018, revenue declined slightly, while profits benefitted from, among others, a decrease in cost of operations due to a decrease in voyage cost with respect to dry bulk shipping. Going forward, the Group faces uncertainties such as escalating trade frictions and geopolitical risks which could derail recovery and weigh on the Group's prospects in the near to medium term.

The Scheme Shares will be cancelled at HK\$2.70 in cash. **The Offeror has advised that the Cancellation Consideration will not be revised in the course of the Scheme of Arrangement and the Offeror does not reserve the right to do so.** If the Scheme of Arrangement fails, the Offeror cannot in normal circumstances put forward another proposal for twelve months.

We have assessed the fairness of the Cancellation Consideration by reviewing, among other factors, the Share prices of the Company. The Cancellation Consideration of HK\$2.70 per Scheme Share exceeds the closing Share price throughout almost the entire Review Period and represents a premia in a range of approximately 28% to 55% over the closing Share prices for different periods before the suspension of trading in the Shares pending publication of the Announcement. The Cancellation Consideration represents a premium of approximately 50% and 43% over the closing price of HK\$1.80 on the Last Trading Day and the average closing price of HK\$1.89 for the 30 trading days up to and including the Last Trading Day, respectively.

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Trading liquidity of the Shares has been at a low level over a period of time. The average daily trading volume of the Shares for the 3 months up to and including the Last Trading Day was approximately 4.0 million Shares per day, representing only approximately 0.10% of the issued shares as at the Latest Practicable Date. In view of the recent stock market volatility, Independent Shareholders should be aware that the current Share price, as well as the trading liquidity (which has been generally low) may not be sustained if the Proposal lapses. The Proposal provides an opportunity for the Scheme Shareholders to dispose of their entire holdings at a fixed Cancellation Consideration, which is at a substantial premium to historical Share prices. The premiums represented by the Cancellation Consideration over the average closing prices of the Shares of the Privatisation Precedents for the shorter periods were above the corresponding mean and median of premiums while the average closing prices of the Shares for the longer periods were below. Overall, we consider the premia represented by the Cancellation Consideration is in line with market practice.

The implied P/E ratio of the Company at the Cancellation Consideration (based on the Group's 2017 annual results) is above the range of the P/E ratios of the Comparable Companies, which we consider favourable to the Independent Shareholders.

The Cancellation Consideration represents a discount to net asset value per Share (after deducting minority interests) of around 25% as at 30 June 2018. This is within the range of the Comparable Companies. We note that a substantial discount to net asset value has been persistent for the Company over the Review Period as shown in Chart 2 in the sub-section headed "Analysis of price performance and trading liquidity of the Shares" above. Albeit the Cancellation Consideration represents a discount of around 25% to net asset value per Share (after deducting minority interests) as at 30 June 2018 (i.e. implied P/B of approximately 0.75 times), such implied P/B is higher than the historical P/B of the Company ranging from approximately 0.28 times to approximately 0.746 times during the Review Period (except for the P/B on 22 September 2017 of approximately 0.77 times).

In view of the factors as summarised in this section above, we are of the view that the Cancellation Consideration is fair and reasonable. The Proposal provides Independent Shareholders with an opportunity to realise their investment at a fixed cash consideration of HK\$2.70 per Scheme Share during volatile market conditions. Overall, our view on the fairness and reasonableness of the Proposal depends principally on the exposure of the Group to escalating economic and trade risks, the premia which the Cancellation Consideration represents over recently prevailing market prices, the generally low liquidity of the Shares, making an exit opportunity attractive, and the comparison with peers and the Privatisation Precedents.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Scheme of Arrangement.

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Independent Shareholders should note that the Cancellation Consideration of HK\$2.70 per Scheme Shares represents a slight premium of approximately 3.85% compared to the closing price of the Shares of HK\$2.60 as at the Latest Practicable Date. There is still a possibility that the Share price may exceed the Cancellation Consideration in the period up to 14 December 2018, being the expected last day for trading in the Shares on the Hong Kong Stock Exchange if the Proposal is approved. Independent Shareholders are also reminded of the risk, in our view, of a fall in the Share price towards its previous level of around HK\$1.6 to HK\$2.1 for the 30 trading days up to and including the Last Trading Day, at least in the short term, if the Proposal fails. Accordingly, Independent Shareholders are reminded to monitor the trading price and liquidity of the Shares and, having regard to their own circumstances, consider selling their Shares in the open market, if such a strategy suits their own investment strategy and risk profile.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M. N. Sabine
Chairman

Mr. M. N. Sabine is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years' experience in the corporate finance industry.

For the purpose of illustration only, any amount denominated in RMB or US\$ in this letter is translated in HK\$ at the rate of RMB1 = HK\$1.14 and US\$1 = HK\$7.85 respectively. Such translation should not be constructed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under Section 671 of the Companies Ordinance.

INTRODUCTION

On 27 September 2018, the Offeror and the Company jointly announced that on 18 September 2018, the Offeror had requested the Board to put forward to the Scheme Shareholders the Proposal which, if implemented, would result in the withdrawal of the listing of the Shares from the Hong Kong Stock Exchange. The Offeror also confirmed in such announcement that there would be no revision to the Cancellation Consideration.

As at the Latest Practicable Date, the Offeror is interested in 2,600,000,000 Shares, representing approximately 65.13% of the issued Shares. The Offeror, Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc. together are interested in 2,742,639,000 Shares, representing approximately 68.70% of the issued Shares. Dalian Port and CIMC together are interested in 12,531,500 Shares, representing approximately 0.32% of the issued Shares.

The Proposal, if proceeded with, will be implemented by way of a scheme of arrangement under Sections 670, 671, 673 and 674 of the Companies Ordinance. Upon the Scheme of Arrangement becoming effective, the Scheme Shares will be cancelled and New Shares will be issued as fully paid to the Offeror, and the listing of the Shares will be withdrawn from the Hong Kong Stock Exchange.

The primary purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and, specifically, to provide the Scheme Shareholders with additional information in relation to the Scheme of Arrangement.

THE PROPOSAL

Subject to the Conditions being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme of Arrangement between the Company and the Scheme Shareholders.

SCHEME OF ARRANGEMENT

The Scheme of Arrangement involves a reduction of the issued share capital of the Company by the cancellation of the Scheme Shares. The credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up such number of New Shares as is equal to the number of Scheme Shares cancelled, so allotted and issued, credited as fully paid, to the Offeror. Upon such reduction and the issuance of the New Shares, the issued share capital of the Company will be increased to its former amount by the creation the New Shares. The Scheme of Arrangement provides that, in consideration of the cancellation of the Scheme Shares, the Scheme Shareholders whose names appear on the register of members of the Company on the Record Date, which is expected to be on 11 January 2019, will be entitled to receive from the Offeror:–

HK\$2.70 in cash for every Scheme Share cancelled

EXPLANATORY STATEMENT

The Offeror has advised that the Cancellation Consideration will not be revised in the course of the Scheme of Arrangement and the Offeror does not reserve the right to do so.

The Cancellation Consideration of HK\$2.70 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents:

- (i) a premium of approximately 49.2% over the closing price of HK\$1.81 per Share as quoted on the Hong Kong Stock Exchange immediately before the suspension of trading in the Shares pending publication of the Announcement;
- (ii) a premium of approximately 50.0% over the closing price of HK\$1.80 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 55.2% over the average closing price of approximately HK\$1.74 per Share as quoted on the Hong Kong Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 42.9% over the average closing price of approximately HK\$1.89 per Share as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 37.8% over the average closing price of approximately HK\$1.96 per Share as quoted on the Hong Kong Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 32.4% over the average closing price of approximately HK\$2.04 per Share as quoted on the Hong Kong Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 28.0% over the average closing price of approximately HK\$2.11 per Share as quoted on the Hong Kong Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (viii) a premium of approximately 3.8% over the closing price of HK\$2.60 per Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date;
- (ix) a discount of approximately 24.4% to the net asset value per Share attributable to the Shareholders (after deducting minority interests) of approximately HK\$3.57 as at 31 December 2017 (according to the audited consolidated financial statements of the Company for the year ended 31 December 2017, and converted based on an exchange rate of US\$1:HK\$7.85 for illustrative purposes); and
- (x) a discount of approximately 25.2% to the unaudited net asset value per Share attributable to the Shareholders (after deducting minority interests) of approximately HK\$3.61 as at 30 June 2018 (according to the unaudited interim financial statements of the Company for the six months ended 30 June 2018, and converted based on an exchange rate of US\$1:HK\$7.85 for illustrative purposes).

EXPLANATORY STATEMENT

The Cancellation Consideration has been determined after taking into account a number of factors, including but not limited to the prices of the Shares traded on the Hong Kong Stock Exchange, the trading multiples (such as price to earnings ratio and price to book ratio) of comparable companies listed on the Hong Kong Stock Exchange that engaged in the international shipping services business and had a comparable market capitalisation (including Orient Overseas (International) Limited, COSCO Shipping Energy Transportation Co., Ltd., Pacific Basin Shipping Limited and Chu Kong Shipping Enterprises (Group) Company Limited) and with reference to stock liquidity profile, the Company's operational performance and overall industry outlook, as well as comparable precedent privatisation transactions in Hong Kong in recent years. As set out in the section entitled "Reasons for and benefits of the Proposal" in the Explanatory Statement appearing on pages 59 to 60 of this Scheme Document, the trading liquidity of the Shares has been at a low level over a period of time which has caused, in part, a substantial discount to the historical trading prices (approximately 50.1% discount to the closing price of HK\$1.80 on the Last Trading Day, relative to the unaudited net asset value per Share (after deducting minority interests) of approximately HK\$3.61 as at 30 June 2018), whereas the Cancellation Consideration only represents a 25.2% discount to the unaudited net asset value per Share (after deducting minority interests) of approximately HK\$3.61 as at 30 June 2018.

TOTAL CONSIDERATION AND CONFIRMATION OF FINANCIAL RESOURCES

On the basis of the Cancellation Consideration of HK\$2.70 per Scheme Share and 1,249,461,000 Scheme Shares in issue as at the Latest Practicable Date, the amount of cash required for the Proposal is approximately HK\$3,373.5 million. The Offeror intends to finance the cash required for the Proposal from a new credit facility made available to the Offeror by Bank of China (Hong Kong) Limited for the Certain Fund Period and/or internal financial resources.

The Financial Adviser is satisfied that sufficient financial resources are available to the Offeror to implement the Proposal in full in accordance with its terms.

CONDITIONS OF THE PROPOSAL AND THE SCHEME OF ARRANGEMENT

Pursuant to section 674(2) of the Companies Ordinance, for a scheme of arrangement that involves a takeover offer to be approved, the votes cast against the scheme of arrangement must not exceed 10% of the voting rights attached to all CO Disinterested Shares. This requirement is in addition to the requirement under the Companies Ordinance that the scheme of arrangement must be approved by shareholders representing at least 75% of the voting rights of the shareholders present and voting, in person or by proxy, at the court meeting, and to similar voting threshold requirements under the Takeovers Code.

The Proposal will become effective and binding on the Company and all Shareholders subject to the fulfilment or waiver, as applicable, of the following conditions:

- (a) the Scheme of Arrangement is approved (by way of poll) by the Independent Shareholders representing at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by

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proxy at the Court Meeting, and the number of votes cast (by way of poll) against the Scheme of Arrangement at the Court Meeting not exceeding 10% of the total voting rights attached to all CO Disinterested Shares, provided that:

- (i) the Scheme of Arrangement is approved (by way of poll) by at least 75% of the votes attaching to the TC Disinterested Shares held by the Shareholders of the TC Disinterested Shares that are cast either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of poll) against the resolution to approve the Scheme of Arrangement at the Court Meeting is not more than 10% of the votes attached to all the TC Disinterested Shares held by the Shareholders of the TC Disinterested Shares;
- (b) the passing of a special resolution by a majority of not less than 75% of the votes cast by the Shareholders present and voting in person or by proxy at the EGM (and otherwise in accordance with the procedural requirements of section 564 of the Companies Ordinance) to approve and give effect to the Scheme of Arrangement, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of New Shares as is equal to the number of the Scheme Shares cancelled;
 - (c) the sanction of the Scheme of Arrangement (with or without modifications) and the confirmation of the reduction of the issued share capital of the Company involved in the Scheme of Arrangement by the High Court and the registration of a copy of the order of the High Court by the Registrar of Companies under Part 2 of the Companies Ordinance;
 - (d) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme of Arrangement, respectively;
 - (e) all necessary authorisations, consents and approvals (including approval in-principle) of any governmental or regulatory body in relation to the Proposal (including its implementation) having been obtained and remaining in full force and effect pursuant to the provisions of any laws or regulations in Hong Kong, PRC and other relevant jurisdictions;
 - (f) all necessary third party consents in relation to the Proposal required pursuant to any agreement to which any member of the Group is a party having been obtained or waived by the relevant party(ies) and remaining in full force and effect without modification;

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- (g) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Proposal void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to, the Proposal;
- (h) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any of the Relevant Authorities which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each case up to and at the time when the Scheme of Arrangement becomes effective;
- (i) there being no provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, which as a consequence of the Proposal or the Scheme of Arrangement would result in (in each case to an extent which is material in the context of the Group as a whole and in the context of the Proposal):
 - (i) any monies borrowed by or any other indebtedness (actual or contingent) of any member of the Group being or becoming repayable (or capable of being declared repayable) immediately or earlier than their or its stated maturity date or repayment date;
 - (ii) any such agreement, arrangement, licence, permit or instrument (or the rights, liabilities, obligations or interests of any member of the Group thereunder) being terminated or adversely modified (or any material obligation or liability arising or any material action being taken thereunder);
or
 - (iii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Group or any such security (whenever arising) becoming enforceable,

and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Group is a party or by which any such member or all or any of its assets may be bound, entitled or subject, would result in any of the events or circumstances as are referred to in sub-paragraphs (i) to (iii) of this paragraph (i) (in each case to an extent which is material in the context of the Group as a whole and in the context of the Proposal);

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- (j) no event having occurred which would make the Proposal or the cancellation of the Scheme Shares void, unenforceable or illegal or which would prohibit the implementation of the Proposal or impose any additional material conditions or obligations with respect to the Proposal or any part thereof or on the cancellation of the Scheme Shares or the issue of New Shares in the Scheme; and

- (k) since the date of the Announcement:
 - (i) there having been no material adverse change in the business, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal); and

 - (ii) there not having been instituted or remaining outstanding any litigation, arbitration, proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings having been threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

Condition (a) to the Scheme of Arrangement takes into account the approval requirements under Rule 2.10 of the Takeovers Code, in addition to the statutory requirements under Section 673 of the Companies Ordinance. Under Sections 673 and 674 of the Companies Ordinance, the Scheme of Arrangement will, subject to the sanction of the High Court, be binding on the Company and all the Scheme Shareholders if the Scheme is approved by at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are cast either in person or by proxy at the Court Meeting and the number of votes cast against the resolution to approve the Scheme of Arrangement at the Court Meeting is not more than 10% of the votes attaching to all CO Disinterested Shares. Based on the 1,236,929,500 CO Disinterested Shares as at the Latest Practicable Date, 10% of such CO Disinterested Shares is 123,692,950 CO Disinterested Shares after rounding. Under Rule 2.10 of the Takeovers Code, however, the Scheme of Arrangement has to be approved by at least 75% of the votes attaching to the Shares held by the Shareholders of the TC Disinterested Shares that are cast either in person or by proxy at the Court Meeting; and the number of votes cast against the resolution to approve the Scheme at the Court Meeting must not be more than 10% of the votes attaching to all of the TC Disinterested Shares held by such Shareholders. Based on 1,236,929,500 Shares held by the Shareholders of the TC Disinterested Shares as at the Latest Practicable Date, 10% of such TC Disinterested Shares is 123,692,950 TC Disinterested Shares after rounding.

With reference to condition referred to in paragraph (e) above, as at the Latest Practicable Date, the Company and the Offeror are not aware of any necessary authorisations required in relation to the Proposal. With reference to condition referred to in paragraph (f)

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above, as at the Latest Practicable Date, the Company had identified third party contracts in connection with its vessel charter arrangement in respect of which certain third party consent is required in relation to the Proposal. As at the Latest Practicable Date, the Company is in the process of obtaining such third party consent in connection with its vessel chartering arrangement. Save for this and to the Directors' knowledge, there is no other agreement pursuant to which a member of the Group is required to obtain consent from third parties regarding the Proposal.

The Offeror reserves the right to waive all or any of the conditions (except for the conditions referred to in paragraphs (a) to (e), (g), (h) and (j) above) in whole or in part. The Company does not have the right to waive any of the conditions. All of the above conditions will have to be fulfilled or waived, as applicable, on or before 30 June 2019 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code), otherwise the Scheme of Arrangement will lapse. In addition, the Offeror is required to obtain prior written consent from the Financial Adviser if it intends to extend the offer period beyond the Certain Fund Period. The Financial Adviser will only consent to such an extension if, among other alternative funding options satisfactory to it, the Offeror has obtained a corresponding extension of the Certain Fund Period from Bank of China (Hong Kong) Limited which is able to cover the extended offer period. If the Scheme of Arrangement is withdrawn, not approved or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn. In accordance with Note 2 to Rule 30.1 of the Takeovers Code, the Offeror will not be permitted to invoke all or any of the conditions of the Proposal so as to cause the Scheme of Arrangement to lapse unless the circumstances which give rise to the right to invoke the condition are of material significance to the Offeror in the context of the Proposal.

None of the Conditions had been satisfied (or waived) as at the Latest Practicable Date.

As of the Latest Practicable Date, there are no agreements or arrangements to which Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.

In accordance with Rule 31.1 of the Takeovers Code, except with the consent of the Executive, neither the Offeror nor the Offeror Concert Parties in relation to the Proposal, may within 12 months from which the Proposal is withdrawn or lapses, either announce an offer or possible offer for the Company or acquire any voting rights of the Company if the Offeror or the Offeror Concert Parties would thereby become obliged under Rule 26 of the Takeovers Code to make an offer.

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If approved, the Scheme of Arrangement will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting.

Assuming that the above conditions are fulfilled or, as applicable, waived, the Scheme of Arrangement will become effective on the Effective Date, which is expected to be 11 January 2019, and the listing of the Shares on the Hong Kong Stock Exchange is expected to be withdrawn at 9:00 a.m. on Monday, 14 January 2019 pursuant to Rule 6.15(2) of the Listing Rules. An announcement will be made by the Company in relation to the results of the Court Meeting and the EGM. Further announcements will be made regarding the Proposal in accordance with the requirements of the Takeovers Code and the Listing Rules, including in relation to the result of the hearing of the petition for the sanction of the Scheme of Arrangement by the High Court, the Effective Date, the date of withdrawal of the listing of the Shares from the Hong Kong Stock Exchange and if the Scheme is withdrawn or lapses.

Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme of Arrangement is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented and the Scheme of Arrangement may or may not become effective. Shareholders and potential investors are advised to exercise caution when dealing in the Shares or in securities of the Offeror, as appropriate. Persons who are in any doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

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SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the issued share capital of the Company is 3,992,100,000 Shares.

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme of Arrangement becoming effective and assuming no other new Shares will be issued prior thereto:

Shareholders	As at the Latest Practicable Date		Upon the Scheme of Arrangement becoming effective	
	<i>Number of Shares</i>	<i>Approximate % of the issued share capital</i>	<i>Number of Shares</i>	<i>Approximate % of the issued share capital</i>
The Offeror	2,600,000,000	65.13	3,849,461,000	96.43
Offeror Concert Parties:				
Sinotrans Hong Kong	118,520,000	2.97	118,520,000	2.97
CM Energy Investment	17,896,500	0.45	17,896,500	0.45
Sinotrans Shipping Inc.	6,222,500	0.16	6,222,500	0.16
Aggregate number of Shares of the Offeror, Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc.	2,742,639,000	68.70	3,992,100,000	100
Scheme Shareholders:				
Dalian Port (also being an Offeror Concert Party)	9,535,000	0.24	0	0
CIMC (also being an Offeror Concert Party)	2,996,500	0.08	0	0
Others	1,236,929,500	30.98	0	0
Aggregate number of Scheme Shareholders:	1,249,461,000	31.30	0	0
Total issued share capital	3,992,100,000	100	3,992,100,000	100

As at the Latest Practicable Date, the Offeror is interested in 2,600,000,000 Shares, representing approximately 65.13% of the issued Shares. The Offeror, Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc. together are interested in 2,742,639,000 Shares, representing approximately 68.70% of the issued Shares. The Shares beneficially owned by the Offeror, Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc. will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting and will not be cancelled upon the Scheme of Arrangement becoming effective. Dalian Port and CIMC together are interested in 12,531,500 Shares, representing approximately 0.32% of the issued Shares. The Shares beneficially owned by Dalian Port and CIMC will form part of the Scheme Shares and will be cancelled upon the Scheme of Arrangement becoming effective; however, as each of Dalian Port and CIMC is an Offeror Concert Party, the Shares beneficially owned by Dalian Port and CIMC will not be voted at the Court Meeting.

As at the Latest Practicable Date, the Directors are not interested in any Shares.

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As at the Latest Practicable Date, the Company does not have any outstanding options, warrants, derivatives or securities convertible into Shares in issue.

Save as aforesaid, as at the Latest Practicable Date, the Offeror and the Offeror Concert Parties do not hold any other Shares or any options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company.

As at the Latest Practicable Date, none of the Offeror or the Offeror Concert Parties has received any irrevocable voting commitment from the Independent Shareholders in respect of the Court Meeting.

As of the Latest Practicable Date, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to Shares or shares of the Offeror which might be material to the Proposal or the Scheme of Arrangement.

As of the Latest Practicable Date, the Offeror and the Offeror Concert Parties have not borrowed or lent any relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code).

EFFECT OF THE PROPOSAL AND THE SCHEME OF ARRANGEMENT

If the Scheme of Arrangement is approved at the Court Meeting in accordance with the requirements of Sections 673 and 674 of the Companies Ordinance and Rule 2.10 of the Takeovers Code, as described above, and is sanctioned by the High Court and the other Conditions are either fulfilled or (to the extent permitted) waived, then the Scheme of Arrangement will become binding on the Company and all the Scheme Shareholders.

If the Scheme of Arrangement becomes effective:

- (i) all the Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled in exchange for the payment to each Scheme Shareholder of the Cancellation Consideration in cash for each Scheme Share by the Offeror, whereupon the issued share capital of the Company will be reduced from 3,992,100,000 Shares to 2,742,639,000 Shares (assuming that there are no changes to its shareholding structure on or prior to the Effective Date) and all share certificates representing holdings of those Scheme Shares cancelled shall cease to have effect as evidence of title;
- (ii) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. The credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up such number of New Shares as is equal to the number of Scheme Shares cancelled, so allotted and issued, credited as fully paid, to the Offeror;
- (iii) upon such reduction and the issuance of the New Shares, the issued share capital of the Company will be increased to its former amount by the creation the New Shares; and

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- (iv) the Offeror will pay the Cancellation Consideration of HK\$2.70 per Scheme Share to the Scheme Shareholders for each Scheme Share held by them on the Record Date.

Pursuant to Rule 2.3 of the Takeovers Code, if the Proposal is either not recommended by the Independent Board Committee or is not recommended as fair and reasonable by the Independent Financial Adviser, all expenses incurred by the Company in connection with the Proposal shall be borne by the Offeror if the Scheme of Arrangement is not approved.

REASONS FOR AND BENEFITS OF THE PROPOSAL

For Scheme Shareholders: an opportunity to realise their investment at a compelling premium despite shipping industry headwinds

- The global shipping industry has been confronted with severe challenges over the past decade as the revival of the world economy and international trade have been below expectation while the capacity of the fleet has continued to grow. A recent escalation in trade tension between China and US has made a significant near-term recovery in the industry less promising. As one of the largest shipping companies in China, these market factors have posed significant impact to the Company's business and hence the performance of the Shares.
- The trading liquidity of the Shares has been at a low level over a period of time. The average daily trading volume of the Shares for the 3 months up to and including the Last Trading Day was approximately 3.975 million shares per day, representing only approximately 0.10% of the issued shares as at the Latest Practicable Date, which are also caused in part by the lack of analyst coverage in respect of the Company. The low trading liquidity of the Shares could make it difficult for Scheme Shareholders to execute on-market disposals without adversely affecting the share price.
- The Offeror accordingly considers that the Proposal provides the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at a compelling premium over the prevailing share price. The Cancellation Consideration of HK\$2.70 per Scheme Share represents a premium of approximately 50.0% and 42.9% over the closing price of HK\$1.80 on the Last Trading Day and the average closing prices of HK\$1.89 for the 30 trading days up to and including the Last Trading Day, respectively.

For the Offeror and CMG: to save costs and facilitate the creation of long term strategic value while at the same time honours the non-competition undertakings

- As the restructuring between CMG and Sinotrans & CSC Holdings Company Limited completed, CMG became the ultimate holding company of the Company, which caused competition between the Company and another listed subsidiary of CMG. Hence CMG had made an undertaking to resolve the intra-group competition issue between the Company and another listed subsidiary of CMG, in accordance with the applicable legal guidelines and regulatory requirements. The Offeror has been considering various strategic alternatives post privatisation, including but not limited to potential

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restructuring of the privatised assets with its other subsidiaries and/or associated companies, to resolve the competition situation. However, no concrete plan for such restructuring exercise has been formulated by the Offeror or CMG as of the Latest Practicable Date. On the basis of the above, the Offeror and CMG are of the view that the Proposal provides an opportunity for CMG to honour its aforementioned non-competition undertakings.

- The Company is a core long term strategic business for the Offeror. The Proposal will enable the Offeror to fully consolidate its control over the Company and is expected to allow an overall more efficient and cost-effective structure for the Offeror, with greater flexibility to manage the Company's business.
- Due to the low liquidity and the relative underperformance in the trading of the Shares, the Company has been unable to fulfil the initial objectives of its public listing, including but not limited to attract funds for future growth. In this context, the Offeror and CMG believe that the administrative costs and management resources associated with maintaining the Company's listing status are no longer warranted given the difficulties of raising funds from public equity markets, which the Offeror and CMG believe that it is unlikely to see any significant improvement in the near term.

FUTURE PLANS FOR THE COMPANY

It is the intention of the Offeror to continue the core business of the Company in shipping and chartering businesses after the successful privatisation of the Company. The Offeror will also actively expand its client base and business in the future. The Offeror has been considering various strategic alternatives post privatisation, including but not limited to potential restructuring of the privatised assets with its other subsidiaries and/or associated companies. The Offeror has no intention to discontinue the employment of the employees of the Group after implementation of the Scheme of Arrangement and the Proposal. The Board notes the Offeror's intention with regard to the future plans for the Company and employees of the Group.

In the event that the proposed privatisation of the Company by the Offeror is not successful, the Company will continue to carry on its core businesses in shipping and chartering businesses.

IF THE PROPOSAL DOES NOT PROCEED

If the Scheme of Arrangement is withdrawn or not approved or sanctioned by the High Court or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn, and there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Proposal lapses announce an offer or possible offer for the Company, except with the consent of the Executive. The Offeror has no intention of disposing any of its approximately 65.13% interest in the Company if the Proposal does not proceed.

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INFORMATION ON THE COMPANY

The Company is incorporated in Hong Kong with limited liability. It is principally engaged in dry bulk shipping, container shipping, liquefied natural gas shipping, vessel technical management and other shipping related business.

Set out below is a summary of certain audited financial information of the continuing operations of the Group for the financial years ended 31 December 2016 and 31 December 2017 extracted from the Company's annual reports:

	For the year	
	ended 31 December	
	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>
Revenues	841,461	1,006,395
Operating (loss)/profit	(245,818)	35,564
(Loss)/Profit before taxation	(240,790)	45,721
(Loss)/Profit for the year	(242,114)	40,002
Consolidated net asset value attributable to owners of the Company	1,788,437	1,817,028

The attention of the Scheme Shareholders is drawn to Appendix I to this Scheme Document which sets out the financial information relating to the Group.

INFORMATION ON THE OFFEROR AND SINOMARINE LIMITED

The Offeror is a limited liability company incorporated in the British Virgin Islands which is directly wholly-owned by Sinomarine Limited and is ultimately wholly-owned by CMG. It is principally engaged in investment holding. As at the Latest Practicable Date, the board of directors of the Offeror comprises Mr. Xu Tinghui and Mr. Zhang Jinti.

Sinomarine Limited is a limited liability company established in the PRC, which is ultimately wholly-owned by CMG. It is principally engaged in ship trading, ship maintenance, ship leasing and consultation service, international freight forwarding and shipping information consultation service.

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INFORMATION ON SINOTRANS HONG KONG, CM ENERGY INVESTMENT AND SINOTRANS SHIPPING INC.

Sinotrans Hong Kong is incorporated in Hong Kong with limited liability which is directly owned by Sinotrans & CSC Holdings Company Limited (中國外運長航集團有限公司) and is ultimately owned by CMG. It is principally engaged in investment holding.

CM Energy Investment is a limited liability company incorporated in the British Virgin Islands and is wholly-owned by China Merchants Energy Shipping Co., Ltd (招商局能源運輸股份有限公司), a company established under the laws of the PRC which is approximately 54.28% indirectly owned by CMG. It is principally engaged in investment holding.

Sinotrans Shipping Inc. is a limited liability company incorporated in Panama and is wholly-owned by Sinotrans & CSC Holdings Company Limited (中國外運長航集團有限公司) which is in turn wholly-owned by CMG. It is principally engaged in investment holding.

WITHDRAWAL OF THE LISTING OF THE SHARES AND THE SHARE CERTIFICATES

Upon the Scheme of Arrangement becoming effective, all of the Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be 11 January 2019.

Conditional upon the approval of the Scheme of Arrangement at the Court Meeting and the passing of the special resolution to give effect to the Scheme of Arrangement at the EGM, the listing of the Shares from the Hong Kong Stock Exchange will be withdrawn in accordance with Rule 6.15(2) of the Listing Rules as soon as practicable. If the Scheme of Arrangement becomes effective on 11 January 2019, the listing of the Shares on the Hong Kong Stock Exchange is expected to be withdrawn at 9:00 a.m. on 14 January 2019.

Subject to the requirements of the Takeovers Code, the Scheme of Arrangement will lapse if any of the Conditions described in the section above entitled “Conditions of the Proposal and the Scheme of Arrangement” has not been fulfilled or waived, as applicable. The Scheme Shareholders will be notified by way of an announcement of the last day for dealing in the Shares and the Effective Date. In addition, the Offeror is required to obtain prior written consent from the Financial Adviser if it intends to extend the offer period beyond the Certain Fund Period.

If the Scheme of Arrangement is withdrawn or not approved or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn.

ENTITLEMENTS TO AND PAYMENT OF CANCELLATION CONSIDERATION

All transferees of the Shares must lodge the duly completed transfer forms, together with the relevant certificate for the Shares, with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong by 4:30 p.m. on 19 December 2018.

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Upon the Scheme of Arrangement becoming effective, the Cancellation Consideration will be paid to the Scheme Shareholders whose names appear on the register of members of the Company on the Record Date as soon as possible but in any event within 7 business days (as defined in the Takeovers Code) of the Effective Date. On the basis that the Scheme of Arrangement becomes effective on 11 January 2019, the cheques for the payment of the Cancellation Consideration will be despatched on or before 22 January 2019, in compliance with Rule 20.1 of the Takeovers Code. The cheques for the payment of the Cancellation Consideration will be sent to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first on the register of members in respect of the joint holding. All such cheques will be sent at the risk of the persons entitled thereto and none of the Offeror, the Company and any of their respective officers or agents will be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cause the cancellation of any cheque which has not been cashed or has been returned uncashed and shall place all monies represented by the cheque in a deposit or custodian account in the Offeror's name with a licensed bank in Hong Kong selected by the Company.

Before the expiry of six years from the Effective Date, the Offeror shall make payments from the deposit or custodian account of the sums, together with interest thereon, to persons who satisfy the Company that they are respectively entitled thereto. On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme of Arrangement and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Assuming that the Scheme of Arrangement becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on 11 January 2019.

Settlement of the Cancellation Consideration to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Proposal without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

OVERSEAS SHAREHOLDERS

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

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Offers made under the Proposal to those Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions where such Scheme Shareholders are located. Such Overseas Shareholders should inform themselves about and observe any applicable legal and regulatory requirements of their own jurisdictions. It is the responsibility of any Overseas Shareholders wishing to accept the offers under the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

TAXATION AND INDEPENDENT ADVICE

As the cancellation of the Scheme Shares upon the Scheme of Arrangement becoming effective does not involve the sale and purchase of any Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong, in this respect.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Proposal and, in particular, whether the receipt of the Cancellation Consideration will make them liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Company, the Offeror, the Financial Adviser, the Independent Financial Adviser, any of their respective officers or advisers and any other person involved in the Proposal accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal.

GENERAL

The Offeror confirms that, as at the Latest Practicable Date:

- (i) save as disclosed in the section headed “Shareholding structure of the Company” and “Effect of the Proposal and the Scheme of Arrangement” above, none of the Offeror or each of the Offeror Concert Parties owns or has control or direction over any shares, rights over shares, convertible securities, warrants or options of the Company;
- (ii) none of the Offeror or each of the Offeror Concert Parties had entered into any arrangements or contracts in relation to any outstanding derivative in respect of the securities of the Company;
- (iii) none of the Offeror or each of the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal and the Scheme of Arrangement. The Offeror and the Offeror Concert Parties have indicated that those Shares held by them will be voted in favour of the special resolution to be proposed at the EGM;

EXPLANATORY STATEMENT

- (iv) save for the Proposal and the Scheme of Arrangement, there were no arrangements (whether by way of option, indemnity or otherwise) relating to the relevant securities as described in Note 8 to Rule 22 of the Takeovers Code between the Offeror or any the Offeror Concert Parties and any other person in relation to the shares of the Offeror or the Company which might be material to the Proposal and the Scheme of Arrangement;
- (v) save for the Conditions set out in the section headed “Conditions to the Proposal and the Scheme of Arrangement” above, there was no agreement or arrangement to which the Offeror or each of the Offeror Concert Parties is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal;
- (vi) none of the Offeror or each of the Offeror Concert Parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and
- (vii) none of the Offeror or each of the Offeror Concert Parties had any dealings in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the 6-month period preceding the Announcement and up to the Latest Practicable Date.

Associates of the Company or the Offeror (as defined in the Takeovers Code, including shareholders holding 5% or more of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror) are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code.

COURT MEETING AND EGM

The High Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme of Arrangement (with or without modification). Only the Independent Shareholders will be entitled to attend and vote at the Court Meeting under Rule 2.10 of the Takeovers Code. The Shares beneficially owned by the Offeror will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. The Shares beneficially owned by Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc. will not form part of the Scheme Shares and, will not be voted at the Court Meeting. The Shares beneficially owned by Dalian Port and CIMC will form part of the Scheme Shares but will not be voted at the Court Meeting.

Immediately following the conclusion of the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, passing the special resolution to give effect to the Scheme of Arrangement, including the reduction of the issued share capital of the Company. All Shareholders will be entitled to attend and vote in respect of the special resolution at the EGM. If the Scheme of Arrangement is approved at the Court Meeting, the Offeror and the Offeror Concert Parties have indicated that their respective Shares will be voted in favour of the special resolution to be proposed at the EGM.

EXPLANATORY STATEMENT

Notice of the Court Meeting is set out on pages CM-1 to CM-3 of this Scheme Document. The Court Meeting will be held on 13 December 2018 at the time and place specified in the notice.

Notice of the EGM is set out on pages EGM-1 to EGM-3 of this Scheme Document. The EGM will be held at the same place and date at 2:30 p.m. or if later, immediately after the conclusion or adjournment of the Court Meeting.

ACTIONS TO BE TAKEN

Actions to be taken by Shareholders

For the purpose of determining the entitlements of the Independent Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 10 December 2018 to Thursday, 13 December 2018 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. (Hong Kong time) on Friday, 7 December 2018.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with copies of this Scheme Document sent to the Registered Owners. Subsequent purchasers of Scheme Shares will need to obtain a proxy form from the transferor.

Whether or not you are able to attend the Court Meeting or the EGM or any adjournment thereof in person, if you are an Independent Shareholder, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly encouraged to complete and sign the enclosed white form of proxy in respect of the EGM, in accordance with the instructions printed respectively on them and deposit them, together with the power of attorney or other authority (if any), with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any case not later than the following respective times. In the case of the pink form of proxy in respect of the Court Meeting, it should be deposited not later than 2:00 p.m. on Tuesday, 11 December 2018 or it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the white form of proxy for use at the EGM must be deposited not later than 2:30 p.m. on Tuesday, 11 December 2018.

The completion and return of a form of proxy for each of the Court Meeting and/or the EGM (as the case may be) will not preclude you from attending and voting in person at the Court Meeting or the EGM or any adjournment thereof. In such event, the returned form of proxy shall be deemed to have been revoked.

EXPLANATORY STATEMENT

If you do not appoint a proxy and you do not attend and vote at the Court Meeting or the EGM, you will still be bound by the outcome of such Court Meeting and EGM. You are therefore strongly urged to attend and vote at the Court Meeting and the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

An announcement will be made by the Company in relation to the results of the Court Meeting and the EGM, and if all the resolutions are passed at those meetings, further announcement(s) will be made in relation to the results of the hearing of the petition for the sanction of the Scheme of Arrangement by the High Court, the Effective Date, the date of withdrawal of the listing of the Shares from the Hong Kong Stock Exchange and if the Scheme of Arrangement is withdrawn or lapses.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you should contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and for such purpose the Registered Owner may appoint you as its proxy.

Alternatively, if you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you may arrange for some or all of your Shares to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

EXPLANATORY STATEMENT

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the Court Meeting or the EGM. In such event, the returned form of proxy will be deemed to have been revoked.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such Shares with another CCASS participant, regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or at the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and the EGM set by them, in order to provide such person with sufficient time to provide HKSCC Nominees Limited with instructions or make arrangements with HKSCC Nominees Limited in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

HKSCC Nominees Limited may also vote for and against the Scheme in accordance with instructions received from CCASS participants (as defined under the General Rules of CCASS).

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote in person at the Court Meeting (if you are an Independent Shareholder) and the EGM (as a Shareholder). You can become a Shareholder of record by withdrawing all or any of your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay a withdrawal fee to CCASS per board lot withdrawn, a registration fee, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares into your name so as to qualify to attend and vote at the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

EXPLANATORY STATEMENT

FURTHER INFORMATION

Further information in relation to the Proposal is set out in the appendices in this Scheme Document, all of which form part of this Explanatory Statement.

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, the Financial Adviser, the Independent Financial Adviser nor any of their respective directors, officers, employees, agents, affiliates or any persons involved in the Proposal has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

LANGUAGE

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

1 FINANCIAL SUMMARY

The following is a summary of the financial information of the Group for each of the three years ended 31 December 2015, 2016, 2017 and six months ended 30 June 2018 extracted from the Company's annual reports for the years ended 31 December 2015, 2016, 2017 and the Company's interim report for the six months ended 30 June 2018.

	For the six months ended	For the year ended 31 December		
	30 June 2018	2017	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Revenues	497,002	1,006,395	841,461	999,774
Cost of operations	(449,054)	(940,108)	(888,555)	(1,030,329)
Selling, administrative and general expenses	(17,805)	(37,169)	(34,376)	(36,424)
Vessels impairment	–	–	(162,793)	(4,717)
Other gains/(losses), net	1,913	6,446	(1,555)	(14,393)
Operating profit/(loss)	32,056	35,564	(245,818)	(86,089)
Finance income, net	6,913	10,991	4,573	12,024
Share of profits/(losses) of joint ventures	4,175	(834)	455	153
Profit/(loss) before income tax	43,144	45,721	(240,790)	(73,912)
Income tax expenses	(2,778)	(5,719)	(1,324)	(7,625)
Profit/(loss) for the period	40,366	40,002	(242,114)	(81,537)
Profit/(loss) attributable to:				
– Owners of the Company	40,018	32,271	(229,579)	(66,334)
– Non-controlling interests	348	7,731	(12,535)	(15,203)
	40,366	40,002	(242,114)	(81,537)
Total comprehensive income/(loss) attributable to:				
– Owners of the Company	35,213	49,078	(246,943)	(75,063)
– Non-controlling interests	(6)	9,060	(13,808)	(17,112)
	35,207	58,138	(260,751)	(92,175)
Earnings per share attributable to owners of the Company				
– Basic and diluted	US1.00 cent	US0.81 cents	US(5.75) cents	US(1.66) cents

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

	For the six	For the year ended 31 December		
	months ended	2017	2016	2015
	30 June			
	2018	2017	2016	2015
	(Unaudited)	(Audited)	(Audited)	(Audited)
Total dividends declared				
(US\$'000)	–	15,354	20,472	–
Total dividend per share	–	HK3 cents	HK4 cents	–
Total dividend per share				
(equivalent to US cents)	–	US0.38 cents	US0.51 cents	–

PricewaterhouseCoopers, the auditor of the Company, did not issue any qualified opinion on the audited consolidated financial statements of the Group for each of the three years ended 31 December 2015, 2016 and 2017.

2 FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2017

Details of the financial information of the Group for the year ended 31 December 2017 is disclosed in the annual report of the Company for the financial year ended 31 December 2017 (pages 101 to 174) and is incorporated by reference into this Scheme Document. The said annual report of the Company is available on the website of the Company at <http://www.sinotranship.com/col/col3365/index.html> and the website of the Stock Exchange at www.hkexnews.hk.

The Company's 2017 annual report is available at:

<http://www.sinotranship.com/module/download/downloadfile.jsp?filename=39a78d42b0d148b7b483a311771263b5.pdf&classid=0>

3 UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2018

Details of the unaudited consolidated financial information of the Group for the six months ended 30 June 2018 is disclosed in the interim report of the Company for the six months ended 30 June 2018 (pages 3 to 39) and is incorporated by reference into this Scheme Document. The said interim report of the Company is available on the website of the Company at <http://www.sinotranship.com/col/col3365/index.html> and the website of the Stock Exchange at www.hkexnews.hk.

The Company's 2018 interim report is available at:

<http://www.sinotranship.com/module/download/downloadfile.jsp?filename=dc0e827534b44aebb01a6066c55bd3e1.pdf&classid=0>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

4 STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

The following is a statement of indebtedness of the Group as at 30 September 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this Scheme Document.

	As at 30 September 2018 <i>US\$'000</i>
Current Portion	
Bank loans – secured	6,346
Finance lease obligation – secured	1,996
Amount due to an immediate holding company	<u>74,869</u>
	83,211
Non-current Portion	
Bank loans – secured	12,342
Finance lease obligation – secured	36,259
Amount due to an immediate holding company	<u>6,120</u>
	<u>54,721</u>
TOTAL	<u><u>137,932</u></u>

As at 30 September 2018, the Group's bank loans and finance lease obligation were secured by its vessels with aggregate carrying amounts of approximately US\$98,906,000.

As at 30 September 2018, a subsidiary of the Company, China National Chartering Co., Ltd. (中國租船有限公司), was involved in 9 pending lawsuits amounting to approximately US\$3,137,000. Taking into account the latest status of legal proceedings and the progress of settlement negotiations, the provisions for those cases were in the sum of US\$640,000 as at 30 September 2018. In addition, the Group was involved in a number of claims and lawsuits currently under way. The legal claims arose in the ordinary course of business and the Directors consider that these cases do not have a significant financial or operational impact on the Group.

Save as disclosed and apart from intra-group liabilities, as at 30 September 2018, the Group did not have any material (i) debt securities issued and outstanding, authorised or otherwise created but unissued; (ii) bank overdrafts, charges, mortgages, loans or other similar indebtedness; (iii) finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits; and (iv) any guarantees or contingent liabilities.

5 MATERIAL CHANGE

Except as set out in this Scheme Document as regards the Proposal, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

1 RESPONSIBILITY STATEMENT

This Scheme Document includes materials given in compliance with the Takeovers Code for the purpose of providing information with regard to the Proposal, the Offeror and the Company.

The directors of the Offeror and Sinomarine Limited jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Company) have been arrived at after due and careful consideration and there are no facts not contained in this Scheme document, the omission of which would make any statement in this Scheme Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document relating to Group, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document have been arrived at after due and careful consideration and there are no facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2 SHARE CAPITAL OF THE COMPANY

The issued and paid-up share capital of the Company as at the Latest Practicable Date was US\$1,878,209,000.

All the Shares in issue rank pari passu in all respects with each other, including as to rights in respect of capital and dividends and voting. The Company has not issued any Shares since 31 December 2017, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date.

As at the Latest Practicable Date, there were 3,992,100,000 Shares in issue, of which the Offeror, Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc. held 2,742,639,000 Shares, representing approximately 68.70% of the issued Shares. Dalian Port and CIMC together are interested in 12,531,500 Shares, representing approximately 0.32% of the issued Shares.

Other than the Shares in issue, the Company has no other outstanding shares, options, warrants, derivative or other securities that are convertible or exchangeable into Shares or other types of equity interest in issue.

3 MARKET PRICES OF THE SHARES

- (a) The lowest and highest closing prices of the Shares as quoted on the Hong Kong Stock Exchange during the period commencing six months before the date of the Announcement up to the Latest Practicable Date were HK\$1.64 per Share on 11 September 2018 and HK\$2.62 per Share on 5 October 2018 respectively.

- (b) The table below sets out the closing prices of the Shares on the Hong Kong Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the period commencing six months before the date of the Announcement; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

	Shares <i>HK\$</i>
29 March 2018	2.10
30 April 2018	2.04
31 May 2018	2.15
29 June 2018	2.07
31 July 2018	2.05
31 August 2018	1.97
Last Trading Day (17 September 2018)	1.80
28 September 2018	2.58
31 October 2018	2.61
Latest Practicable Date (16 November 2018)	2.60

4 INTERESTS IN THE COMPANY AND THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL

As at the Latest Practicable Date,

- (i) the Offeror is interested in 2,600,000,000 Shares, representing approximately 65.13% of the issued Shares. The Offeror, Sinotrans Hong Kong, CM Energy Investment and Sinotrans Shipping Inc. together are interested in 2,742,639,000 Shares, representing approximately 68.70% of the issued Shares. Dalian Port and CIMC together are interested in 12,531,500 Shares, representing approximately 0.32% of the issued Shares. As aforesaid, none of the Offeror or its directors were interested in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) save as aforesaid, none of the Offeror Concert Parties owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (iii) save as disclosed in the section headed “Explanatory Statement – Shareholding structure of the Company” in this Scheme Document, neither the Offeror, its directors nor any Offeror Concert Parties was interested in or owned or controlled any Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares;
- (iv) none of the Offeror and the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal and the Scheme of Arrangement;
- (v) none of the Directors was interested in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;

- (vi) none of the Directors was interested in any shares, convertible securities, warrants, options or derivatives of the Offeror;
- (vii) no arrangement of the kind referred to in the Note 8 to Rule 22 of the Takeovers Code existed between any person and the Offeror or the Offeror Concert Parties;
- (viii) none of the Offeror or each of the Offeror Concert Parties with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (ix) no arrangement was in place for any benefit (save for any statutory compensation required under applicable laws) to be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (x) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any Offeror Concert Parties and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or being dependent upon the Proposal;
- (xi) there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not seek to invoke a condition to the Proposal;
- (xii) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code (excluding exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (xiii) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” in the Takeovers Code;
- (xiv) no Shares, convertible securities, warrants, options or derivatives in respect of the Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (xv) there were no Shares, convertible securities, warrants, options or derivatives in respect of the Shares which the Company or the Directors had borrowed or lent;
- (xvi) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal;

- (xvii) no material contracts have been entered into by the Offeror in which any Director has a material personal interest; and
- (xviii) the securities acquired in pursuance of the Proposal will not be transferred, charged or pledged to any other persons.

5 DEALING IN SECURITIES AND OTHER ARRANGEMENTS

During the 6-month period preceding the Announcement and up to the Latest Practicable Date,

- (i) none of the Offeror, the directors of the Offeror and the Offeror Concert Parties has dealt in any Shares, options, derivatives, warrants or other securities convertible into the Shares or other types of equity interest in the Company;
- (ii) no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or the Offeror Concert Parties had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (iii) none of the Company, any of its subsidiaries, and the Directors has dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror; and
- (iv) none of the Directors has dealt in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares.

During the period commencing on the date of the Announcement and up to the Latest Practicable Date,

- (i) none of the subsidiaries of the Company or any pension funds of the Company or of a subsidiary of the Company or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) has dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code has dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and

- (iii) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis has dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

6 DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, each of Mr. Su Xingang and Mr. Liu Weiwu, both non-executive Directors, had fixed term service contract with the Company expiring on 28 March 2021. There is no remuneration payable under the said service contracts.

Save as disclosed, as at the Latest Practicable Date, none of the Directors had entered into service contracts with any member of the Group or the associated companies of the Company which:

- (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the commencement of the offer period;
- (ii) are continuous contracts with a notice period of 12 months or more; or
- (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

None of the Directors will be or has been given any benefits (save for any statutory compensation required under applicable laws) as compensation for loss of office or otherwise in connection with the Proposal.

7 LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the directors to be pending or threatened by or against the Company or any other member of the Group.

8 MATERIAL CONTRACTS

Save for the following contracts, no material contracts other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group had been entered into by members of the Group within the two years preceding the date of this circular and up to the Latest Practicable Date:

- (a) agreement dated 31 May 2017 entered into between China National Chartering Co., Ltd. (中國租船有限公司) and 中國外運長航集團有限公司 (Sinotrans & CSC Holdings Corporation Limited) in relation to the disposal of equity interest in SINOTRANS & CSC Finance Co., Ltd. (中外運長航財務有限公司) by China National Chartering Co., Ltd. (中國租船有限公司) to 中國外運長航集團有限公司 (Sinotrans & CSC Holdings Corporation Limited), further details of which are set out in the Company's announcement dated 31 May 2017.

9 EXPERTS AND CONSENTS

The following are the names and qualifications of each of the professional advisers whose letters, opinions or advice are contained or referred to in this Scheme Document:

Name	Qualifications
UBS AG	acting through its Hong Kong Branch, a registered institution under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO
Sommerley 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

The above experts have given and have not withdrawn their respective written consents to the issue of this Scheme Document with the inclusion in this Scheme Document of the text of their respective letters, reports or opinions, as the case may be, and references to their names in the form and context in which they respectively appear.

10 MISCELLANEOUS

- (a) The registered office of the Offeror is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and its correspondence address in Hong Kong is 39th Floor, China Merchants Tower, 168-200 Connaught Road Central, Hong Kong.
- (b) The registered office and principal business address of Sinotrans Hong Kong is Unit 1903, 19th floor, Far East Finance Center, 16 Harcourt Road, Hong Kong.
- (c) The registered office of CM Energy Investment is Pasea Estate, Road Town, Tortola, British Virgin Islands and its correspondence address in Hong Kong is 32nd Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (d) The registered office of Sinotrans Shipping Inc. is 14th Floor, Delta Tower Building, Via Espana and Elvira Mendez Street, Panama City, Republic of Panama and its correspondence address in Hong Kong is Room 1903, 19th Floor, Far East Financial Centre, 16 Harcourt Road, Hong Kong.
- (e) The registered office of CMG is No.118, Jianguo Road, Chaoyang District, Beijing, China and its correspondence address in Hong Kong is 39th-40th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central,

Hong Kong. The board of directors of the CMG comprises Mr. Li Jianhong, Mr. Fu Gangfeng, Mrs. Duan Xianghui, Mr. Luo Dongjiang, Mr. Pei Kewei, Mr. Ren Yanbin, Mrs. Wu Andi and Mr. Chen Zuofu.

- (f) The registered office and the principal place of business of the Company is 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (g) The company secretary of the Company is Ms. KOO Ching Fan, who is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in England and a fellow member of the Association of Chartered Certified Accountants.
- (h) The registered office and principal business address of the Financial Adviser is at 52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (i) The registered office and principal business address of the Independent Financial Adviser is at 20th Floor, China Building, 29 Queen's Road Central, Hong Kong.
- (j) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (k) The English text of this circular shall prevail over its respective Chinese text for the purpose of interpretation.

11 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Securities and Futures Commission at <http://www.sfc.com.hk>; (ii) on the website of the Company at <http://www.sinotranship.com>; and (iii) (during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong)) (Hong Kong time) at the registered office of the Company at 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong from the date of this Scheme Document up to the Effective Date or the date on which the Scheme of Arrangement is withdrawn or lapses (whichever is earlier):

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual reports containing the audited consolidated financial statements of the Group for each of the three years ended 31 December 2015, 2016 and 2017;
- (d) the interim report containing the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2018;
- (e) the letter from the Board, the text of which is set out on pages 10 to 18 of this Scheme Document;

- (f) the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this Scheme Document;
- (g) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 21 to 48 of this Scheme Document;
- (h) the service contracts of Mr. Su Xingang and Mr. Liu Weiwu referred to in section 6 above entitled “Directors’ Service Contracts” in this Appendix II;
- (i) the material contracts referred to in section 9 above entitled “Material Contracts” in this Appendix II; and
- (j) the written consents referred to in section 10 above entitled “Experts and Consent” in this Appendix II.

SCHEME OF ARRANGEMENT

HCMP No. 1902 of 2018

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1902 OF 2018
IN THE MATTER OF
SINOTRANS SHIPPING LIMITED**

AND

**IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF THE HONG KONG SPECIAL
ADMINISTRATIVE REGION**

**SCHEME OF ARRANGEMENT
Under Sections 670, 671, 673 and 674 of the Companies Ordinance
Chapter 622 of the Laws of Hong Kong Special Administrative Region**

PRELIMINARY

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall bear the meanings respectively set opposite them:

acting in concert	has the meaning ascribed to it under the Takeovers Code
Companies Ordinance	means the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
Company	means Sinotrans Shipping Limited, a limited company incorporated in Hong Kong whose Shares are listed on the Stock Exchange (stock code: 368)
Effective Date	means the date on which this Scheme of Arrangement becomes effective in accordance with paragraph 5 of this Scheme of Arrangement
High Court	means the High Court of Hong Kong
HK\$	means Hong Kong dollars, the lawful currency of Hong Kong

SCHEME OF ARRANGEMENT

Hong Kong	means the Hong Kong Special Administrative Region of the People's Republic of China
Independent Shareholders	means the Shareholders other than those holding the Shares beneficially owned by the Offeror and the Offeror Concert Parties
Latest Practicable Date	means 16 November 2018, being the latest practicable date prior to the publication and printing of the Scheme Document for ascertaining certain information contained therein
New Shares	means the new Shares to be issued to the Offeror pursuant to this Scheme of Arrangement, the number of which is equal to the number of the Scheme Shares cancelled
Offeror	means Sinotrans Shipping (Holdings) Limited, a limited liability company incorporated in the British Virgin Islands
Offeror Concert Parties	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of "acting in concert" under the Takeovers Code (except in the capacity of an exempt principal trader or exempt principal fund manager)
Record Date	11 January 2019, or such other date as shall be announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme of Arrangement
Register	means the register of members of the Company
Scheme Document	means the document dated 20 November 2018 issued jointly by the Company and the Offeror, which includes this Scheme of Arrangement
Scheme of Arrangement	means this scheme of arrangement under Sections 670, 671, 673 and 674 of the Companies Ordinance (with or subject to any modification thereto or condition approved or imposed by the High Court) between the Company and the Scheme Shareholders involving, inter alia, the cancellation of all the Scheme Shares and the issue of New Shares to the Offeror

SCHEME OF ARRANGEMENT

Scheme Share(s)	means the Share(s) in issue on the Record Date, other than those beneficially owned by the Offeror, Sinotrans (Hong Kong) Holdings Limited, China Merchants Energy Shipping Investment Co., Ltd. and Sinotrans Shipping Inc.
Scheme Shareholders	means the registered holders of the Scheme Shares
Share(s)	means ordinary share(s) in the capital of the Company
Shareholder(s)	means the registered holder(s) of the Shares
Stock Exchange	means The Stock Exchange of Hong Kong Limited
Takeovers Code	means the Hong Kong Code on Takeovers and Mergers (as revised from time to time)

- (B) As at the Latest Practicable Date, the issued share capital of the Company is 3,992,100,000 Shares.
- (C) On the Latest Practicable Date, the Offeror directly held 2,600,000,000 Shares, representing approximately 65.13% of the issued Shares.
- (D) The Shares beneficially owned by Sinotrans (Hong Kong) Holdings Limited, China Merchants Energy Shipping Investment Co., Ltd. and Sinotrans Shipping Inc., being Offeror Concert Parties, representing approximately 3.57% of the issued Shares, will not form part of the Scheme Shares and will not be cancelled.
- (E) In consideration of the cancellation and extinguishment of the Scheme Shares on the Effective Date, all Scheme Shareholders as appearing in the Register on the Record Date shall be entitled to receive HK\$2.70 in cash for every Scheme Share cancelled.
- (F) The Offeror has agreed to undertake to the High Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to this Scheme.
- (G) The primary purpose of this Scheme of Arrangement is that on the Effective Date, all the Scheme Shares should be cancelled and extinguished, New Shares be created and issued to the Offeror, and that the Company will become wholly-owned by the Offeror, Sinotrans (Hong Kong) Holdings Limited, China Merchants Energy Shipping Investment Co., Ltd. and Sinotrans Shipping Inc.

SCHEME OF ARRANGEMENT

THE SCHEME OF ARRANGEMENT

PART I

CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

1. On the Effective Date:
 - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) the Company shall apply the credit arising in its books of account as a result of the reduction of capital referred to in paragraph (a) above in paying up in full such number of New Shares as is equal to the number of Scheme Shares cancelled, which shall be allotted and issued to the Offeror, credited as fully paid; and
 - (c) subject to and forthwith upon the reduction of capital referred to in paragraph (a) above taking effect and the issuance of the New Shares in paragraph (b), the issued share capital of the Company shall be increased to its former amount by the creation of the New Shares as referred to in paragraph (b).

SCHEME OF ARRANGEMENT

PART II

CONSIDERATION FOR CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

2. In consideration of the cancellation and extinguishment of the Scheme Shares pursuant to paragraph 1(a) of this Scheme of Arrangement, the Offeror will pay or cause to be paid to each Scheme Shareholder as appearing in the Register on the Record Date, HK\$2.70 for every Scheme Share cancelled.

PART III

GENERAL

3. (a) Not later than seven business days (as defined in the Takeovers Code) after the Effective Date, the Offeror shall send or cause to be sent to the Scheme Shareholders (as appearing in the Register on the Record Date) cheques in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of this Scheme of Arrangement.
- (b) Unless indicated otherwise in writing before the Effective Date to the share registrar of the Company in Hong Kong (being Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong), all such cheques shall be sent through the post (by airmail where appropriate) in pre-paid envelopes addressed to the persons entitled thereto:
 - (i) in the case of sole holders, to the respective registered address of such holders as appearing in the Register as at the Record Date; and
 - (ii) in the case of joint holders, to the registered address of that one of the joint holders whose name then stands first in the Register in respect of the relevant joint holding.
- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of this Scheme of Arrangement, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the moneys represented thereby.
- (d) All cheques shall be posted at the risk of the addressees and once posted, none of the Company, the Offeror nor any of their respective officers or agents shall be liable for any loss or delay in transmission.
- (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of this Scheme of Arrangement, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit or custodian account in the Offeror's name with a

SCHEME OF ARRANGEMENT

licensed bank in Hong Kong selected by the Company. The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of this Scheme of Arrangement, together with interest thereon, to persons who satisfy the Offeror that they are respectively entitled thereto, provided that the cheques referred to in paragraph 3(b) of this Scheme of Arrangement of which they are payees have not been cashed. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

- (f) On the expiry of six years from the Effective Date, the Offeror (or any successor company thereto) shall be released from any further obligations to make any payments under this Scheme of Arrangement and the Offeror shall thereafter retain the balance (if any) of the sums standing to the credit of the account referred to in paragraph 3(e) of this Scheme of Arrangement, including accrued interest (if any) subject, if applicable, to the deduction of interest or any withholding or other tax or any other deductions required by law and subject also to the deduction of any expenses.
 - (g) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.
4. As from and including the Effective Date:
- (a) all certificates representing the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;
 - (b) all instruments of transfer validly subsisting on the Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
 - (c) all mandates or other instructions to the Company in force on the Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
5. This Scheme of Arrangement shall become effective as soon as an office copy of the order of the High Court sanctioning this Scheme of Arrangement and confirming, under Section 229 of the Companies Ordinance, the reduction of capital provided for by this Scheme of Arrangement, together with a minute relating to the reduction of capital of the Company containing the particulars required by Section 230 of the Companies Ordinance, shall have been registered by the Registrar of Companies in Hong Kong.

SCHEME OF ARRANGEMENT

6. Unless this Scheme of Arrangement shall have become effective on or before 30 June 2019 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code), this Scheme of Arrangement shall lapse.
7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification(s) of or addition(s) to this Scheme of Arrangement or to any condition(s) which the High Court may see fit to approve or impose without any further court meeting to be held therefor.
8. Regardless of whether or not this Scheme of Arrangement will become effective, the Company will bear its own expenses incurred in connection with this Scheme of Arrangement.

Dated 20 November 2018

NOTICE OF COURT MEETING

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1902 OF 2018

IN THE MATTER OF
SINOTRANS SHIPPING LIMITED

AND

IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION

SCHEME OF ARRANGEMENT

Under Sections 670, 671, 673 and 674 of the Companies Ordinance
Chapter 622 of the Laws of Hong Kong Special Administrative Region

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 13 November 2018 (the “**Order**”) made in the above matters, the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) has directed a meeting (the “**Meeting**”) to be convened of the Independent Shareholders (as defined in the scheme of arrangement hereinafter mentioned) for the purposes of considering and, if thought fit, approving, with or without modification, a scheme of arrangement (the “**Scheme**”) pursuant to sections 670, 671, 673 and 674 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”) proposed to be made between Sinotrans Shipping Limited (the “**Company**”) and the registered holders of the Scheme Shares (as defined in the Scheme), and that the Meeting will be held at Concord Room, 8/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong on Thursday, 13 December 2018 at 2:00 p.m. at which place and time all Independent Shareholders (as defined in the Scheme) are requested to attend.

A copy of the Scheme and a copy of an explanatory statement (the “**Explanatory Statement**”) explaining the effect of the Scheme, required to be furnished pursuant to Section 671 of the abovementioned Ordinance, are incorporated in the scheme document of which this Notice forms part, which has been despatched by post to the Scheme Shareholders and is available at the website of the Company at <http://www.sinotranship.com>.

In compliance with the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), Shares held by parties acting in concert (as defined in the Takeovers Code) with the Sinotrans Shipping (Holdings) Limited may not be voted at the Meeting and, hence, only Shares held by Independent Shareholders (as defined in the Scheme) are eligible for voting thereat.

NOTICE OF COURT MEETING

The above-mentioned Independent Shareholders may vote in person at the Meeting or they may appoint not more than two persons, whether a member of the Company or not, as their proxy or proxies to attend and, on a poll, vote in their stead. A pink form of proxy for use at the Meeting is enclosed with the scheme document of which this Notice forms part.

In the case of joint holders of a share of the Company, the vote of the most senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the share.

It is requested that forms appointing proxies, together with the letter or power of attorney under which it is signed or a notarially certified copy thereof (in the case of a corporation either under its common seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company) if any, be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 48 hours before the appointed time for the holding of the Meeting or the adjourned meetings. Forms of proxy may also be handed to the chairman of the Meeting at the Meeting if not so lodged. A vote cast by proxy shall not be invalidated by the revocation of the appointment of the proxy or of the authority under which the appointment was made unless notice in writing of such revocation shall have been received by the Company's share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 24 hours before, or by the company secretary of the Company or the chairman of the Meeting on the day and at the place, but before the commencement, of the Meeting or the adjourned meetings.

Completion and return of the form of proxy will not preclude an Independent Shareholder from attending the Meeting or the adjourned meetings and voting in person if he/she so wishes. In the event that an Independent Shareholder attends and votes at the Meeting or the adjourned meetings after having lodged his/her form of proxy, his/her form of proxy will be revoked by operation of law.

For the purpose of determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from 10 December 2018 to 13 December 2018 (both dates inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. (Hong Kong time) on 7 December 2018.

By the Order, the High Court has appointed Mr. Lee Peter Yip Wah, or, failing him, Mr. Zhou Qifang, or, failing him, Mr. Xu Zhengjun, or, failing him, Mr. Wu Tak Lung, or any other available director of the Company to act as chairman of the Meeting and has directed the chairman of the Meeting to report the outcome thereof to the High Court.

NOTICE OF COURT MEETING

The Scheme will be subject to the subsequent approval of the High Court as set out in the Explanatory Statement contained in the scheme document despatched to the Shareholders on 20 November 2018 of which this Notice forms part.

Dated the 20th day of November 2018.

Reed Smith Richards Butler

20th Floor
Alexandra House
18 Chater Road
Central, Hong Kong

Solicitors for Sinotrans Shipping Limited

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

NOTICE OF EXTRAORDINARY GENERAL MEETING



中外運航運有限公司 SINOTRANS SHIPPING LTD.

(Incorporated in Hong Kong with limited liability)

(Stock Code: 368)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Sinotrans Shipping Limited (the “**Company**”) will be held at Concord Room, 8/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong on Thursday, 13 December 2018 at 2:30 p.m. (or so soon thereafter as the Court Meeting (as defined in the scheme of arrangement hereinafter mentioned) convened for the same day and place shall have concluded or adjourned), for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

“THAT:

- (A) the proposed scheme of arrangement (the “**Scheme**”) between the Company and registered holders of the Scheme Shares (as defined in the Scheme) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved by the High Court of the Hong Kong Special Administrative Region (the “**High Court**”), be and is hereby approved;
- (B) for the purposes of giving effect to the Scheme, on the date on which the Scheme becomes effective in accordance with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Effective Date**”):
 - (i) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (ii) the Company shall apply the credit arising in its books of account as a result of the said reduction of capital in paying up such number of new shares of the Company as is equal to the number of Scheme Shares cancelled (the “**New Shares**”), which shall be allotted and issued, credited as fully paid, to Sinotrans Shipping (Holdings) Limited (the “**Offeror**”); and
 - (iii) subject to and forthwith upon the said reduction of capital taking effect and the issuance of the New Shares, the issued share capital of the Company shall be increased to its former amount by the creation the New Shares;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (C) the directors of the Company be and are hereby authorised to make application to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the withdrawal of the listing of the Company’s shares on the Stock Exchange, subject to the Scheme taking effect; and
- (D) the directors of the Company be and are hereby unconditionally authorised to allot and issue the shares referred to in paragraph (B)(iii) above and to do all other acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme and the reduction of capital, including (without limitation) the giving, on behalf of the Company, of consent to any modifications of, or additions to, the Scheme, which the High Court may see fit to impose and to do all other acts and things as considered by them to be necessary or desirable in connection with the implementation of the Scheme and in relation to the Proposal (as defined in the document of which the notice of this resolution forms part) as a whole.”

By order of the Board
Sinotrans Shipping Limited
Li Hua
Executive Director

Hong Kong, 20 November 2018

Notes:

- (i) At the Meeting, the above resolution will be voted on by way of poll.
- (ii) A white form of proxy for use at the Meeting is enclosed to the scheme document.
- (iii) Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or, if he/ she is the holder of two or more shares, more than one proxy to attend and, on a poll, vote instead of him/ her. A proxy need not be a member of the Company.
- (iv) In order to be valid, the white form of proxy, together with power of attorney under which it is signed (if any) or a notarially certified copy thereof (in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised) if any, must be lodged at the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong by 2:30 p.m. on 11 December 2018. Completion and return of the white form of proxy will not preclude a member from attending the Meeting or any adjournment thereof and voting in person. In such event, his form of proxy shall be deemed to be revoked.
- (v) In the case of joint holders of a share, the vote of the most senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the share.
- (vi) For the purpose of determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from 10 December 2018 to 13 December 2018, both days inclusive, and during such period, no transfer of Shares will be effected. In order to determine the entitlement to attend and vote at the Meeting, all transfer of Share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on 7 December 2018.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (vii) If a tropical cyclone warning signal No.8 or above is or is expected to be hoisted or a black rainstorm warning signal is or is expected to be in force at any time after 12:00 noon on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the respective websites of the Hong Kong Exchanges and Clearing Limited and the Company to notify members of the date, time and venue of the rescheduled meeting.