THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sinotrans Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

中國外運股份有限公司
SINOTRANS LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00598)

2023 SECOND EXTRAORDINARY GENERAL MEETING

(I) CONTINUING CONNECTED TRANSACTIONS; AND (II) RELATED PARTY TRANSACTION SUBJECT TO THE SHAREHOLDERS' APPROVAL PURSUANT TO THE SSE LISTING RULES

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

建泉融資有限公司
VBG Capital Limited

A letter from the Board is set out on pages 6 to 40 of this circular.

A notice convening the EGM to be held at 1st Meeting Room, 11th Floor, Building 10/Sinotrans Tower B, No.5 Anding Road, Chaoyang District, Beijing 100029, the People's Republic of China at 10:00 a.m. on 15 December 2023, a notice of attendance and a form of proxy for use at the EGM are available on the website of the Company and the website of Hong Kong Stock Exchange.

Shareholders who intend to attend the EGM shall complete and return the notice of attendance in accordance with the instruction printed thereon on or before 13 December 2023. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

24 November 2023

CONTENTS

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

"A Share(s)"	the domestic share(s) of the Company with nominal value of RMB1.00 each, which are listed on the SSE and traded in RMB
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors of the Company
"China Merchants"	招商局集團有限公司 (China Merchants Group Limited*), a wholly state-owned enterprise established under the laws of the PRC and under direct control of the SASAC, the ultimate controlling shareholder of the Company, which directly and indirectly holds approximately 58.48% of the issued share capital of the Company as at the Latest Practicable Date
"China Merchants Bank"	招商銀行股份有限公司 (China Merchants Bank Co., Ltd.*), a joint stock limited company incorporated in the PRC with limited liability, whose A shares are listed on the SSE and whose H shares are listed on the Hong Kong Stock Exchange
"China Merchants Group"	China Merchants and its subsidiaries
"Company"	中國外運股份有限公司 (Sinotrans Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H Shares are listed on the Hong Kong Stock Exchange and whose A Shares are listed on the SSE
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Disposable Cash"	in respect of a company is the cash and cash equivalents (including term deposits and excluding restricted cash) held by that company and its subsidiaries
"EGM"	the 2023 second extraordinary general meeting of the Company to be held at 10:00 a.m. on 15 December 2023 at 1st Meeting Room, 11th Floor, Building 10/Sinotrans Tower B, No. 5 Anding Road, Chaoyang District, Beijing 100029, the PRC

"Finance Company"	招商局集團財務有限公司 (China Merchants Group Finance Co., Ltd.*), a company owned as to 51% by China Merchants and 49% by SINOTRANS & CSC as at the Latest Practicable Date
"Financial Services Agreement"	the financial services agreement entered into between the Company and the Finance Company on 26 October 2023 in relation to the provision of various financial services by the Finance Company to the Group
"Former Financial Services Agreement"	the financial services agreement entered into between the Company and the Finance Company on 28 October 2020 in relation to the provision of various financial services by the Finance Company to the Group, which will expire on 31 December 2023
"Former Master Lease Agreement"	the master lease agreement entered into between the Company and China Merchants on 28 October 2020 in relation to the lease of certain properties and storage facilities (inclusive of the equipment therein) and the lease of containers and other equipment between the Group and China Merchants and its associates, which will expire on 31 December 2023
"Former Master Services Agreement (China Merchants)"	the master services agreement entered into between the Company and China Merchants on 28 October 2020 in relation to the provision and receipt of transportation and logistics services between the Group and China Merchants and its associates, which will expire on 31 December 2023
"Former Master Services Agreement (Sinotrans Shandong Hongzhi)"	the master services agreement entered into between the Company and Sinotrans Shandong Hongzhi on 28 October 2020 in relation to the provision and receipt of transportation and logistics services between the Group and the Sinotrans Shandong Hongzhi Group, which will expire on 31 December 2023
"Former Purchase and Sales Framework Agreement"	the purchase and sales framework agreement entered into between the Company and Y2T on 30 December 2020 and further amended by the supplemental agreement entered into by the Company and Y2T on 24 August 2021, in relation to (i) the provision of system development and operation maintenance services, logistics and related services provided by the Y2T Group to the Group; and (ii) the provision of logistics and related services by the Group to the Y2T Group, which will expire on 31 December 2023
"Group"	the Company and its subsidiaries

"H Share(s)"	overseas listed foreign invested share(s) with nominal value of RMB1.00 each in the issued share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	a board committee comprising all the independent non-executive Directors constituted to advise the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions subject to the New Caps
"Independent Financial Adviser" or "VBG Capital"	VBG Capital Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions subject to the New Caps
"Independent Shareholder(s)"	Shareholders other than China Merchants, the Finance Company, Sinotrans Shandong Hongzhi, Y2T and their respective associates (including SINOTRANS & CSC)
"Latest Practicable Date"	20 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Master Lease Agreement"	the master lease agreement entered into between the Company and China Merchants on 26 October 2023 in relation to the lease of certain properties and storage facilities (inclusive of the equipment therein) and the lease of containers and other equipment between the Group and China Merchants and its associates
"Master Services Agreement (China Merchants)"	the master services agreement entered into between the Company and China Merchants on 26 October 2023 in relation to the provision and receipt of transportation and logistics services between the Group and China Merchants and its associates

"Master Services Agreement (Sinotrans Shandong Hongzhi)"	the master services agreement entered into between the Company and Sinotrans Shandong Hongzhi on 26 October 2023 in relation to the provision and receipt of transportation and logistics services between the Group and the Sinotrans Shandong Hongzhi Group
"Master Services Agreements"	collectively, the Master Services Agreement (China Merchants) and the Master Services Agreement (Sinotrans Shandong Hongzhi)
"NAFR"	National Administration of Financial Regulation, formerly known as China Banking and Insurance Regulatory Commission
"New Cap(s)"	the maximum value of the relevant Non-exempt Continuing Connected Transactions for each of the three years ending 31 December 2026 as set out in this circular
"Non-exempt Continuing Connected Transactions"	the provision or receipt of transportation and logistics services contemplated under the Master Services Agreements and the provision or receipt of logistics and related services contemplated the Purchase and Sales Framework Agreement, the lease of properties and storage facilities (inclusive of the equipment therein) from China Merchants and its associates by the Group contemplated under the Master Lease Agreement and the deposit services contemplated under the Financial Services Agreement
"PBOC"	the People's Bank of China
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"Purchase and Sales Framework Agreement"	the purchase and sales framework agreement entered into between the Company and Y2T on 26 October 2023 in relation to (i) the provision of system development and operation maintenance services, logistics and related services provided by the Y2T Group to the Group, and (ii) the provision of logistics and related services by the Group to the Y2T Group
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share(s)"	H Share(s) and A Share(s)
"Shareholder(s)"	holder(s) of the Shares
"SINOTRANS & CSC"	中國外運長航集團有限公司 (Sinotrans & CSC Holdings Co., Ltd.), a wholly-owned subsidiary of China Merchants established under the laws of the PRC, and the controlling shareholder of the Company which directly and indirectly holds approximately 35.36% of the issued share capital of the Company as at the Latest Practicable Date
"SINOTRANS & CSC Group"	SINOTRANS & CSC and its subsidiaries
"Sinotrans Shandong Hongzhi"	山東中外運弘志物流有限公司 (Sinotrans Shandong Hongzhi Logistics Co., Ltd.*), which is held as to 75% by Sinotrans Shandong Company Limited (a wholly-owned subsidiary of the Company) and 25% by LAILON Enterprises Limited (a non-wholly-owned subsidiary of SINOTRANS & CSC) as at the date of the Latest Practicable Date
"Sinotrans Shandong Hongzhi Group"	Sinotrans Shandong Hongzhi and its subsidiaries
"SSE"	the Shanghai Stock Exchange
"SSE Listing Rules"	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Y2T"	運易通科技有限公司 (Y2T Technology Co., Ltd.*), a connected subsidiary of the Company as at the Latest Practicable Date
"Y2T Group"	Y2T and its subsidiaries
"%"	per cent

中國外運股份有限公司
SINOTRANS LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00598)

Chairman:
Wang Xiufeng

Executive Director:
Song Rong

Non-executive Directors:
Deng Weidong
Luo Li
Yu Zhiliang
Tao Wu
Jerry Hsu

Independent non-executive Directors:
Wang Taiwen
Meng Yan
Song Haiqing
Li Qian

Registered Office:
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People's Republic of China

Headquarters:
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People's Republic of China

Principal Place of Business in Hong Kong:
Units F & G, 20/F., MG Tower,
133 Hoi Bun Road,
Kwun Tong, Kowloon,
Hong Kong

24 November 2023

To the Shareholders

Dear Sir/Madam,

2023 SECOND EXTRAORDINARY GENERAL MEETING

(I) CONTINUING CONNECTED TRANSACTIONS; AND (II) RELATED PARTY TRANSACTION SUBJECT TO THE SHAREHOLDERS' APPROVAL PURSUANT TO THE SSE LISTING RULES

I. INTRODUCTION

The purpose of this circular is to provide Shareholders with all the information reasonably necessary so as to make informed decisions on voting in respect of the resolutions in relation to (i) the Non-exempt Continuing Connected Transactions; and (ii) the related party transaction subject to the Shareholders' approval pursuant to the SSE Listing Rules.

II. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Background

References are made to the announcement of the Company dated 26 October 2023, in relation to, among other things, the Non-exempt Continuing Connected Transactions.

The principal businesses of the Group include logistics, forwarding and related business and e-commerce business. China Merchants is the ultimate controlling shareholder of the Company, and a wholly state-owned enterprise established under the laws of the PRC and under direct control of the SASAC. China Merchants is a comprehensive enterprise with diverse business operations. Currently, China Merchants' business is focused on transportation and logistics, comprehensive finance, and comprehensive development of cities and parks. In recent years, its operation has been extended to emerging sectors, such as big health and testing services. SINOTRANS & CSC, the controlling shareholder of the Company holding 35.36% of issued share capital of the Company in aggregate as at the Latest Practicable Date, is a wholly-owned subsidiary of China Merchants established under the laws of the PRC and, is principally engaged, through its subsidiaries, in the non-vessel shipping business, international shipping agency, organization, investment and management of integrated logistics, and ship manufacturing and maintenance.

Given that China Merchants and its associates (including SINOTRANS & CSC and its associates) may from time to time provide or purchase transportation and logistics services and/or enter into leasing arrangements with the Group; in order to ensure the compliance with the Listing Rules, the Company and China Merchants entered into the Master Services Agreement (China Merchants) and the Master Lease Agreement on 26 October 2023 that govern the provision and receipt of transportation and logistics services and the leasing arrangements between the Group and China Merchants and its associates to renew the Former Master Services Agreement (China Merchants) and the Former Master Lease Agreement (both expiring on 31 December 2023). Similarly, in order to renew (i) the Former Master Services Agreement (Sinotrans Shandong Hongzhi) in relation to provision and receipt of transportation and logistics services between the Group and the Sinotrans Shandong Hongzhi Group, and (ii) the Former Purchase and Sales Framework Agreement in relation to the provision of system development and operation maintenance services, logistics and related services provided by the Y2T Group to the Group, and the provision of logistics and related services provided by the Group to the Y2T Group (both expiring on 31 December 2023), on 26 October 2023, the Company respectively entered into the Master Services Agreement (Sinotrans Shandong Hongzhi) and Purchase and Sales Framework Agreement with Sinotrans Shandong Hongzhi and Y2T, both being connected subsidiaries of the Company.

In addition, the Company also entered into the Financial Services Agreement in relation to the provision of various financial services to the Group by the Finance Company on 26 October 2023 to renew the Former Financial Services Agreement (expiring on 31 December 2023). The Finance Company is held as to 51% by China Merchants and 49% by SINOTRANS & CSC. Its principal business activities target at members of China Merchants Group: (i) handle financial and financing consulting, credit verification and related consulting and agency services; (ii) assist in the collection and payment of transaction funds; (iii) provide guarantee; (iv) handle internal entrusted loans; (v) handle bill acceptance and discounting; (vi) internal transfer and settlement and corresponding settlement and clearing plan design; (vii) deposit services; and (viii) handle loans and finance lease, etc.

As each of the highest applicable percentage ratios (as defined under the Listing Rules) in respect of (i) the provision or receipt of transportation and logistics services contemplated under the Master Services Agreements and the provision or receipt of logistics and related services contemplated under the Purchase and Sales Framework Agreement; (ii) the lease of properties and storage facilities (inclusive of the equipment therein) by the Group from China Merchants and its associates contemplated under the Master Lease Agreement; and (iii) the utilization of deposit services by the Group from the Finance Company contemplated under the Financial Services Agreement exceeds 5%, the Company will seek Independent Shareholders' approval at the EGM to enter into transactions under each of those agreements.

2. Non-exempt Continuing Connected Transactions which require reporting, annual review, announcement and Independent Shareholders' approval in accordance with the Listing Rules

Details of the Master Services Agreements, the Purchase and Sales Framework Agreement, the Master Lease Agreement and the Financial Services Agreement are set out below:

(a) Transactions with China Merchants and its associates under the Master Services Agreement (China Merchants)

Principal terms of the Master Services Agreement (China Merchants)

On 26 October 2023, the Company and China Merchants entered into the Master Services Agreement (China Merchants) in respect of the provision and receipt of the transportation and logistics services (including freight forwarding, shipping agency, storage and terminal, road transportation, express services and shipping transportation and other logistics services) between members of the Group and China Merchants and its associates.

The Master Services Agreement (China Merchants) requires that transportation and logistics services be provided at the market price and on normal commercial terms. "Market price" means the price at which the same or comparable type of services are provided by or to (as appropriate) independent third parties in the same area on normal commercial terms in the ordinary course of business. The mechanism by which the Group ensures that the services provided under the Master Services Agreements are charged at market price and the internal control procedures for monitoring such continuing connected transactions to ensure compliance with the Listing Rules are described in the sub-section headed "4. Basis of pricing of the transactions contemplated under the Master Services Agreements, the Purchase and Sales Framework Agreement, the Master Lease Agreement and the Financial Services Agreement and internal control procedures for monitoring continuing connected transactions".

The provision and receipt of services under the Master Services Agreement (China Merchants) are conditional upon the Company's compliance with the relevant continuing connected transaction requirements under the Listing Rules (which include, among other things, the approval of the Independent Shareholders at the EGM). Subject to the approval of Independent Shareholders, the term of the Master Services Agreement (China Merchants) will commence on 1 January 2024 for a period of three years and end on 31 December 2026.

Historical transaction amounts

During the financial years ended 31 December 2021 and 2022 and the six months ended 30 June 2023, the turnover/expenses of the Group attributable to each of the transactions with China Merchants and its associates under the Former Master Services Agreement (China Merchants) were as follows:

Unit: RMB hundred million

	For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the year ending 31 December 2023**
Actual amount with respect to the provision of transportation and logistics services by the Group	10.74	8.63	7.62[1]
Relevant annual cap under the Former Master Services Agreement (China Merchants)	25.00	32.50	42.25

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
Historical utilization rate	42.96%	26.55%	18.04%[1]
Actual amount with respect to the receipt of transportation and logistics services by the Group	25.45	14.07	18.44[1]
Relevant annual cap under the Former Master Services Agreement (China Merchants)	35.00	45.50	59.15
Historical utilization rate	72.71%	30.92%	31.17%[1]

Notes:

1. These figures represent the transaction amount for the six months ended 30 June 2023 and the utilization rates are calculated by measuring those transaction amounts against the relevant annual caps.

2. Some historical utilization rates for the financial years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 being comparatively low is primarily due to the fact that: the transportation and logistics industry has always been competitive and independent providers of similar services may sometimes offer prices and/or terms better than those offered or received by the Group. Therefore, in compliance with the internal control procedures and in accordance with the business contract review system adopted by the Group, there is no assurance that the Group would select China Merchants and its associates as transportation and logistics services provider or vice versa.

Annual caps under the Master Services Agreement (China Merchants)

The proposed annual caps for each of the following types of transactions for the three years ending 31 December 2026 under the Master Services Agreement (China Merchants) are set out as follows:

Unit: RMB hundred million

	For the year ending 31 December 2024[1]	For the year ending 31 December 2025[1]	For the year ending 31 December 2026[1]
Provision of transportation and logistics services by the Group[2]	25.00	32.50	42.25
Receipt of transportation and logistics services by the Group[2]	35.00	45.50	59.15

Notes:

1. These figures represent the maximum value of the relevant type of transactions which the Group may undertake during the relevant financial years. The actual amount of transaction may be different.

2. In determining the relevant caps for transactions under the Master Services Agreement (China Merchants), the Company has taken into account the following factors:

    (i) in determining the annual cap for the year ending 31 December 2024, the Company has primarily taken into account the highest annual transaction amount over the financial years ended 31 December 2021 and 2022 and the six months ended 30 June 2023, among which the actual amount of receipt of transportation and logistics services by the Group for the first half of 2023 accounts for 52.69% of the annual cap for 2024, and the potential growth in the Group's revenue and operation scale as described further in paragraph (iv) below;

    (ii) in determining the annual caps for the two years ending 31 December 2026, the Company has assumed a 30% year on year increase over the annual cap of the previous years respectively, to give allowance for:

        (a) the volatility of business volume due to general industry or economic conditions as described in paragraph (iii) below;

        (b) the growth and expansion in the transportation and logistics business of the Group resulting from the acquisition of several companies principally engaged in transportation and logistics by the Group in recent years; and

        (c) the potential growth in overall business of the Group and collaboration with China Merchants and its associates, as described further in paragraph (iv) and (v) below;

(iii) business volumes and the market rates generally in the transportation and logistics services industry are inherently volatile (and are affected by the volatility in oil price, labor costs, the general economic environment in the PRC and overseas, the international trade flow as well as particular sectors of such economies);

(iv) the potential growth in the Group's revenue and operation scale taking into account the following factors:

(a) The government has released a series of documents such as the "14th Five-Year Plan for Modern Logistics Development", which proposes the formation of a batch of backbone logistics enterprises with strong international competitiveness and takes intelligent logistics as an important tool for promoting the high-quality development of logistics; meanwhile, the going abroad campaign of China's manufacturing brands and the enhanced demand for stability and security of global supply chain from strategic customers provide development opportunities for domestic logistics giants that have already established their presence. As a leading domestic logistics enterprise and the unified operation platform and brand of China Merchants Group's logistics business, the Group continued to strengthen its overseas network construction, develop a stable and secure all-around supply chain product system and industry solutions, comprehensively align itself with the digital transformation, strengthen the leadership of innovation and the empowerment of science and technology, enhance its account management and market exploration, and accelerate the construction of an international first-class intelligent logistics platform enterprise. The Group's revenue recorded a compound annual growth rate of about 15% ever since the 13th Five-Year Plan period (i.e., from 2016 to 2022). In the first half of 2023, the business volume of the Group's contract logistics, air channel and railway freight forwarding businesses also increased by 12%, 8% and 15% respectively year on year;

(b) The fundamentals that China's economy is stabilizing and improving in the long run remain unchanged. In the first half of 2023, China's economy showed a recovering and upward trend, with domestic GDP growing by 5.5% year on year. According to the latest prediction of the World Bank, China's economy is expected to grow by 5.1% in 2023; and according to statistics from 100EC.cn, it is expected that the scale of cross-border e-commerce transactions for the year will reach RMB17.48 trillion in 2023, representing a year-on-year growth of 11.34%. Benefiting from the growth of domestic economy and cross-border e-commerce, the revenue and business volume of the Group will also gain momentum for sustainable growth; and

(c) The global economy and trade are gradually recovering, with global GDP growth anticipated to reach 2.1%, 0.4 percentage point upwards over the January 2023 estimation, according to the Global Economic Prospects Report released by the World Bank in June 2023;

(v) the potential increase in opportunities for collaboration between the Group and China Merchants Group (including SINOTRANS & CSC Group) and their associates continues to be promoted along with further integration of the Group as a member of China Merchants Group and the investment and operations of China Merchants Group in the transportation segment facilitate the implementation of the Group's business strategies as mentioned above.

The Directors (including the independent non-executive Directors) are of the view that, taking into account of the reasons described above, the relevant New Caps contemplated under the Master Services Agreement (China Merchants) and the terms of the Master Services Agreement (China Merchants) are fair and reasonable and on normal commercial terms, and the Master Services Agreement (China Merchants) is entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(b) Transactions with the Sinotrans Shandong Hongzhi Group under the Master Services Agreement (Sinotrans Shandong Hongzhi)

In order to facilitate the continuation of the provision and receipt of transportation and logistics services to and from the Sinotrans Shandong Hongzhi Group in compliance with the requirements of the Listing Rules, on 26 October 2023, the Company entered into the Master Services Agreement (Sinotrans Shandong Hongzhi) with Sinotrans Shandong Hongzhi for the provision and receipt of the transportation and logistics services (including freight forwarding, shipping agency, storage and yard operation, road transportation, express services and shipping transportation and other logistics services) between members of the Group and the Sinotrans Shandong Hongzhi Group. The term of the Master Services Agreement (Sinotrans Shandong Hongzhi) is for a period of three years commencing on 1 January 2024 and ending on 31 December 2026, subject to the approval of Independent Shareholders. Services provided under the Master Services Agreement (Sinotrans Shandong Hongzhi) will be at the market price charged by independent third parties and on normal commercial terms. Procedures and mechanism for determining market price will be as same as those described in the section headed "(a) Transactions with China Merchants and its associates under the Master Services Agreement (China Merchants)" above.

Sinotrans Shandong Hongzhi is owned as to 75% by Sinotrans Shandong Company Limited (a wholly-owned subsidiary of the Company) and 25% by LAILON Enterprises Limited (a non-wholly-owned subsidiary of SINOTRANS & CSC). Sinotrans Shandong Hongzhi is mainly engaged in international container road-transportation business, international transportation agency business of sea, road, air freight forwarding for import and export cargo, import and export cargo transportation of the non-vessel operating common carrier (NVOCC) business and international express services, etc.

The table below sets out the historical transaction amounts of the Group with the Sinotrans Shandong Hongzhi Group during the financial years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023 under the Former Master Services Agreement (Sinotrans Shandong Hongzhi) and the proposed annual caps for the three years ending 31 December 2026 under the Master Services Agreement (Sinotrans Shandong Hongzhi):

Unit: RMB0'000

	For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the year ending 31 December 2023**	**For the year ending 31 December 2024 Cap[2]**	**For the year ending 31 December 2025 Cap[2]**	**For the year ending 31 December 2026 Cap[2]**
Provision of transportation and logistics services by the Group	15,282	22,647	10,080[1]	30,000	34,500	39,700
Historical annual cap	25,000	32,500	39,000	–	–	–
Historical utilization rate	61.13%	69.68%	25.85%[1]	–	–	–
Receipt of transportation and logistics services by the Group	13,448	10,990	9,813[1]	30,000	34,500	39,700
Historical annual cap	25,000	28,000	31,900	–	–	–
Historical utilization rate	53.79%	39.25%	30.76%[1]	–	–	–

Notes:

1. These figures represent the transaction amount for the six months ended 30 June 2023 and the relevant utilization rates are calculated by measuring those transaction amounts against the annual cap.

2. These figures represent the maximum aggregate annual transaction value in respect of the transactions of the relevant type which the Group will undertake under the Master Services Agreement (Sinotrans Shandong Hongzhi) during the financial year specified. The actual transaction amount may be different.

3. In determining the relevant caps for transactions under the Master Services Agreement (Sinotrans Shandong Hongzhi), the Company has taken into account the following factors:

   (i) the highest historical transaction amounts in respect of the transportation and logistics services between the Group and the Sinotrans Shandong Hongzhi Group for the two years ended 31 December 2022 and six months ended 30 June 2023; and

   (ii) potential increase in opportunities for collaboration between the Group and the Sinotrans Shandong Hongzhi Group in respect of the transactions contemplated under the Master Services Agreement (Sinotrans Shandong Hongzhi) arising from (a) the reasonable business expansion of the parties and the details of which are elaborated in note 2(v) under the sub-section headed "(a) Transactions with China Merchants and its associates under the Master Services Agreement (China Merchants)" above; (b) the estimated increasing trend of the automobile transportation services to be provided by the Sinotrans Shandong Hongzhi Group to the other members of the Group and the gradual recovery of domestic economy and transportation and logistics industry.

The Directors (including the independent non-executive Directors) are of the view that the terms (including the relevant annual caps contemplated thereunder) of the Master Services Agreement (Sinotrans Shandong Hongzhi) are fair and reasonable, on normal commercial terms, and are entered into in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

(c) Transactions with the Y2T Group under the Purchase and Sales Framework Agreement

Principal terms of the Purchase and Sales Framework Agreement

In order to facilitate the continuation of the transactions under the Former Purchase and Sales Framework Agreement, on 26 October 2023, the Company entered into the Purchase and Sales Framework Agreement with Y2T, for a term of three years commencing on 1 January 2024 and ending on 31 December 2026 to govern (i) the system development and operation maintenance services, logistics and related services provided by the Y2T Group to the Group; and (ii) the logistics and related services provided by the Group to the Y2T Group.

Pursuant to the Purchase and Sales Framework Agreement, the Y2T Group shall provide the Group with (i) system development and operation maintenance services, including: Y2T Group provides customized module development services based on the online product needs of the Group, and the operation and maintenance services generated by the use of the Y2T Platform (www.y2t.com), etc.; and (ii) sea, land, air transport and other forms of logistics and related services. Pursuant to the terms under the Purchase and Sales Framework Agreement, the Group shall provide sea, land, air transport and other forms of logistics and related services to the Y2T Group.

The Purchase and Sales Framework Agreement requires that products and services provided under the Purchase and Sales Framework Agreement will be at the market price charged by independent third parties and on normal commercial terms. Procedures and mechanism for determining market price will be as same as those described in the section headed "(a) Transactions with China Merchants and its associates under the Master Services Agreement (China Merchants)" above.

Y2T is a company incorporated in the PRC with limited liability, and its principal businesses include logistics e-commerce (including online transactions and services of international marine, domestic marine, land transportation, customs service, railway, container consolidation, air freight forwarding and cross-border e-commerce), supply chain value-added services, logistics big data and logistics data exchange infrastructure construction. As at the Latest Practicable Date, Y2T is owned as to 36% by Sinotrans Innovation & Technology Co., Ltd.* (中外運創新科技有限公司) (a wholly-owned subsidiary of the Company), as to 36% by Shenzhen China Merchants Innovation Investment Fund Center (Limited Partnership)* (深圳市招商局創新投資基金中心 (有限合夥)) (both the general partner and limited partner of which are wholly-owned subsidiaries of China Merchants), as to 18% by Shenzhen Bida Enterprise Consultation Partnership (Limited Partnership)* (深圳必達企業諮詢合夥企業(有限合夥)) (an employees' shareholding platform with the ultimate beneficial owners comprising of Liu Pojun (劉珀均), Liu Haifeng (劉海峰), He Jian (何劍), Li Lifeng (李立峰) and Zhang Weifeng (張為峰), all being natural persons and independent third parties of the Company and its connected persons), and as to 10% in aggregate by Shanghai Hongyu Aviation Industry Equity Investment Partnership (Limited Partnership)* (上海泓宇航空產業股權投資合夥企業(有限合夥)), Shanghai Wuliu Technology Co., Ltd.* (上海悟鋈科技有限公司), Shenzhen Lihe Hongxin Venture Capital Partnership (Limited Partnership)* (深圳力合泓鑫創業投資合夥企業(有限合夥)) and Shenzhen Lihe Venture Capital Co., Ltd.* (深圳市力合創業投資有限公司) (all being independent third parties of the Company and its connected persons) with each holding less than 3% equity interest.

Historical transaction amounts

The table below sets out the historical transaction amounts of the Group with the Y2T Group during the financial years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively:

Unit: RMB million

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
Provision of system development and operation maintenance services by the Y2T Group to the Group	20.58	–	2.15[1]
Historical annual cap	40	50	60
Historical utilization rate	51.45%	–	3.58%[1]
Provision of logistics and related services by the Y2T Group to the Group	195.71	658.28	175.82[1]
Historical annual cap	1,000	1,400	1,400
Historical utilization rate	19.57%	47.02%	12.56%[1]
Provision of logistics and related services by the Group to the Y2T Group	577.63	1,182.62	667.79[1]
Historical annual cap	700	1,200	1,400
Historical utilization rate	82.52%	98.55%	47.70%[1]

Note:

1. These figures represent the transaction amount for the six months ended 30 June 2023 and the relevant utilization rates are calculated by measuring those transaction amounts against the annual cap.

Annual caps under the Purchase and Sales Framework Agreement

The proposed annual caps for the three years ending 31 December 2026 under the Purchase and Sales Framework Agreement are set out as follows:

Unit: RMB million

	For the year ending 31 December 2024 Cap[1]	**For the year ending 31 December 2025 Cap[1]**	**For the year ending 31 December 2026 Cap[1]**
Provision of system development and operation maintenance services by the Y2T Group to the Group	20	40	60
Provision of logistics and related services by the Y2T Group to the Group	600	720	864
Provision of logistics and related services by the Group to the Y2T Group	2,000	2,400	2,880

Notes:

1. These figures represent the maximum aggregate annual transaction value in respect of the transactions of the relevant type which the Group will undertake under the Purchase and Sales Framework Agreement during the financial year specified. The actual transaction amount may be different.

2. In determining the relevant caps for transactions under the Purchase and Sales Framework Agreement, among which, the annual caps of provision of system development and operation maintenance services and logistics and related services by the Y2T Group to the Group being set to be lower than those of the Former Purchase and Sales Framework Agreement, the Company has taken into account the following factors:

   (i) the historical transaction amounts for the two years ended 31 December 2022 and the six months ended 30 June 2023;

   (ii) the expected demand and estimated growth in transaction amounts between the Group and the Y2T Group given more service products of Y2T Platform such as full-chain products and more public logistics provider services as well as the acceleration of the online launch of the Group's principal products and standard services; and

   (iii) the continuous promotion of the Group's digital transformation strategy, and the expected rapid growth in the digitization of the whole logistics industry, including digital products and transactions, in the coming three years.

The Directors (including the independent non-executive Directors) are of the view that the terms (including the relevant annual caps contemplated thereunder) of the Purchase and Sales Framework Agreement are fair and reasonable, on normal commercial terms, and are entered into in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

(d) Transactions with China Merchants and its associates under the Master Lease Agreement

The Former Master Lease Agreement will expire on 31 December 2023. Considering the future business needs on the lease arrangements between the Group and China Merchants and its associates, the Company and China Merchants entered into the Master Lease Agreement on 26 October 2023, for a term of three years commencing on 1 January 2024 and ending on 31 December 2026 to govern (i) the lease of properties and storage facilities (inclusive of the equipment therein) and (ii) the lease of containers and other equipment between the Group and China Merchants and its associates.

Principal terms of the Master Lease Agreement

China Merchants and its associates agrees to lease certain properties and storage facilities (inclusive of the equipment therein) to the Group in various locations at which the Group mainly operates including Beijing, Shanghai, Guangdong, Shandong, Fujian, Tianjin, Jiangsu, Zhejiang, Liaoning, Hubei and Hebei, etc. In the meantime, the Group agrees to lease certain properties and storage facilities (inclusive of the equipment therein) to China Merchants and its associates for their daily operation.

In addition, the Group and China Merchants and its associates agree on the provision and receipt of the lease service of containers and other equipment between each other in the course of the transportation and logistics business operation.

Separate lease agreements may be entered into by the relevant parties in respect of individual leases.

Historical transaction amounts

The table below sets out the historical transaction amounts in relation to (i) the lease of properties and storage facilities (inclusive of the equipment therein) and (ii) the lease of containers and other equipment between the Group and China Merchants and its associate during the financial years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023:

Unit: RMB0'000

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
(i) Lease of properties and storage facilities (inclusive of the equipment therein)			
(a) Actual amount with respect to the lease of properties and storage facilities (inclusive of the equipment therein) by the Group as the lessee from China Merchants and its associates			
– Right-of-use assets (for those leases of which the lease term exceeds one year)	66,824	57,053	58,720[1]
– Historical annual cap	250,000	275,000	302,500
– Other payments (including rent for those leases of which the lease term is no more than one year)	10,664	11,851	1,572[1]
– Historical annual cap	12,000	13,200	14,520
(b) Actual amount with respect to the lease of properties and storage facilities (inclusive of the equipment therein) by the Group as the lessor to China Merchants and its associates			
– Total rent payments	1,904	1,240	772[1]
– Historical annual cap	4,000	4,600	5,290

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
(ii) Lease of containers and other equipment			
(a) Actual amount with respect to the lease of containers and other equipment by the Group as the lessee from China Merchants and its associates			
– Right-of-use assets (for those leases of which the lease term exceeds one year)	476	230	243[1]
– Historical annual cap	6,000	6,600	7,260
– Other payments (including rent for those leases of which the lease term is no more than one year)	275	338	134[1]
– Historical annual cap	500	600	720
(b) Actual amount with respect to the lease of containers and other equipment by the Group as the lessor to China Merchants and its associates			
– Total rent payments	7,115	8,603	3,625[1]
– Historical annual cap	20,000	23,000	26,450

Note:

1. These figures represent the transaction amount for the six months ended 30 June 2023.

Annual caps under the Master Lease Agreement

The Company proposes that the estimated caps in respect of (i) lease of properties and storage facilities (inclusive of the equipment therein) and (ii) the lease of containers and other equipment between the Group and China Merchants and its associates contemplated under the Master Lease Agreement for the three years ending 31 December 2026 are as follows:

Unit: RMB0'000

	For the year ending 31 December 2024[1]	For the year ending 31 December 2025[1]	For the year ending 31 December 2026[1]
(i) Lease of properties and storage facilities (inclusive of the equipment therein)			
(a) Annual cap with respect to the lease of properties and storage facilities (inclusive of the equipment therein) by the Group as the lessee from China Merchants and its associates			
– Right-of-use assets (for those leases of which the lease term exceeds one year)	250,000	287,500	330,600
– Other payments (including rent for those leases of which the lease term is no more than one year)	20,000	23,000	26,500
(b) Annual cap with respect to the lease of properties and storage facilities (inclusive of the equipment therein) by the Group as the lessor to China Merchants and its associates			
– Total rent payments	4,000	4,600	5,300

	For the year ending 31 December 2024[1]	For the year ending 31 December 2025[1]	For the year ending 31 December 2026[1]
(ii) Lease of containers and other equipment			
(a) Annual cap with respect to the lease of containers and other equipment by the Group as the lessee from China Merchants and its associates			
– Right-of-use assets (for those leases of which the lease term exceeds one year)	6,000	6,900	7,900
– Other payments (including rent for those leases of which the lease term is no more than one year)	800	900	1,000
(b) Annual cap with respect to the lease of containers and other equipment by the Group as the lessor to China Merchants and its associates			
– Total rent payments	20,000	23,000	26,500

Notes:

1. Different accounting treatment apply to different components of payments by the Group as lessee under the Master Lease Agreement in accordance with the PRC Accounting Standards for Business Enterprises applicable to the Group. Under the PRC Accounting Standards for Business Enterprises, the Group as the lessee shall recognize leases for a term of more than one year as right-of-use assets and lease liabilities. The right-of-use assets represent its rights to use the underlying leased asset over the lease term and the lease liabilities represent its obligations to make lease payments (i.e. the rental payment). The assets and the liabilities arising from the lease are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the Master Lease Agreement, using the incremental borrowing rate as the discount rate. Under the PRC Accounting Standards for Business Enterprises and in the consolidated statement of comprehensive income of the Group, the Group shall recognize (i) depreciation charge over the life of the right-of-use asset, and (ii) interest expenses amortized from the lease liability over the lease term. In accordance with the Listing Rules, the Company is required to set caps on the total value of right-of-use assets relating to the above leases. Other amounts payable by the Group as lessee (including rent for those leases for a term of no more than one year) will be recorded as expenses by the Company over the remainder of term of the lease and separate caps are set in accordance with the Listing Rules.

2. The annual caps in respect of the provision and receipt of lease of properties and storage facilities (inclusive of the equipment therein) between the Group and China Merchants and its associates under the Master Lease Agreement have been determined after taking into account:

   (i) the rent payable for subsisting property lease arrangements between the Group and China Merchants and its associates. For each of the three years ending 31 December 2024, 2025 and 2026, the rent payable by the Group to China Merchants and its associates for the existing property lease arrangements (including leases of which the lease term exceeds one year and is no more than one year) taking into account their estimated subsequent renewals under the same terms as at present is expected to be around RMB301.86 million, RMB284.22 million and RMB212.91 million, respectively, and the value recognized as the right-of-use assets in the financial statements of the Group (for leases of which the lease term exceeds one year) will be around RMB598.29 million, RMB483.38 million and RMB429.94 million, respectively; and the rent payable by China Merchants and its associates to the Group for the existing property lease arrangements taking into account their estimated subsequent renewals under the same terms as at present is expected to be around RMB1.26 million, RMB0.94 million and RMB0.94 million, respectively;

   (ii) the potential increase in the rent of existing lease contracts upon their subsequent renewals and the new ones to be entered into in the following three years ending 31 December 2026 due to estimated increase in other fees and expenses (such as labour costs and maintenance fees) along with the business and market improvement, as well as rising market rent generally for properties at locations and of a quality similar to those currently occupied by the Group and China Merchants and its associates and in particular, for commercial properties in key cities in China, for example, Beijing, Shanghai and Shenzhen where the headquarters of the Company and certain of its subsidiaries are located;

   (iii) the Group utilises self-owned or leased warehouses (inclusive of properties, storage facilities and equipment) to provide warehousing related logistics services to its customers. In the first half of 2023, the external revenue from the Group's logistics business amounted to RMB14.768 billion, substantially flat for the corresponding period of last year; and the segment profit amounted to RMB558 million, representing an increase of 22.91% for the corresponding period of last year. With the expansion of Group's logistics businesses, there will be potential expansion of the business of the parties and the consequential increase in demand for additional properties and storage facilities (inclusive of the equipment therein) where the Group is relatively lack of logistics properties and storage facilities. As China Merchants and its associates are both suppliers and customers of the Group, the Group is likely to further lease some logistics properties (mainly including warehouses, storage facilities and office buildings) from China Merchants and its associates and lease some logistics properties (mainly including warehouses, storage facilities and office buildings) to China Merchants and its associates during the next three years. The Group is in the negotiation with China Merchants and its associates over the potential lease arrangements at current stage, and such arrangements may or may not be entered into between the parties. If such aforementioned lease arrangements are entered into as planned, the total estimated rent payable by the Group to China Merchants and its associates will be around RMB153 million, RMB237 million and RMB326 million in each of 2024, 2025 and 2026, with the value recognized as the right-of-use assets in the financial statements of the Group (for leases of which the lease term exceeds one year) around RMB1,276 million, RMB1,583 million and RMB1,835 million, respectively; and the rent payable by China Merchants and its associates to the Group is estimated to be RMB31 million, RMB33 million and RMB36 million, respectively. Besides, it is expected that China's expanding national logistics network will continue to fuel future demand for logistics real estate. As per the industry report named "China Logistics" complied by Savills Research China (a renowned industry consultant) in March 2023 (the "**Savills' Report**"), China's logistics value grew by approximately 3.4% in 2022 to approximately RMB348 trillion with a total revenue of approximately RMB13 trillion, up by approximately 4.7% year on year. Based on Savills' Report, there has been a constant growth of China's logistics property market over the past few years. In particular, the rental index of the first-tier cities has been surging from 100 points (being the base point) from the beginning of 2015 to nearly 140 points by the end of 2022, and is expected to further transcend 140 points by the end of 2023; and

(iv) the reasonable buffer required to cater for random and occasional leasing demand and to ensure flexibility during the parties' daily operations.

3. The annual caps in respect of the provision and receipt of lease of containers and other equipment between the Group and China Merchants and its associates under the Master Lease Agreement have been determined after taking into account:

(i) the expenses payable for subsisting lease arrangements in relation to the containers and other equipment between the Group and China Merchants and its associates. For each of the three years ending 31 December 2024, 2025 and 2026, the rent payable by the Group to China Merchants and its associates for the existing lease arrangements (including leases of which the lease term exceeds one year and is no more than one year) in relation to the containers and other equipment taking into account their estimated subsequent renewals under the same terms as at present is expected to be around RMB4.51 million, RMB3.71 million and RMB3.02 million, respectively, and the value recognized as the right-of-use assets in the financial statements of the Group (for leases of which the lease term exceeds one year) will be around RMB2.69 million, RMB3.05 million and RMB4.18 million, respectively; and the expenses payable by China Merchants and its associates to the Group for the existing lease arrangements in relation to the containers and other equipment taking into account their estimated subsequent renewals under the same terms as at present is expected to be around RMB57.62 million, RMB49.34 million and RMB49.34 million, respectively; and

(ii) the potential increase in the rent of existing lease contracts upon their subsequent renewals and the new ones to be entered into in the following three years ending 31 December 2026 due to estimated increase in other fees and expenses (such as labour costs and maintenance fees) along with the business and market improvement;

(iii) as the volume of logistics equipment sharing platform of the Group (involving leases of containers and other equipment by China Merchants and its associates from the Group) for the six months ended 30 June 2023 rising by approximately 13% as compared to the same period last year as disclosed in the 2023 interim report of the Company, there will be potential expansion of the transportation and logistics business of the parties and the consequential increase in demand for additional containers and other equipment. As China Merchants and its associates are both suppliers and customers of the Group, the Group is likely to further lease a series of additional containers and other equipment (mainly including lifting equipment and transport vehicle) from China Merchants and its associates and lease a series of additional containers to China Merchants and its associates during the next three years. The Group is in the negotiation with China Merchants and its associates over the potential lease arrangements at current stage, and such arrangements may or may not be entered into between the parties. If such aforementioned lease arrangements are entered into as planned, the total estimated rent payable by the Group to China Merchants and its associates will be around RMB8.5 million, RMB10.8 million and RMB12.7 million in each of 2024, 2025 and 2026, with the value recognized as the right-of-use assets in the financial statements of the Group (for leases of which the lease term exceeds one year) around RMB41 million, RMB46 million and RMB52 million, respectively; and the rent payable by China Merchants and its associates to the Group is estimated to be RMB92 million, RMB125.6 million and RMB153.3 million, respectively; and

(iv) the reasonable buffer required to cater for random and occasional leasing demand and to ensure flexibility during the parties' daily operations.

The Directors (including the independent non-executive Directors) are of the view that the terms (including the relevant annual caps contemplated thereunder) of the Master Lease Agreement are fair and reasonable and on normal commercial terms and the Master Lease Agreement is entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(e) Transactions with the Finance Company

Principal terms of the Financial Services Agreement

On 26 October 2023, the Company and the Finance Company entered into the Financial Services Agreement under which the Finance Company agreed to provide a series of financial services which include: (1) deposit services; (2) loan services; (3) other financial services (including the following categories of services, namely settlement services, notes services, foreign exchange services, entrusted loan services, financial and financing consultancy services, credit appraisal and other relevant advice and agency services, and other financial services within its business scope), as set out in more details below, to the Group within the caps agreed thereunder for the three years commencing on 1 January 2024 and ending on 31 December 2026:

(i) Deposit services: the interest rates of the deposit services offered by the Finance Company (a) are to be 15% to 50% higher than the general interest rates set by the PBOC for the same type of deposit for the same term; and (b) are not to be lower than the interest rates offered by major commercial banks in the PRC to the Group for the same type of deposit for the same term in the same period.

Services ancillary to the deposit services, including but not limited to account management services and provision of deposit certificate, are to be provided by the Finance Company free of charge.

(ii) Loan services: the interest rates of loan services charged by the Finance Company will not be higher than the interest rates provided by other financial institutions in the PRC to the Group for the same level of loan in the same period. Loans provided by the Finance Company will in principle be by way of unsecured credit loans.

(iii) Other financial services:

(a) Settlement services: the Finance Company will provide domestic settlement services free of charge and the rate of cross border and overseas settlement services will not be higher than that of the same services provided by other domestic and local financial institutions.

(b) Notes services: including but not limited to bank acceptance bill, commercial acceptance bill and related business. The charges for such services will not be higher than that charged by other PRC financial institutions which provide comparable products in the same period.

(c) Foreign exchange services: the Finance Company may on application of the Company provide the Group with settlement and sale of foreign exchange services. The exchange rates to be offered by the Finance Company will not be less favorable than that offered by other domestic financial institutions for similar services.

(d) Other services including but not limited to entrusted loan services, financial and financing consultancy services, credit appraisal and other relevant advice and agency services. The charge for provision of such services by the Finance Company will not be higher than those charged by other major domestic financial institutions for similar services.

As the making of deposits by the Group to the Finance Company constitutes "financial assistance" by the Group to the Finance Company for the purposes of the Listing Rules and, in view of the size of the annual caps for deposits set out as below, the use of the deposit services by the Group under the Financial Services Agreement is conditional upon the approval by the Independent Shareholders at the EGM.

The Group has established extensive and stable cooperation with multiple commercial banks, the Finance Company and other financial institutions, therefore, there are sufficient mature financial services provided in the market for the Group to choose. The Finance Company, as a connected financial institution, provides more flexible and customized service which is a good supplement to the Group.

Internal control and risk management measures under the Financial Services Agreement

The Financial Services Agreement contains the following internal control and risk management measures:

(i) The Group utilizes the services of the Finance Company on a voluntary, non-exclusive basis and is not obliged to engage the Finance Company for any services. The Finance Company is merely one of the financial institutions which provide services to the Group.

(ii) In accordance with the compliance and disclosure requirements to which the Group is subject, the Finance Company will provide all legal documents, agreements, government approvals, financial data and other information as required by the Group.

(iii) The Finance Company has obligation to keep confidential about the Group's unpublished information that it has obtained in the course of its provision of financial services to the Group under the Financial Services Agreement, except as otherwise required by applicable laws and regulations.

(iv) The Finance Company will strictly comply with the relevant laws and regulations and requirements imposed by the regulatory authority and ensure the security of funds of the Group, including compliance with the requirements of NAFR and other regulatory authorities.

(v) The Finance Company is required to provide the Group with periodical reports, setting out: ① daily status of the Group's deposits with the Finance Company; ② the periodical balance sheet, income statement and cash flow statement of the Finance Company; ③ significant organization change, equity transaction or operational risks that may impact the deposits of the Group in the future, and to timely inform the Group the occurrence of any significant security risk towards the Group's deposits and take necessary measures to avoid any losses based on which the Company issues the continuous risk assessment report.

Furthermore, the Finance Company undertakes that the deposit received from the Group will be solely used among members of the Group to ensure the safety of the funds. Ms. Luo Li, the Director of the Company, is also one of the 5 directors of the Finance Company and is capable of participating in decision-making for substantial matters of the Finance Company, and is able to monitor and supervise the operation of the Finance Company. The Company also noted that China Merchants, the holding company of the Finance Company, has made an undertaking to NAFR on 25 July 2016 that, in the event the Finance Company is unable to meet its payment obligations, China Merchants will inject capital into the Finance Company to pay for the actual shortfall. Identical undertaking is also set out in the articles of association of the Finance Company.

Historical transaction amounts in relation to the deposit services

During the financial years ended 31 December 2021 and 2022 and the six months ended 30 June 2023, the amounts incurred by the Group attributable to deposit services with the Finance Company under the Former Financial Services Agreement were as follows:

Unit: RMB hundred million

	For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the year ending 31 December 2023**
Actual maximum daily outstanding balance of deposits placed by the Group with the Finance Company (excluding loan proceeds advanced by the Finance Company)	49.47	48.80	45.18[1]
Relevant annual cap under the Former Financial Services Agreement	50.00	50.00	50.00
Historical utilization rate	98.94%	97.60%	90.36%[1]

Note:

1. These figures represent the transaction amount for the six months ended 30 June 2023 and the utilization rates are calculated by measuring those transaction amounts against the relevant annual caps.

Annual caps for deposit services

The Company proposes that the maximum amount for the deposit services for the three years ending 31 December 2026 pursuant to the Financial Services Agreement be capped as follows:

Unit: RMB hundred million

	For the year ending 31 December 2024[1]	**For the year ending 31 December 2025[1]**	**For the year ending 31 December 2026[1]**
Maximum daily outstanding balance of deposits placed by the Group with the Finance Company (excluding loan proceeds advanced by the Finance Company)	60.00	60.00	60.00

Notes:

1. These figures represent the maximum value of transactions of the relevant type which the Group may undertake during the relevant financial years. The actual amount of transaction may be different. Taking into account the basis for the determination of the caps as detailed below, the Board (including the independent non-executive Directors) considers that the New Caps set out above are fair and reasonable.

2. In setting the annual caps for the deposit services under the Financial Services Agreement for the three years ending 31 December 2026, the Company has taken into account the following factors:

   (i) the historical utilization rates for the caps of the maximum daily outstanding balance of deposits placed by the Group with the Finance Company under the Former Financial Services Agreement were more than 90%, and the highest has reached 98.94%;

(ii) the Group expects to maintain a stable cooperation with the Finance Company in respect of the deposit services provided by the Finance Company for the three years ending 31 December 2026, considering the benefits and advantages gained by the Group from such services in the following aspects:

(a) the deposits placed by the members of the Group in the Finance Company can facilitate settlement of transactions between the Group and other members of China Merchants Group, or as amongst members of the Group, taking advantage of lower transaction costs given that the Finance Company does not charge for domestic settlement services under the terms of the Financial Services Agreement as a result of increased collaboration on the provision of logistics services between them as explained in greater detail in note 2(v) under the sub-section headed "(a) Transactions with China Merchants and its associates under the Master Services Agreement (China Merchants)";

(b) the deposits placed by the Group with the Finance Company can be utilized to supplement the fund cash requirements of the subsidiaries of the Company, which increase the efficiency of funds utilization of the Group;

(c) the interest rate for the deposits placed by the Group with the Finance Company is generally superior to the interest rate for the same type of deposit announced by PBOC for the same period and the interest rate for the same type of deposit offered by the major commercial banks in the PRC for the same period, which is beneficial to improving the level of the Company's capital gains; and

(d) there is lower risk of default over the deposits placed with the Finance Company as China Merchants has made an undertaking to pay for the actual shortfall of the Finance Company in the event the Finance Company is unable to meet its payment obligations.

Annual cap for loan services and other financial services

Under the Financial Services Agreement, the maximum daily outstanding balance of loans granted by the Finance Company to the Group (including accrued interests and handling charges) shall not exceed RMB10 billion. The provision of loan services by the Finance Company to the Group on normal commercial terms on an unsecured basis under the Financial Services Agreement constitute financial assistance by a connected person for the benefit of the Group which is exempt under the Rule 14A.90 of the Listing Rules from reporting, annual review, announcement and Independent Shareholders' approval requirements.

Under the Financial Services Agreement, the maximum total expenses payable by the Group to the Finance Company for each of the three years ending 31 December 2026 with respect to other financial services shall not exceed RMB20 million. For each of the three years ending 31 December 2023, the total expenses incurred by the Group with respect to other financial services under the Former Financial Services Agreement was and will be within the de minimis threshold under Chapter 14A of the Listing Rules.

The abovementioned proposed annual caps for the loan services and other financial services to be provided by the Finance Company to the Group under the Financial Services Agreement were determined with reference to (i) the historical transaction amounts of such services; (ii) the capital management strategies of the Group; and (iii) the Group's estimated financial needs for loan and other financing services. The Directors (including the independent non-executive Directors) are of the view that the terms (including the relevant annual caps contemplated thereunder) of the Financial Services Agreement are fair and reasonable and on normal commercial terms and the Financial Services Agreement is entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. Listing Rules compliance in respect of the Non-exempt Continuing Connected Transactions

As China Merchants is the ultimate controlling shareholder of the Company and the Finance Company is a wholly-owned subsidiary of China Merchants, both China Merchants and the Finance Company are connected persons of the Company, and thus the transactions contemplated under the Master Services Agreement (China Merchants), the Master Lease Agreement and the Financial Services Agreement constitute continuing connected transactions of the Company.

As a subsidiary of SINOTRANS & CSC (the controlling shareholder of the Company) holds more than 10% equity interest in Sinotrans Shandong Hongzhi, Sinotrans Shandong Hongzhi is a connected person of the Company pursuant to Rule 14A.16 of the Listing Rules, and thus the transactions contemplated under the Master Services Agreement (Sinotrans Shandong Hongzhi) constitute continuing connected transactions of the Company.

As subsidiaries of China Merchants hold more than 10% equity interest in Y2T, Y2T is a connected person of the Company pursuant to Rule 14A.16 of the Listing Rules, and thus the transactions contemplated under the Purchase and Sales Framework Agreement constitute continuing connected transactions of the Company.

The transactions in relation to the provision or receipt of transportation and logistics services contemplated under the Master Services Agreement (China Merchants), the Master Services Agreement (Sinotrans Shandong Hongzhi) and the provision or receipt of logistics and related services contemplated under the Purchase and Sales Framework Agreement shall be aggregated for the purposes of calculating the applicable percentage ratios pursuant to Rule 14A.82 of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the provision or receipt of transportation and logistics services contemplated under the Master Services Agreements and the provision or receipt of logistics and related services contemplated under the Purchase and Sales Framework Agreement exceeds 5%, such transactions and their proposed annual caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the provision of system development and operation maintenance services by the Y2T Group to the Group contemplated under the Purchase and Sales Framework Agreement exceeds 0.1% but is less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but exempted from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the lease of properties and storage facilities (inclusive of the equipment therein) by the Group from China Merchants and its associates contemplated under the Master Lease Agreement exceeds 5%, such transactions and their proposed annual caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As each of the highest applicable percentage ratios (as defined under the Listing Rules) in respect of (i) the lease of properties and storage facilities (inclusive of the equipment therein) by the Group to China Merchants and its associates; and (ii) the lease of containers and other equipment between the Group and China Merchants and its associates exceeds 0.1% but is less than 5%, such transactions are subject to the reporting, annual review and announcement requirements only, and exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the deposit services contemplated under the Financial Services Agreement exceeds 5% but is less than 25%, such transactions constitute discloseable transactions under Chapter 14 of the Listing Rules and continuing connected transactions under Chapter 14A of the Listing Rules, and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules. The provision of loan services by the Finance Company to the Group on normal commercial terms on an unsecured basis under the Financial Services Agreement constitute financial assistance by a connected person for the benefit of the Group which is exempt under the Rule 14A.90 of the Listing Rules from reporting, annual review, announcement and Independent Shareholders' approval requirements. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the other financial services contemplated under the Financial Services Agreement is less than 0.1%, such transactions are exempt from reporting, annual review, announcement and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company has set up the Independent Board Committee to advise the Independent Shareholders in respect of the continuing connected transactions (including the related annual caps) contemplated under the Master Services Agreements, the provision or receipt of logistics and related services contemplated under the Purchase and Sales Framework Agreement, the lease of properties and storage facilities (inclusive of the equipment therein) by the Group from China Merchants and its associates contemplated under the Master Lease Agreement and the deposit services contemplated under the Financial Services Agreement. The Company has appointed VBG Capital as the Independent Financial Adviser of the Company for the Non-exempt Continuing Connected Transactions.

4. Basis of pricing of the transactions contemplated under the Master Services Agreements, the Purchase and Sales Framework Agreement, the Master Lease Agreement and the Financial Services Agreement and internal control procedures for monitoring continuing connected transactions

Basis of pricing and settlement

(i) the Master Services Agreements and the Purchase and Sales Framework Agreement

Separate contracts in relation to each transaction will be entered into by the relevant parties. As the Group is a key market player in the transportation and logistics services in the PRC, during its ordinary course of business it gathers information on the market rates of various products and services offered by its competitors from time to time. For some standard products and services, various suppliers may issue price lists from time to time. When entering into any particular transaction with a connected person, the relevant member of the Group would consider a number of factors including, among other things, the combination of products or services provided, the geographical coverage of products or services provided and the terms offered by the local competitors, with a view to ensuring that the terms offered to the Group are at market prices as defined above. If a transaction involves customized combination of products or services for which the terms offered by suppliers could substantially differ, the relevant member of the Group will in accordance with the Group's internal control manual requirements obtain quotes and terms of products or services from at least two independent third parties (to the extent such alternative suppliers are available) and the connected person. The Company has established a business contracts review system in which the supervisory departments and offices of the Group will review the terms of products or services (including the price thereof) and compare the same against those offered by independent third parties, to ensure that those terms are at market prices as defined above. In the event that there are less than two alternative independent third parties suppliers in the relevant market for a particular type of products or services, such departments and offices will review the terms of such services (including the price) with reference to the terms of similar products or services provided or received by the Group previously and consider whether the terms being offered are commercially beneficial to the Group having regard to such comparables. The transportation and logistics services provided under the Master Services Agreements and the Purchase and Sales Framework Agreement by the Group to China Merchants and its associates, the Sinotrans Shandong Hongzhi Group and the Y2T Group will be at the market prices charged by the Group to independent third parties for the same or comparable type of products or services, and vice versa. The Directors consider that the procedures described above can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and minority Shareholders.

The payment terms of the transportation and logistics services provided and received under the Master Services Agreements vary depending on the content of the services required and would typically be settled in full after completion of the delivery services, and may entail the payment of deposits of a size determined by the nature of services that are required to be provided. Settlement and term of payment under the Purchase and Sales Framework Agreement shall be determined at arm's length and subject to the terms and conditions of specific transactions, and shall be set out in each separate contract entered into by the parties in respect of a single transaction or a series of transactions based on the principles agreed under the Purchase and Sales Framework Agreement.

(ii) the Master Lease Agreement

The Master Lease Agreement requires that the transactions between the parties are at the market price and on normal commercial terms. "Market price" means the price at which the same or comparable type of the subject of the lease arrangements are provided by or to (as appropriate) independent third parties in the same area on normal commercial terms in the ordinary course of business. Rent for the properties or facilities leased under the Master Lease Agreement is payable on a monthly or annual basis and on such payment terms prescribed under the terms of the specific lease agreement between the parties.

In respect of property leases between the Group and China Merchants and its associates, the rental shall be determined through arm's length negotiations between relevant parties with reference to the prevailing market price of local properties in vicinity with similar size and quality. When considering new leases or renewal of existing leases with China Merchants and/or its associates, the relevant member of the Group would gather the rental information of at least two properties of similar specification and sizes in similar locations and negotiate based on such market terms to make sure that the terms offered by the relevant counterparty would not be less favourable than those offered by independent third parties on the market.

In respect of the leases of containers and other equipment with between the Group and China Merchants and its associates, the rental shall be determined through arm's length negotiations between relevant parties with reference to the prevailing market price of comparable facilities of similar ages, sizes, functions and attributes. For the containers and other equipment leased by the Group as the lessee from China Merchants or its associates, before entering into any new leases or renewal of existing leases, the Group will actively seek to obtain market price information through various channels, for example, obtaining quotes from at least two independent service providers which lease comparable facilities of similar nature in the same area.

(iii) the Financial Services Agreement

The Company first engaged the Finance Company for the provision of the deposit services to the Group, on normal commercial terms, pursuant to an agreement entered into between them in 2012. The existing deposit services used by the Group mainly involve placing/withdrawing current deposits in the Finance Company to facilitate the Group's daily operations such as receiving sales proceeds from customers or making payments for expenses to suppliers or government authorities and payrolls. As maximizing interest income is not the Group's only goal for using the deposit services, the Group also considers other selection criteria, in addition to the interest rates, such as fund security, preferences of customers, suppliers and the government authorities, location of bank branches, quality of services and convenience on fund transfers, in selection of deposit services providers. In the past transactions between the Group and the Finance Company, the Finance Company provided relevant services strictly in compliance with terms of related contracts and fulfilled its obligation to provide the Company with information on operating conditions on a regular basis, etc. No deposits were unable to be withdrawn in a timely manner.

Given that the Group is satisfied with the quality of services provided by the Finance Company, the Group intends to continue the deposit services with the Finance Company after expiration of the term of the Former Financial Services Agreement.

In order to ensure the terms of the deposit services, in particular the interest rates, offered by its deposit services providers for both savings deposits and term deposits are on normal commercial terms, the Group compares the current interest rates offered by its deposit services providers with the relevant standard deposit rates published by the PBOC and the rates offered by other major commercial banks in the PRC from time to time. The Group would apply the same principles in selection of deposit services providers and in determination of the terms of the deposit services to be provided by the Finance Company.

The payment of the relevant interests, expenses and service fees for the financial services contemplated under the Financial Services Agreement can be settled by the parties on a one-off basis or by installment in accordance with separate agreements as might be entered into between the Group and the Finance Company.

Internal control procedures

To ensure the relevant terms provided by connected parties under the Master Services Agreements, the Purchase and Sales Framework Agreement, the Master Lease Agreement and the Financial Services Agreement are no less favorable than those available from independent third parties and the annual caps of the transactions under the above agreements are not exceeded, the Company's internal control system includes procedures specifically for monitoring continuing connected transactions which include the following steps:

(i) the entering into and monitoring of continuing connected transactions are to be conducted in accordance with the Company's internal control manual;

(ii) the finance department and compliance department of the Company will collect real-time statistics of the continuing connected transactions under the Master Services Agreements, the Purchase and Sales Framework Agreement, the Master Lease Agreement and the Financial Services Agreement on a weekly basis and monitor such transactions through the Group's internal online system to ensure the annual caps approved by the Independent Shareholders are not exceeded; and

(iii) the auditors of the Company reviews the statistics of the continuing connected transactions on an annual basis in compliance with the annual reporting and review requirements under the Listing Rules.

By implementing the above procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the transactions under the Master Services Agreements, the Purchase and Sales Framework Agreement, the Master Lease Agreement and the Financial Services Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

5. Reasons and benefits for the Non-Exempt Continuing Connected Transactions

The Master Services Agreements provide flexibility to the Group in working with China Merchants and its associates and the Sinotrans Shandong Hongzhi Group to provide end- to-end logistics services to independent customers, including covering locations in which the Group does not have operations and sourcing specific type of services at competitive prices when necessary. For instance, the Group's transportation and logistics resources are comparatively inadequate in the areas such as Xinjiang, Ningxia and Gansu of the PRC, while China Merchants Group is able to provide relevant resources and services for the Group in these areas. In addition, the Sinotrans Shandong Hongzhi Group may from time to time be able to provide specific types of services (such as container transportation services, air freight forwarding services or warehousing services) to the Group at competitive prices. Furthermore, those parts of China Merchants and its associates, who are not in the same line of business of the Group can become potential customers for services of the Group. Accordingly, the Directors (including the independent non-executive Directors) consider that it is in the interest of the Company and its shareholders as a whole to allow continuing connected transactions on normal commercial terms as contemplated under the Master Services Agreements.

The Purchase and Sales Framework Agreement is beneficial to better control and monitor the transactions between the Group and the Y2T Group considering the Group may from time to time receive system development and operation maintenance services, logistics and related services from the Y2T Group and provide logistics and related services to the Y2T Group. In addition, as the resources of Y2T Platform services increase, the platform products become more and more diversified and the number of active enterprises increases, the transactions between the Y2T Group and the Group will further increase, which are beneficial for the Group to expand its customers and provide fourth-party logistics(4PL) services (i.e., providing integrated logistics services including logistics planning, consulting, logistics information system and supply chain management for first party (shipper), second party (consignee) and third party (third party logistics service provider) to achieve fast, high-quality and low-cost logistics operation and management mode). Accordingly, the Directors (including the independent non-executive Directors) consider that it is in the interest of the Company and the Shareholders as a whole to allow continuing connected transactions on normal commercial terms as contemplated under the Purchase and Sales Framework Agreement.

The Master Lease Agreement facilitates continuous and stable use of operating premises and containers and other equipment between the Group and China Merchants and its associates at market rate and provides the Group with greater flexibility to leasing arrangements. Accordingly, the Directors (including the independent non-executive Directors) consider that it is in the interest of the Company and the Shareholders as a whole to allow continuing connected transactions on normal commercial terms as contemplated under the Master Lease Agreement.

According to the terms entrenched for the Financial Services Agreement, the Finance Company will provide deposit and loans services to the Group to facilitate its capital management and boost efficiency. It will offer flexibility to the Group and reducing settlement costs and increasing efficiency of transactions between the Group and China Merchants Group. In particular, in respect of the deposit service, the Finance Company will ensure deposit rates at a premium to published PBOC rates and not less than those offered by major commercial banks in the PRC to the Group, and the Group can choose to use the deposit services from the Finance Company to increase deposit interest returns on its Disposable Cash that is generated primarily from its operations, in circumstances where the services being offered by the Finance Company are able to satisfy the Group's rigorous internal control procedures with respect to pricing etc. In terms of risk management, the Company notes that not only does the Finance Company (that is regulated by the PBOC and NAFR) have paid up capital of RMB5 billion and be subject to the rules as to key financial indicator requirements and corporate governance published by NAFR (for example, as at 30 June 2023, the Finance Company has a capital adequacy ratio of 16.53%, liquidity ratio of 39.30%, non-performing loan ratio of 0%, which satisfied such requirements), the Finance Company also has the benefit of the undertaking from China Merchants to provide funds to the Finance Company to make up any funding shortfall (as described in the sub-section headed "(e) Transactions with the Finance Company – Internal control and risk management measures under the Financial Services Agreement" above). The Company has discretion on funds deposited within Finance Company and the funds will not be used for members outside the Group. Accordingly, the Directors (including the independent non-executive Directors) consider that it is in the interest of the Group to have greater latitude to deposit Disposable Cash with the Finance Company.

The Board does not consider there being any material disadvantages in entering into and conducting the abovementioned Non-Exempt Continuing Connected Transactions.

The Company has proposed the ordinary resolutions at the EGM (each sub-resolution to be voted on separately) for the Shareholders to consider and, if thought fit, approve each of the abovementioned Non-exempt Continuing Connected Transactions.

III. RELATED PARTY TRANSACTION SUBJECT TO THE SHAREHOLDERS' APPROVAL PURSUANT TO THE SSE LISTING RULES

Provision of financial services by China Merchants Bank to the Group

According to the ordinary operation and capital management needs of the Group, the Board had considered and approved the resolution in relation to the provision of financial services by China Merchants Bank to the Group. China Merchants Bank will provide the deposit services, loan services and other financial services as approved by the NAFR to the Group. For each of 2024, 2025 and 2026, the maximum amount of deposits to be placed by the Group with China Merchants Bank will not exceed RMB6 billion, and the maximum amount of loans (including accrued interests and handling charges) to be provided by China Merchants Bank to the Group will not exceed RMB10 billion. No caps have been specified in respect of the other financial services provided by China Merchants Bank to the Group for each of 2024, 2025 and 2026.

China Merchants Bank is not a connected person of the Company under the Listing Rules, and therefore the provision of financial services by China Merchants Bank to the Group does not constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. However, according to the SSE Listing Rules, as Mr. Miao Jianmin, the chairman of China Merchants, which is the actual controller of the Company, concurrently serves as the chairman of China Merchants Bank, the abovementioned provision of financial services by China Merchants Bank to the Group constitutes a related party transaction of the Company and shall be submitted to the EGM for the Shareholders' approval pursuant to the SSE Listing Rules.

The Company has proposed an ordinary resolution at the EGM for the Shareholders to consider and, if thought fit, approve the abovementioned provision of financial services by China Merchants Bank to the Group.

IV. EGM

The H Share register of members of the Company will be closed from 11 December 2023 to 15 December 2023 (both days inclusive), during which no transfer of H Shares will be registered. Any holders of H Shares whose names appear on the H Share register of members of the Company at 4:30 p.m. on 8 December 2023, are entitled to attend and vote at the EGM after completing the registration procedures for attending the meeting. In order for the H Shareholders to be entitled to attend and vote at the EGM, persons holding H Shares shall lodge share transfer documents and the relevant H Share certificates with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 8 December 2023.

The EGM will be convened and held at the 1st Meeting Room, 11th Floor, Building 10/Sinotrans Tower B, No.5 Anding Road, Chaoyang District, Beijing 100029, the PRC at 10:00 a.m. on 15 December 2023 to consider and, if thought fit, approve the resolutions as set out in the notice of the EGM.

Notice of the EGM, together with the notice of attendance and proxy form are despatched to Shareholders on 24 November 2023 and are available on the website of the Company and the website of Hong Kong Stock Exchange. Shareholders who intend to attend the EGM shall complete and return the notice of attendance in accordance with the instruction printed thereon on or before 13 December 2023. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, if you so wish.

As each of China Merchants, the Finance Company, Sinotrans Shandong Hongzhi and Y2T is a party to the Master Services Agreement (China Merchants) and the Master Lease Agreement, the Financial Services Agreement, the Master Services Agreement (Sinotrans Shandong Hongzhi) as well as the Purchase and Sales Framework Agreement, respectively, they, together with their respective associates (including SINOTRANS & CSC), if holding any shares of the Company, are required under the Listing Rules to abstain from voting on the resolutions in respect of the Non-exempt Continuing Connected Transactions at the EGM. In addition, China Merchants, together with its associates (including SINOTRANS & CSC), are required under the SSE Listing Rules to abstain from voting on the resolution in respect of the provision of financial services by China Merchants Bank to the Group at the EGM. As at the Latest Practicable Date, the abovementioned entities and their respective associates (including SINOTRANS & CSC) are interested in an aggregate of 4,072,813,639 A Shares and 192,978,000 H Shares, representing a total of approximately 58.48% of the total issued Shares, among which, China Merchants directly held 1,600,597,439 A Shares, and indirectly held 2,472,216,200 A Shares and 107,183,000 H Shares through SINOTRANS & CSC and 85,795,000 H Shares through China Merchants Investment Development (Hong Kong) Limited, both being its wholly owned subsidiaries; and SINOTRANS & CSC directly held 2,472,216,200 A Shares and indirectly held 107,183,000 H Shares through its wholly owned subsidiaries, among which Sinotrans (Hong Kong) Holdings Ltd. held 106,683,000 H Shares and Sinotrans Shipping Inc. held 500,000 H Shares. Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquiry, as at the Latest Practicable Date, none of the Shareholders had any material interest in the proposed resolutions and would be required to abstain from voting on the proposed resolutions at the EGM.

None of the Directors had any material interest in the resolutions to be proposed at the EGM and therefore they are not required under the Listing Rules to abstain from voting on the board resolutions approving these matters. Nonetheless, as Mr. Wang Xiufeng, Mr. Deng Weidong, Ms. Luo Li, Mr. Yu Zhiliang and Mr. Tao Wu, all being related Directors, they have abstained from voting on the board resolutions in respect of the Non-exempt Continuing Connected Transactions and the provision of financial services by China Merchants Bank to the Group in accordance with the relevant PRC laws and regulations.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM will be taken by poll. The Company will announce the results of the poll in accordance with the Listing Rules after the EGM.

V. DIRECTORS' RECOMMENDATION

As disclosed above, resolutions will be proposed at the EGM, to approve the resolutions as set out in the notice of the EGM.

In order to pass an ordinary resolution of the Company at its general meeting, it requires at least a simple majority of the votes held by Shareholders attending the relevant general meeting in person or by proxy (and entitled to vote) being voted in favour of the relevant resolution.

Your attention is drawn to the letter from the Independent Board Committee as set out on page 41 which contains its recommendation to the Independent Shareholders in respect of the ordinary resolutions set out in the notice of EGM to approve the Non-exempt Continuing Connected Transactions subject to the New Caps.

The advice of VBG Capital to the Independent Board Committee and the Independent Shareholders as to whether each of the Non-exempt Continuing Connected Transactions and the New Caps thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole is set out on pages 42 to 69 of this circular.

The Board (including the independent non-executive Directors) considers that (i) the Non-exempt Continuing Connected Transactions subject to the New Caps; and (ii) the related party transaction subject to the Shareholders' approval pursuant to the SSE Listing Rules are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including independent non-executive Directors) recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

VI. GENERAL INFORMATION

Your attention is drawn to the additional information as set out in the Appendices to this circular.

Yours faithfully,
By order of the Board of
Sinotrans Limited
Li Shichu
Company Secretary

中國外運股份有限公司
SINOTRANS LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00598)

To the Independent Shareholders

Dear Sir and Madam,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Sinotrans Limited (the "**Company**") in respect of the resolutions to approve the Non-exempt Continuing Connected Transactions subject to the New Caps, details of which are set out in the "Letter from the Board" contained in the circular of the Company (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the "Letter from the Board", the advice of VBG Capital in its capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of whether each of the Non-exempt Continuing Connected Transactions and the New Caps thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole, as set out in the "Letter from the Independent Financial Adviser" as well as other additional information set out in other parts of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by VBG Capital in relation thereto as stated in its letter, we consider the terms of the Non-exempt Continuing Connected Transactions and the New Caps to be fair and reasonable and on normal commercial terms and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Non-exempt Continuing Connected Transactions.

Yours faithfully,
The Independent Board Committee

Wang Taiwen	**Meng Yan**	**Song Haiqing**	**Li Qian**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

Beijing, 24 November 2023

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the New Caps for the purpose of inclusion in this circular.

建泉融資有限公司
VBG Capital Limited

21/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

24 November 2023

To: The independent board committee and the independent shareholders of Sinotrans Limited

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the New Caps, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 24 November 2023 issued by the Company to the Shareholders (the "**Circular**"), of which this letter of advice forms part. Capitalized terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular unless the context requires otherwise.

The Master Services Agreement (China Merchants) and the Master Lease Agreement

Given that China Merchants and its associates (including SINOTRANS & CSC and its associates) may from time to time provide or purchase transportation and logistics services to/from, and/or enter into leasing arrangements with the Group and in order to ensure compliance with the Listing Rules, on 26 October 2023, the Company and China Merchants entered into (i) the Master Services Agreement (China Merchants) that govern the provision or receipt of transportation and logistics services between the Group and China Merchants and its associates; and (ii) the Master Lease Agreement that govern, amongst others, the lease of properties and storage facilities (inclusive of the equipment therein) by the Group from China Merchants and its associates (the "**Leasing Arrangement**"), in anticipation of the expiry of the Former Master Services Agreement (China Merchants) and the Former Master Lease Agreement, respectively, on 31 December 2023.

The Master Services Agreement (Sinotrans Shandong Hongzhi) and the Purchase and Sales Framework Agreement

Similarly on even date, the Company entered into (i) the Master Services Agreement (Sinotrans Shandong Hongzhi) with Sinotrans Shandong Hongzhi to govern the provision or receipt of transportation and logistics services between the Group and the Sinotrans Shandong Hongzhi Group; and (ii) the Purchase and Sales Framework Agreement with the Y2T Group to govern, amongst others, the provision or receipt of logistics and related services between the Group and the Y2T Group (the "**Logistics and Related Services**") in anticipation of the expiry of the Former Master Services Agreement (Sinotrans Shandong Hongzhi) and the Former Purchase and Sales Framework Agreement, respectively, on 31 December 2023.

The Financial Services Agreement

In addition, the Company entered into the Financial Services Agreement in relation to the provision of various financial services, including deposit services (the "**Deposit Services**"), to the Group by the Finance Company on 26 October 2023 to renew the Former Financial Services Agreement.

Each of the Master Services Agreement (China Merchants), the Master Services Agreement (Sinotrans Shandong Hongzhi), the Purchase and Sales Framework Agreement, the Master Lease Agreement and the Financial Services Agreement shall have a term of three years commencing from 1 January 2024 and ending on 31 December 2026.

According to the Letter from the Board, the respective transactions contemplated under the Master Services Agreement (China Merchants) and the Master Services Agreement (Sinotrans Shandong Hongzhi), the Logistics and Related Services under the Purchase and Sales Framework Agreement, the Leasing Arrangement under the Master Lease Agreement, as well as the Deposit Services under the Financial Services Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements.

The Independent Board Committee comprising Mr. Wang Taiwen, Mr. Meng Yan, Mr. Song Haiqing and Ms. Li Qian (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Non-exempt Continuing Connected Transactions (including the New Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Non-exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Non-exempt Continuing Connected Transactions at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the Non-exempt Continuing Connected Transactions and the New Caps.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Non-exempt Continuing Connected Transactions and the New Caps, we have (i) obtained and reviewed relevant information and documents of the Group, including but not limited to the interim report of the Company for the six months ended 30 June 2023, the annual report of the Company for the year ended 31 December 2022 (the "**Annual Report**"), sample records of the business contracts review as being detailed under the sub-section headed "Principal terms of the Master Services Agreements and the Purchase and Sales Framework Agreement" of this letter of advice conducted by the Group, the guidance on continuing connected transactions and the regulations on business contracts management maintained by the Group; and (ii) conducted independent research regarding China's transportation and logistics industry, China's logistics property market, background of the China Merchants Group and the regulatory environment of the Finance Company. We have also relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have assumed that (i) the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM; and (ii) all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, SINOTRANS & CSC, China Merchants, Sinotrans Shandong Hongzhi, Y2T, the Finance Company or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Non-exempt Continuing Connected Transactions and the New Caps. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such substantiated information from official sources has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any investigation into the accuracy and completeness of such information.

In addition, Shareholders should note that as the New Caps are relating to future events and estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of revenues or costs to be recorded from the Master Services Agreements, the Purchase and Sales Framework Agreement, the Master Lease Agreement and the Financial Services Agreement. Consequently, we express no opinion as to how closely the actual revenues and costs to be recorded from the Master Services Agreements, the Purchase and Sales Framework Agreement, the Master Lease Agreement and the Financial Services Agreement will correspond with the New Caps.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Non-exempt Continuing Connected Transactions and the New Caps, we have taken into consideration the following principal factors and reasons:

1. BUSINESS OVERVIEW OF THE GROUP

The Group is a leading integrated logistics service provider and integrator in the PRC. With more than 70 years of history and experience, the Group has established good brand recognition in the logistics industry domestically and abroad. The Group has an extensive and comprehensive domestic and overseas service network. Its domestic service network covers 32 provinces, autonomous regions, municipalities and special administrative areas in China; while its overseas network covers 42 countries and regions with 66 self-owned business outlets worldwide.

The Group's principal businesses include logistics, forwarding and related business and e-commerce business.

To cater for the different demands of its customers, the Group provides tailor-made integrated logistics solutions covering the entire value chain of customers and ensures the smooth implementation of such solutions. The logistics services that the Group offers include contract logistics, project logistics, chemical logistics, cold chain logistics and other logistics.

The forwarding and related business of the Group mainly includes sea freight forwarding, air freight forwarding, railway freight forwarding, shipping agency, storage and terminal services and etc. According to the Directors, the Company is the largest freight forwarding company in China.

The Group's e-commerce business includes cross-border e-commerce logistics, logistics e-commerce platform and logistics equipment sharing platform.

According to the Annual Report, the Group attained stable business performance with an upward momentum in 2022. The Group's total operating income was at the scale of over RMB100 billion; its net profit attributable to the Shareholders was approximately RMB4 billion (a year-on-year increase of approximately 9.6%); and its net cash inflow from operating activities was approximately RMB5 billion (a year-on-year increase of approximately 22.9%). The total contract logistics and railway freight forwarding business volume of the Group had also expanded significantly with nearly 1 million twenty-foot equivalent units (TEU) of international freight trains despatched.

2. THE MASTER SERVICES AGREEMENTS AND THE PURCHASE AND SALES FRAMEWORK AGREEMENT

Information on China Merchants, Sinotrans Shandong Hongzhi and Y2T

As extracted from the Letter from the Board, China Merchants is a comprehensive enterprise with diverse business operations. Currently, China Merchants' business is focused on transportation and logistics, comprehensive finance, and comprehensive development of cities and parks. In recent years, its operation has been extended to emerging sectors, such as big health and testing services.

As also extracted from the Letter from the Board, Sinotrans Shandong Hongzhi is mainly engaged in international container road-transportation business, international transportation agency business of sea, road, air freight forwarding for import and export cargo, import and export cargo transportation of the non-vessel operating common carrier (NVOCC) business and international express services. The principal businesses of Y2T include logistics e-commerce (including online transactions and services of international marine, domestic marine, land transportation, customs service, railway, container consolidation, air freight forwarding and cross-border e-commerce), supply chain value-added services, logistics big data and logistics data exchange infrastructure construction.

Overview of China's transportation and logistics industry

With reference to the statistics released by the National Bureau of Statistics at www.stats.gov.cn, in 2022, China's total gross domestic product amounted to approximately RMB121 trillion. At the same time, China's trade in goods has hit a new high, with the total imports and exports value surpassing RMB40 trillion for the first time; notably, the import value amounted to approximately RMB18 trillion, jumping year-on-year by approximately 4.3%, whereas the export value stood at approximately RMB24 trillion, jumping year-on-year by approximately 10.5%. The resulting balance of imports and exports yielded a trade surplus of approximately RMB6 trillion.

On a regional basis, China's imports from and exports to the Association of South East Asian Nations (ASEAN), the European Union and the United States totaled approximately RMB7 trillion, RMB6 trillion and RMB5 trillion, respectively, in 2022, jumping year-on-year by approximately 15.0%, 5.6% and 3.7%, respectively. China's imports from and exports to countries along the "Belt and Road" Initiative totaled approximately RMB14 trillion, indicating a significant increase of approximately 19.4% from 2021. Additionally, the trade between China and the other 14 member countries of the Regional Comprehensive Economic Partnership (RCEP) accomplished a total import and export value of approximately RMB13 trillion, indicating an approximate 7.5% increase from 2021.

Simultaneously, China observed a positive trend in its overall cargo transportation volume. Statistics disclosed by the Ministry of Transport at http://www.mot.gov.cn revealed that, in 2022, the yearly completed operating volume of cargo transportation reached approximately 9 billion tons, rising by approximately 3.8% as compared to the prior year. Additionally, the total turnover of cargo transportation was approximately 12,100 billion ton-km, marking an approximate 4.7% rise. The annual port cargo transport volume amounted to approximately 16 billion tons, rising by approximately 0.9% as compared to the prior year. The volume of goods transported for foreign trade was approximately 5 billion tons, and the completed container transport volume reached approximately 296 million TEUs.

From our independent research, we further noted that meaningful progress has been made in recent years with regard to the establishment of national logistics hubs. The National Development and Reform Commission ("**NDRC**") has taken the lead in organizing and overseeing the relevant process. Several notices have been issued by NDRC, including the《關於做好2019年國家物流樞紐建設工作的通知》(發改經貿[2019]1475號) ("Notice on Construction of National Logistics Hubs in 2019 (NDRC Economy and Trade Committee [2019] No.1475)"), the《關於做好2020 年國家物流樞紐建設工作的通知》(發改經貿[2020]1607號) ("Notice on Construction of National Logistics Hubs in 2020 (NDRC Economy and Trade Committee [2020] No.1607)"), the《關於做好「十四五」首批國家物流樞紐建設工作的通知》 (發改經貿[2021]1697號) ("Notice on the Construction of the First Batch of National Logistics Hubs in the 14th Five-Year Plan (NDRC Economy and Trade Committee [2021] No.1697)"), and the《關於做好2022年國家物流樞紐建設工作的通知》("Notice on the Construction of National Logistics Hubs in 2022"). These initiatives are part of the broader plans such as the《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》("14th Five-Year Plan for National Economic and Social Development and the Outline of Long-term Objectives for 2035") and the《「十四五」現代物流發展規劃》(國辦發[2022]17號) ("14th Five-Year Plan for the Development of Modern Logistics issued by the General Office [2022] No.17"). They shall continue to position the transportation and logistics industry as a fundamental, strategic and leading industry supporting the national economic growth.

Reasons for the Master Services Agreements and the Purchase and Sales Framework Agreement

As referred to in the Letter from the Board, the Master Services Agreements provide flexibility to the Group in working with China Merchants and Sinotrans Shandong Hongzhi and their associates to provide end-to-end logistics services to independent customers, including covering locations in which the Group does not have operations and sourcing specific type of services at competitive prices when necessary. For instance, the Group's transportation and logistics resources are comparatively inadequate in areas such as Xinjiang, Ningxia and Gansu of the PRC; while the China Merchants Group is able to provide relevant services to the Group in these areas. In addition, Sinotrans Shandong Hongzhi may from time to time be able to provide specific types of services (such as container transportation services, air freight forwarding services or warehousing services) to the Group at competitive prices. Those members of the China Merchants Group, who are not in the same line of business as the Group, can become potential customers for services of the Group.

As also referred to in the Letter from the Board, the Purchase and Sales Framework Agreement is beneficial to better control and monitor the transactions between the Group and the Y2T Group considering the Group may from time to time receive system development and operation maintenance services, logistics and related services from the Y2T Group and provide logistics and related services to the Y2T Group. In addition, as the resources of Y2T platform services increase, the platform products become more and more diversified and the number of active enterprises increases, the transactions between the Y2T Group and the Group will further increase, which will be beneficial for the Group to expand its customers and provide fourth Party logistics (4PL) services for its strategic customers.

In view of the above, we concur with the Directors that the entering into of the Master Services Agreements and the Purchase and Sales Framework Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

Principal terms of the Master Services Agreements and the Purchase and Sales Framework Agreement

The Master Services Agreements

Pursuant to the Master Services Agreements dated 26 October 2023, the Group will provide and receive transportation and logistics services to/from China Merchants and its associates, and the Sinotrans Shandong Hongzhi Group, respectively, under substantially the same principal terms (apart from the identity of the counterparties and the respective New Caps), which are set out in the following table:

Term:	Commencing on 1 January 2024 for a period of three years ending on 31 December 2026.

Scope of services:	Provision and receipt of the transportation and logistics services (including freight forwarding, shipping agency, storage and terminal/yard operation, road transportation, express services and shipping transportation and other logistics services) between members of the Group and China Merchants and its associates, and the Sinotrans Shandong Hongzhi Group.
Pricing mechanism:	Services provided under the Master Services Agreements are required to be provided at market prices and on normal commercial terms. "Market prices" mean the prices at which the same or comparable type of services are provided by or to (as appropriate) independent third parties in the same area on normal commercial terms and in the ordinary course of business.

As aforementioned, services provided under the Master Services Agreements will be at the market prices charged by or to independent third parties for the same or comparable type of services. In this relation, we have enquired into the Directors to see how the Group carries out such pricing mechanism. Based on the relevant internal control manuals and our discussion with the Directors, we understand that as the Group is a key market player in transportation and logistics services in the PRC, during its ordinary course of business it gathers information on market rates of various products and services offered by its competitors from time to time. For standard products and services, various suppliers may issue price lists from time to time. When entering into any particular transaction with a connected person, the relevant member of the Group would consider a number of factors including, amongst others, the combination of products or services provided, the geographical coverage of products or services provided and the terms offered by the local competitors, with a view to ensuring that the terms offered to the Group are at market prices as defined above. If a transaction involves customized combination of products or services for which the terms offered by suppliers could substantially differ, the relevant member of the Group will in accordance with the Group's internal control manual requirements obtain quotes and terms of products or services from at least two independent third parties (to the extent that such alternative suppliers are available) and the connected person. The Company has established a business contract review system under which the supervisory departments and offices of the Group will review the terms of products or services (including the price thereof) and compare the same against those offered by independent third parties, to ensure that those terms are at market prices as defined above. In the event that there are less than two alternative independent third parties suppliers in the relevant market for a particular type of products or services, such departments and offices of the Group will review the terms of such services (including the price) with reference to the terms of similar products or services provided or received by the Group previously and consider whether the terms being offered are commercially beneficial to the Group having regard to such comparables. From the above, we noted that the pricing mechanism under the Master Services Agreements is subject to stringent control and supervision from the execution level to the management level of the Group.

For our due diligence purpose, we have randomly selected and reviewed (i) around ten transaction records for transactions contemplated under the Former Master Services Agreement (China Merchants) as well as the Former Master Services Agreement (Sinotrans Shandong Hongzhi) during the period from 2021 to 2023; and (ii) around ten transaction records for transactions between the Group and independent third parties in respect of provision or receipt of similar transportation and logistics services during the period from 2021 to 2023. Based on our review and comparison of the said transaction records which we consider to be fair and representative from random selection, we noted that their major terms (such as pricing terms, payment terms, terms on delivery and service quality) were similar.

Based on the results of our review of the past relevant transaction records which indicate that the major terms of transactions between the Group and connected persons, and between the Group and independent third parties were similar, the Group has established stringent internal control and review system to effectively ensure the fairness and reasonableness of the terms of the transactions contemplated under the Master Services Agreements, including the pricing mechanism such that services provided under the Master Services Agreements are at market prices and on normal commercial terms. We therefore consider that the terms of the Master Services Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The Purchase and Sales Framework Agreement

Pursuant to the Purchase and Sales Framework Agreement dated 26 October 2023, the Group will provide and receive, amongst others, the Logistics and Related Services to/from the Y2T Group under the following principal terms:

Term:	Commencing on 1 January 2024 for a period of three years ending on 31 December 2026.
Scope of services:	Provision and receipt of sea, land, air transport and other forms of logistics and related services between members of the Group and the Y2T Group.
Pricing mechanism:	Services provided under the Purchase and Sales Framework Agreement are required to be provided at market prices and on normal commercial terms. “Market prices” mean the prices at which the same or comparable type of services are provided by or to (as appropriate) independent third parties in the same area on normal commercial terms and in the ordinary course of business.

Procedures and mechanism for determining market price for the Logistics and Related Services are the same as those described under the paragraph headed “The Master Services Agreements” above. As such, the pricing mechanism under the Purchase and Sales Framework Agreement is again subject to stringent control and supervision from the execution level to the management level of the Group.

For our due diligence purpose, we have also randomly selected and reviewed (i) around ten transaction records for transactions contemplated under the Former Purchase and Sales Framework Agreement during the period from 2021 to 2023; and (ii) around ten transaction records for transactions between the Group and independent third parties in respect of provision or receipt of similar Logistics and Related Services during the period from 2021 to 2023. Based on our review and comparison of the said transaction records which we consider to be fair and representative from random selection, we noted that their major terms (such as pricing terms, payment terms, terms on delivery and service quality) were similar.

Based on the results of our review of the past relevant transaction records which indicate that the major terms of transactions between the Group and connected persons, and between the Group and independent third parties were similar, the Group has established, the Group has established stringent internal control and review system to effectively ensure the fairness and reasonableness of the terms of the transactions contemplated under the Purchase and Sales Framework Agreement, including the pricing mechanism such that services provided under the Purchase and Sales Framework Agreement are at market prices and on normal commercial terms. We therefore consider that the terms of the Purchase and Sales Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Annual caps under the Master Services Agreements and the Purchase and Sales Framework Agreement

Set out below are (i) the historical transaction amounts for each of the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 under the Former Master Services Agreement (China Merchants), the Former Master Services Agreement (Sinotrans Shandong Hongzhi) and the Former Purchase and Sales Framework Agreement; and (ii) the New Caps for each of the three years ending 31 December 2024, 2025 and 2026 under the Master Services Agreements and the Purchase and Sales Framework Agreement:

	Historical transaction amounts under the Former Master Services Agreement (China Merchants)		
	For the year ended 31 December 2021 *(RMB hundred million)*	**For the year ended 31 December 2022** *(RMB hundred million)*	**For the six months ended 30 June 2023** *(RMB hundred million)*
Provision of transportation and logistics services by the Group	10.74	8.63	7.62
Receipt of transportation and logistics services by the Group	25.45	14.07	18.44

	The New Caps under the Master Services Agreement (China Merchants)		
	For the year ending 31 December 2024 *(RMB hundred million)*	**For the year ending 31 December 2025** *(RMB hundred million)*	**For the year ending 31 December 2026** *(RMB hundred million)*
Provision of transportation and logistics services by the Group	25.00	32.50	42.25
Receipt of transportation and logistics services by the Group	35.00	45.50	59.15

	Historical transaction amounts under the Former Master Services Agreement (Sinotrans Shandong Hongzhi)		
	For the year ended 31 December 2021 *(RMB ten thousand)*	**For the year ended 31 December 2022** *(RMB ten thousand)*	**For the six months ended 30 June 2023** *(RMB ten thousand)*
Provision of transportation and logistics services by the Group	15,282	22,647	10,080
Receipt of transportation and logistics services by the Group	13,448	10,990	9,813

	The New Caps under the Master Services Agreement (Sinotrans Shandong Hongzhi)		
	For the year ending 31 December 2024 *(RMB ten thousand)*	**For the year ending 31 December 2025** *(RMB ten thousand)*	**For the year ending 31 December 2026** *(RMB ten thousand)*
Provision of transportation and logistics services by the Group	30,000	34,500	39,700
Receipt of transportation and logistics services by the Group	30,000	34,500	39,700

	Historical transaction amounts under the Former Purchase and Sales Framework Agreement		
	For the year ended 31 December 2021 *(RMB million)*	**For the year ended 31 December 2022** *(RMB million)*	**For the six months ended 30 June 2023** *(RMB million)*
Provision of the Logistics and Related Services by the Group	577.63	1,182.62	667.79
Receipt of the Logistics and Related Services by the Group	195.71	658.28	175.82

	The New Caps under the Purchase and Sales Framework Agreement		
	For the year ending 31 December 2024 *(RMB million)*	**For the year ending 31 December 2025** *(RMB million)*	**For the year ending 31 December 2026** *(RMB million)*
Provision of the Logistics and Related Services by the Group	2,000	2,400	2,880
Receipt of the Logistics and Related Services by the Group	600	720	864

To assess the fairness and reasonableness of the New Caps under the Master Services Agreements and the Purchase and Sales Framework Agreement, we have considered the following factors:

(i) The historical transaction amounts

As set out in the above tables, the actual amounts with respect to both the provision and receipt of transportation and logistics services by the Group under the Former Master Services Agreement (China Merchants) decreased from 2021 to 2022. On the other hand, the actual amount with respect to the provision of transportation and logistics services by the Group under the Former Master Services Agreement (Sinotrans Shandong Hongzhi) increased but that of the receipt of transportation and logistics services by the Group decreased from 2021 to 2022. As for the transactions contemplated under the Purchase and Sales Framework Agreement, the actual amounts with respect to both the provision and receipt of the Logistics and Related Services by the Group increased from 2021 to 2022.

As advised by the Directors, the transportation and logistics industry has always been competitive and independent providers of similar services may sometimes offer prices and/or terms better than those offered to or received by the Group and therefore, in compliance with the internal control procedures and in accordance with the business contract review system adopted by the Group, there is no assurance that the Group would select China Merchants and its associates or the Sinotrans Shandong Hongzhi Group or the Y2T Group as services provider or vice versa. Thus, we concur with Directors that the actual transaction amounts under the Former Master Services Agreements and the Former Purchase and Sales Framework Agreement have no bearing on the fairness and reasonableness of the basis to determine the New Caps.

(ii) Historical growth of the Group's operating income and net profits

The table below shows the audited operating income and net profits of the Group from 2018 to 2022 as extracted from the Annual Report:

	2022	**2021**	**2020**	**2019**	**2018**
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
Operating income	108,816.72	124,348.39	84,536.84	77,655.11	77,318.35
Net profits attributable to the Shareholders	4,068.26	3,713.52	2,754.42	2,804.14	2,704.62

It is noted from the above table that as a strong proof of the Group's dominance and significant advancement in China's transportation and logistics industry, the operating income of the Group grew robustly at a cumulative rate of approximately 60.8% from 2018 to 2021. Regardless of the first time drop in 2022, the Group's net profits grew robustly in a row at a cumulative rate of approximately 50.4% from 2018 to 2022. Moreover, we further noted that the maximum combined New Cap of RMB7,502 million (i.e. RMB4,225 million plus RMB397 million plus RMB2,880 million) with regard to the provision of transportation and logistics services and the Logistics and Related Services by the Group represents approximately 6.9% of the Group's total operating income for the year ended 31 December 2022; whereas the maximum combined New Cap of RMB7,176 million (i.e. RMB5,915 million plus RMB397 million plus RMB864 million) with regard to the receipt of transportation and logistics services and the Logistics and Related Services by the Group represents approximately 6.7% of the Group's total costs of operation for the year ended 31 December 2022. Judging from the historical growth of the Group's operating income and net profits, we consider the New Caps under the Master Services Agreements and the Purchase and Sales Framework Agreement (in total being less than 10% of the Group's existing operation) to be acceptable.

(iii) Potential expansion in the Group's business and operation scale

According to the Annual Report, in 2022, the Company maintained its strategic focus and achieved positive results in the following aspects:

Optimized the business and customer structure, and made progress with stability in the quality of operation. The Group continued to optimize its business structure. The scale of its contract logistics business expanded significantly. The proportion of its air freight business also grew significantly, and the quality of its sea freight forwarding business operations was steadily improved.

Strengthened the construction of product channels and built a resilient supply chain. The Group continued to strengthen the construction of product channels and solutions, promote the construction of water channels in Southeast Asia, create full-link products to Japan and South Korea and improve the scale and intensification level of branch transportation in the Yangtze River. The Group operated 18 charter plane routes in 2022, ensuring a controllable capacity of 228 thousand tons. The Group secured a market share of approximately 17.6% in the China-Europe Railway Express business, and started the multimodal transport channel in the route of China-Laos-Thailand for the first time. Amidst the Russia-Ukraine conflict and declining sea freight rates in 2022, the China-Europe Railway Express demonstrated substantial growth with 16,562 trains launched and 1.614 million TEUs transported, representing a year-on-year increase of approximately 9.0% and 10.0%, respectively. Concurrently, the China-Laos Railway marked its first anniversary of operation with remarkable progress in cargo transportation. 3,000 cross-border cargo trains were in operation and the value of cross-border transportation exceeded RMB13 billion.

Seized the development opportunities in Southeast Asia by accelerating the integration of resources. In order to grasp the global development opportunities and accelerate the layout of overseas networks, the Group promoted the resource integration of its institutions in Hong Kong for commencing the integrated operation of the Company in Hong Kong. The Group also set up a subsidiary in Singapore to achieve full coverage of the backbone logistics network of ASEAN countries. The Group actively made deployment in strategic areas such as the Yangtze River Delta, Bohai Rim, Guangdong-Hong Kong-Macao Greater Bay Area and the new western land-sea corridor, and participated in the construction of national logistics hubs.

Promoted comprehensive digital transformation and opened up a new model of technology empowerment. With the goal of achieving "whole network operation", the Group further clarified the direction and path of digital transformation, launched the construction of customer management system, thereby improving the coverage of the main system.

We are of the view that the latest development of the Group as aforementioned poses great potentials for the future expansion of the Group's business and operation scale.

(iv) Solid background of the China Merchants Group

Based on our independent research at the official website of China Merchants (https://www.cmhk.com), we noted that China Merchants is a state-owned enterprise headquartered in Hong Kong and is under the direct supervision of SASAC. In 2022, the China Merchants Group's various economic indicators grew steadily with operating revenue of approximately RMB959 billion, total profits of approximately RMB219 billion and net profits of approximately RMB180 billion, surging by approximately 3.2%, 3.3% and 5.9%, respectively, as compared to the prior year. As at 31 December 2022, the total assets of the China Merchants Group amounted to approximately RMB12 trillion, representing a year-on-year increase of approximately 8.1%.

Being a global leading and the No.1 public port service provider in China, the port business of the China Merchants Group covers 50 ports in 25 countries and regions on six continents around the world. In 2022, the container and bulk cargo throughput of the China Merchants Group reached approximately 146 million TEUs and approximately 740 million tons, representing a year-on-year increase of approximately 7.0% and 20.6%, respectively. The China Merchants Group has established an extensive port network that includes major hub ports along the coast of China. It controls or has invested in terminals located in Hong Kong, Taiwan, Shenzhen, Ningbo, Shanghai, Qingdao, Tianjin, Dalian, Zhangzhou, Zhanjiang, Shantou, and other international and regional container hub ports. At the same time, the proportion of its overseas business has surged year by year and become a new driving force for its development over the past few years.

With regard to toll road operations, the China Merchants Group is a comprehensive highway investment and operation service provider with, including but not limited to, (i) the longest investment and operation mileage; (ii) the widest coverage area; and (iii) the most complete industrial chain in China. By the end of 2022, the total mileage of toll roads (including bridges) invested and operated by the China Merchants Group exceeded 12,900 kilometers, covering 22 provinces, autonomous regions and municipalities.

Shipping is another traditional main business of the China Merchants Group. It has a commercial fleet dominated by supertankers and ultra-large ore carriers, and its shipping capacity ranks second among non-financial shipowners in the world. It is also the largest inland shipping company in the PRC.

Taking into account the solid background of the China Merchants Group as presented above, we concur with the Directors that the future business collaboration between the Group and the China Merchants Group as the Group continues to take advantage of the business platforms and resources of the China Merchants Group, and the investment and operations of the China Merchants Group in the comprehensive transportation segment would facilitate and complement the implementation of the Group's strategies.

(v) The positive prospects of China's transportation and logistics industry

As illustrated under the sub-section headed "Overview of China's transportation and logistics industry" of this letter of advice, China's transportation and logistics industry has been witnessing considerable progression from 2021 to 2022. The transportation and logistics industry is positioned as a fundamental, strategic and leading industry supporting the national economic growth. Given the persistent formidable support from the Chinese government, it is expected that the transportation and logistics industry would maintain the overall expanding trend in the long run; it would hence be beneficial for the Company to set higher New Caps so as to allow ample room and flexibility for the Group's future business development.

(vi) Volatility of the transportation and logistics industry

As advised by the Directors, the business volumes and market rates in the transportation and logistics industry are inherently volatile and will be affected by, amongst others, the volatility of oil price, labour costs, and the general economic environment in China and overseas. As such, the New Caps under the Master Services Agreements and the Purchase and Sales Framework Agreement have taken into account the potential fluctuation of the transportation and logistics industry due to its volatile nature. Based on our study of the movement of the China Containerized Freight Index ("**CCFI**") over the past three years (https://www.sse.net.cn), we noted that the CCFI had fluctuated vibrantly between 800 points and 3,600 points. The CCFI was first compiled and released by the Shanghai Shipping Exchange in 1998. 12 routes are selected as representatives among the many export container shipping routes, and the freight index is calculated based on the freight rate and container volume of these routes. The data is published weekly and can instantly reflect the price trend of container shipping exports from ports of China. Thus, considering the vibrant movement of the CCFI over the past three years, we are of the opinion that it is justifiable for the New Caps under the Master Services Agreements and the Purchase and Sales Framework Agreement to take into account the potential fluctuation of the transportation and logistics industry due to its volatile nature.

In light of all of the factors (i) to (vi) above, we are of the view that the New Caps under the Master Services Agreements and the Purchase and Sales Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

3. THE MASTER LEASE AGREEMENT

Reasons for the Leasing Arrangement under the Master Lease Agreement

As referred to in the Letter from the Board, the Master Lease Agreement facilitates continuous and stable use of operating premises and containers and other equipment between the Group and China Merchants and its associates at market rate and provides the Group with greater flexibility to leasing arrangements. Therefore, we concur with the Directors that the Leasing Arrangement under the Master Lease Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

Principal terms of the Leasing Arrangement under the Master Lease Agreement

A summary of the principal terms of the Leasing Arrangement under the Master Lease Agreement dated 26 October 2023 is set out in the following table:

Term:	Commencing on 1 January 2024 for a period of three years ending on 31 December 2026.
Scope of services:	Lease of certain properties and storage facilities (inclusive of the equipment therein) by the Group from China Merchants and its associate in various locations at which the Group mainly operates, including Beijing, Shanghai, Guangdong, Shandong, Fujian, Tianjin, Jiangsu, Zhejiang, Liaoning, Hubei and Hebei etc.
Pricing mechanism:	Transactions between the parties under the Master Lease Agreement are at market prices and on normal commercial terms. "Market prices" mean the prices at which the same or comparable type of the subject of the lease arrangements are provided by independent third parties in the same area on normal commercial terms in the ordinary course of business.

As aforementioned, the lease of properties and storage facilities (inclusive of the equipment therein) by the Group from China Merchants and its associate under the Master Lease Agreement will be at the market prices charged by independent third parties for the same or comparable type of the subject of the lease arrangements in the same area. In this relation, we have enquired into the Directors to see how the Group carries out such pricing mechanism. Based on the relevant internal control manuals and our discussion with the Directors, we understand that in respect of property leases between the Group and China Merchants and its associates, the rental shall be determined through arm's length negotiations between relevant parties with reference to the prevailing market price of local properties in vicinity with similar size and quality. When considering new leases or renewal of existing leases with a subsidiary or associate of China Merchants, relevant member of the Group would gather the rental information of at least two properties of similar specification and sizes in similar locations and negotiate based on such market terms to make sure that the terms offered by the relevant counterparty would not be less favourable than those offered by independent third parties on the market. From the above, we noted that the pricing mechanism under the Master Lease Agreement is subject to stringent control and supervision such that systematic market comparison would be conducted before considering new leases or renewal of existing leases with China Merchants and its associates.

For our due diligence purpose, we have randomly selected and further reviewed (i) around ten transaction records for the lease of properties and storage facilities (inclusive of the equipment therein) by the Group from China Merchants and its associates under the Former Master Lease Agreement during the period from 2021 and 2023; and (ii) around ten transaction records between the Group and independent third parties in respect of similar leasing arrangements during the period from 2021 to 2023. Based on our review and comparison of the said transaction records which we consider to be fair and representative from random selection, we noted that their major terms (such as pricing terms, payment terms, terms on management and responsibilities) were similar.

Based on the results of our review of the past relevant transaction records which indicate that the major terms of transactions between the Group and connected persons, and between the Group and independent third parties were similar, the Group has established stringent review system to effectively ensure the fairness and reasonableness of the terms of the Leasing Arrangement under the Master Lease Agreement, including the pricing mechanism such that transactions of the Leasing Arrangement under the Master Lease Agreement are at market prices and on normal commercial terms. We therefore consider that the terms of the Leasing Arrangement under the Master Lease Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Annual caps for the Leasing Arrangement under the Master Lease Agreement

Set out below are the New Caps in respect of the Leasing Arrangement for each of the three years ending 31 December 2024, 2025 and 2026 under the Master Lease Agreement:

		The New Caps	
	For the year ending 31 December 2024 *(RMB ten thousand)*	**For the year ending 31 December 2025** *(RMB ten thousand)*	**For the year ending 31 December 2026** *(RMB ten thousand)*
Right-of-use assets (for those leases of which the lease term exceeds one year)	250,000	287,500	330,600
Other payments (including rent for those leases of which the lease term is no more than one year)	20,000	23,000	26,500

As advised by the Directors, different accounting treatments apply to different components of payments by the Group as lessee under the Master Lease Agreement in accordance with the PRC Accounting Standards for Business Enterprises applicable to the Group. Under the PRC Accounting Standards for Business Enterprises, the Group as lessee shall recognize leases for a term of more than one year as right-of-use assets and lease liabilities. The right-of-use assets represent its rights to use the underlying leased asset over the lease term and the lease liabilities represent its obligations to make lease payments (i.e. the rental payment). The assets and the liabilities arising from the lease are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the Master Lease Agreement, using the incremental borrowing rate as the discount rate. Under the PRC Accounting Standards for Business Enterprises and in the consolidated statement of comprehensive income of the Group, the Group shall recognize (i) depreciation charge over the life of the right-of-use assets, and (ii) interest expenses amortized from the lease liabilities over the lease term. In accordance with the Listing Rules, the Company is required to set caps on the total value of right-of-use assets relating to the above leases. Other amounts payable by the Group as lessee (including rent for those leases for a term of no more than one year) will be recorded as expenses by the Company over the remainder term of the lease and separate caps are set in accordance with the Listing Rules.

To understand the aforesaid application of accounting policies and treatments in more depth, we have further enquired into the Company. Based on the representation of the Company, we understand that basically, the estimated values of the right-of-use assets for the Leasing Arrangement are calculated by discounting the total rentals payable by the Group to China Merchants and its associates in accordance with the existing lease agreements between the two parties (with the Group as lessee), taking into account also the expected future growth and renewals for each of the three years ending 31 December 2024, 2025 and 2026. According to the Directors, the rent payable by the Group to China Merchants and its associates for the existing lease agreements (including leases of which the lease term exceeds one year and is no more than one year) taking into account their estimated subsequent renewals under the same terms as at present is expected to be around RMB301.9 million, RMB284.2 million and RMB212.9 million, respectively, and the value recognized as the right-of-use assets (for those leases of which the lease term exceeds one year) will be around RMB598.3 million, RMB483.4 million and RMB429.9 million, respectively, for each of the three years ending 31 December 2024, 2025 and 2026. In the course of the calculation, an incremental borrowing rate of 4.9% is used as the discount rate. In this regard, we have searched over the website of PBOC and found that the benchmark interest rate for loans of over five years is 4.2%. In view of that (i) the incremental borrowing rate adopted is comparable to the benchmark borrowing rate; and (ii) the payment of the rentals is denominated in RMB, we are of the opinion that the incremental rate adopted is appropriate.

With regard to the other amounts payable by the Group as lessee (including rent for those leases for a term of no more than one year), we understand from the Company that in accordance with the PRC Accounting Standards for Business Enterprises, they will be recorded as expenses by the Company over the remainder term of the lease and separate caps are therefore set in accordance with the Listing Rules.

On top of the above, to assess whether the expected future growth of the New Caps in respect of the Lease Arrangement under the Master Lease Agreement is fair and reasonable, we have considered the following factors:

(i) The rising trend of China's logistics property market

From our independent research, with reference to an industry report named "China Logistics" (the "**Research Report**") compiled by Savills Research China, a renowned industry consultant, in March 2023 and released at savills.com.cn, China's logistics value grew by approximately 3.4% in 2022 to approximately RMB348 trillion; whereas the total revenue of the logistics industry reached approximately RMB13 trillion, up by approximately 4.7% year-on-year. Among which, railway transport, cold-chain facilities and express delivery maintained higher growth rates. The national railway network transported approximately 4 billion goods, up by approximately 4.7% year-on-year, being the highest in nearly three years. Cold-chain logistics market size is expected to exceed RMB450 billion to 490 billion in 2022. Express delivery volumes totaled approximately 111 billion parcels, a net increase of approximately 2 billion as compared to the prior year. As per the Research Report, it is expected that China's expanding national logistics network will continue to fuel future demand for logistics real estate.

Based on the Research Report, there has been a constant growth of the rental index of China's logistics property market over the past few years. In particular, the rental index of the first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen has been surging from 100 points (being the base point) from the beginning of 2015 to nearly 140 points by the end of 2022, and is expected to further transcend 140 points by the end of 2023.

Set out below are the brief description on the latest development of the logistics property market in key cities in China as extracted from the Research Report:

Northern China – Beijing (vacancy rate in 2022: approximately 7.8%): Stricter border control combined with a strong consumer market have spurred the local demand for warehouse space.

Eastern China – Shanghai (vacancy rate in 2022: approximately 10.6%): With the opening of new logistics warehouse hubs in 2022, regional food manufacturers, express delivery firms and petrochemical companies are attracted to continue to drive growth.

Southern China – Shenzhen (vacancy rate in 2022: approximately 1.2%): Extremely limited land reserves, stubbornly low vacancy rates and record setting rents have meant that new developments now reach six floors high. Even lower quality developments are almost fully pre-leased.

Western China – Chengdu (vacancy rate in 2022: approximately 8.5%): Relaxed covid controls, coupled with its large and growing population, demand for quality warehouse space is expected to grow significantly in coming years.

Central China – Changsha (vacancy rate in 2022: approximately 10.4%): Being a city of entertainment and a key consumption center, this in addition to its central location connecting east and west, north and south, will continue to drive demand for Grade A warehouse space. Strong demand and limited supply have ensured steady rental growth.

All in all, in the midst of the seemingly flourishing logistics property market, market rents for properties at locations and of quality similar to those currently occupied by the Group, especially for commercial properties in key cities in China, for example, Beijing, Shanghai and Shenzhen where the headquarters of the Company and certain of its subsidiaries are located, are likely to be rising in the future. This will not only affect the rents of the existing lease agreements of the Group upon their subsequent renewals, but also the new ones to be entered into in the following three years ending 31 December 2026, and so do the New Caps in respect of the Leasing Arrangement under the Master Lease Agreement.

(ii) Potential expansion of the business of both parties

Under the sub-section headed "Annual caps under the Master Services Agreements and the Purchase and Sales Framework Agreement" of this letter of advice, we have illustrated (a) the historical robust growth of the Group's operating income and net profits; (b) the potential future expansion in the Group's business and operation scale; (c) the solid background of the China Merchants Group; and (d) the positive prospects of China's transportation and logistics industry. Given the above, we concur with the Directors that the future business and operation scale of both the Group and the China Merchants Group would likely to continue to expand, thereby driving additional demand for properties and storage facilities (inclusive of the equipment therein), especially at cities where the Group is relatively lack of logistics properties and storage facilities. As further confirmed by the Directors, the Group is in negotiation with China Merchants and its associates over the potential new lease arrangements at current stage, and such arrangements may or may not be entered into between the parties. If such lease arrangements are entered into as planned, the total estimated rent payable by the Group to China Merchants and its associates will be around RMB153 million, RMB237 million and RMB326 million, respectively, in each of 2024, 2025 and 2026, with the value recognized as right-of-use assets in the financial statements of the Group (for leases of which the lease term exceeds one year) of around RMB1,276 million, RMB1,583 million and RMB1,835 million, respectively. Furthermore, reasonable buffer is required to cater for random and occasional lease needs and to ensure flexibility during the Group's daily operations.

As a matter of fact, we noted from the Annual Report that the total value of the right-of-use assets of the Group boosted considerably by approximately 35.0% to approximately RMB2,916 million as at 31 December 2022 as compared to that as at 31 December 2021, and by and large commensurated with the New Caps in respect of the Leasing Arrangement under the Master Lease Agreement.

In light of all the aforesaid factors, we are of the view that the New Caps in respect of the Leasing Arrangement under the Master Lease Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

4. THE FINANCIAL SERVICES AGREEMENT

Information on the Finance Company

As represented by the Directors, the Finance Company's principal activities target at members of the China Merchants Group: (i) handle financial and financing consulting, credit verification and related consulting and agency services; (ii) assist in the collection and payment of transaction funds; (iii) provide guarantee; (iv) handle internal entrusted loans; (v) handle bill acceptance and discounting; (vi) internal transfer and settlement and corresponding settlement and clearing plan design; (vii) deposit services; and (viii) handle loans and finance lease, etc.

Regulatory environment of the Finance Company

From our independent research, it is noted that as a non-bank licensed financial institution in the PRC, the Finance Company is subject to stringent regulations and supervisions by PBOC and NAFR. In accordance with the relevant requirements under the《企業集團財務公司管理辦法》("Measures for Administration of Finance Companies of Enterprise Groups") promulgated by NAFR, the Finance Company which is a group finance company:

(a) is not allowed to engage in non-financial service business, including property investment or trading;

(b) must comply with the capital adequacy, debt-to-asset and other types of liquidity related ratios requirements; and

(c) is required to deposit with PBOC a mandatory proportion of the RMB deposits it has received.

As confirmed by the Directors, to their best knowledge, up to the Latest Practicable Date, there had been no record of non-compliance with relevant laws, rules and regulations of China in relation to the Finance Company. Furthermore, the Finance Company enjoys the benefit of the undertaking by China Merchants to NAFR to provide funds to make up any funding shortfall in the event that the Finance Company is unable to meet its payment obligations. The Finance Company also undertakes that the deposits received from the Group will be solely used among members of the Group to ensure the safety of the funds.

We have obtained from the Company the submission forms prepared by the Finance Company in reporting their liquidity ratios as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 to NAFR and noted that the Finance Company has maintained its liquidity ratio above the relevant regulatory requirement.

With the above being the case, we concur with the Directors that the credit risk of the Finance Company is acceptable and likely to be manageable.

Reasons for the Deposit Services under the Financial Services Agreement

As advised by the Directors, the Financial Services Agreement offers flexibility to the Group to choose to use deposit services of the Finance Company to increase deposit interest returns and reduce settlement costs and increase efficiency of transactions between the Group and the China Merchants Group.

As being discussed in details under the sub-section headed "Principal terms of the Deposit Services under the Financial Services Agreement" of this letter of advice, the Group shall use the Deposit Services on a voluntary, non-exclusive basis and the deposit rates offered by the Finance Company are at premiums over the published PBOC rates and not less than those offered by other major domestic commercial banks in China, thus offering the Group a higher deposit interest return. In terms of risk management, we have also analyzed and concluded in the foregoing sub-section that the credit risk of the Finance Company is acceptable and likely to be manageable.

In view of the above, we concur with the Directors that the Deposit Services under the Financial Services Agreement are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

Principal terms of the Deposit Services under the Financial Services Agreement

A summary of the principal terms of the Deposit Services under the Financial Services Agreement dated 26 October 2023 is set out in the following table:

Term:	Commencing on 1 January 2024 for a period of three years ending on 31 December 2026.
Interest rate:	The interests rate payable by the Finance Company for any Deposit Services: (i) are to be 15% to 50% higher than the general interest rates set by PBOC for the same type of deposits for the same time; and (ii) are not to be lower than the interest rates applicable to the same type of deposits obtained by the Company from other major domestic commercial banks in China for the same period. Services ancillary to the Deposit Services, including but not limited to account management services and provision of deposit certificate, are to be provided by the Finance Company free of charge.

The Financial Services Agreement also contains the following protective provisions:

(i) The Group utilizes the services of the Finance Company on a voluntary, non-exclusive basis and is not obliged to engage the Finance Company for any services. The Finance Company is merely one of the financial institutions which provide services to the Group.

(ii) In accordance with the compliance and disclosure requirements to which the Group is subject, the Finance Company will provide all legal documents, agreements, government approvals, financial data and other information as required by the Group.

(iii) The Finance Company has obligation to keep confidential the Group's unpublished information that it has obtained in the course of its provision of financial services to the Group under the Financial Services Agreement, except as otherwise required by applicable laws and regulations.

(iv) The Finance Company will strictly comply with the relevant laws and regulations and requirements imposed by the regulatory authority and ensure the security of funds of the Group, including compliance with the requirements of NAFR and other regulatory authorities.

(v) The Finance Company is required to provide the Group with periodical reports, setting out: (1) daily status of the Group's deposits with the Finance Company; (2) the periodical balance sheet, income statement and cash flow statement of the Finance Company; (3) significant organization change, equity transaction or operational risks that may impact the deposits of the Group in the future, and to timely inform the Group the occurrence of any significant security risk towards the Group's deposits and take necessary measures to avoid any losses based on which the Company issues the continuous risk assessment report.

As aforementioned, the interest rates payable by the Finance Company for any Deposit Services: (i) are to be 15% to 50% higher than the general interest rates set by PBOC for the same type of deposits for the same time; and (ii) are not to be lower than the interest rates applicable to the same type of deposits obtained by the Company from other major domestic commercial banks in China for the same period. In this relation, we have compared the deposit rates offered by PBOC, other major domestic commercial banks in China and the Finance Company during the entire period of the Former Financial Services Agreement up to October 2023, and noted that the deposit rates offered by the Finance Company are at premiums over the published PBOC rates and not lower than those offered by other major domestic commercial banks in China.

As further confirmed by the Directors, apart from time deposits, the Group may withdraw funds deposited with the Finance Company at any time without liability for any loss incurred by the Finance Company thereof. As such, we consider that the Financial Services Agreement provides flexibility for the Group to choose which financial institution(s) to place its idle cash depending on its own circumstances.

In view of the foregoing, we are of the view that the terms of the Deposit Services under the Financial Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Annual caps for the Deposit Services under the Financial Services Agreement

Set out below are the New Caps in respect of the Deposit Services for each of the three years ending 31 December 2024, 2025 and 2026 under the Financial Services Agreement:

	For the year ending 31 December 2024 *(RMB hundred million)*	**For the year ending 31 December 2025** *(RMB hundred million)*	**For the year ending 31 December 2026** *(RMB hundred million)*
The maximum daily outstanding balance of deposits placed by the Group with the Finance Company (excluding loan proceeds advanced by the Finance Company)	60.00	60.00	60.00

To assess the fairness and reasonableness of the New Caps in respect of the Deposit Services under the Financial Services Agreement, we have considered the following factors:

(i) The historical actual deposit amounts

The table below depicts (i) the maximum daily outstanding balance of deposits placed by the Group with the Finance Company (excluding loan proceeds advanced by the Finance Company) during the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023; (ii) the existing caps in respect of the deposit services under the Former Financial Services Agreement; and (iii) the utilization rates of the existing caps:

	For the year ended 31 December 2021 *(RMB hundred million)*	**For the year ended 31 December 2022** *(RMB hundred million)*	**For the six months ended 30 June 2023** *(RMB hundred million)*
Maximum daily outstanding balance of deposits placed by the Group with the Finance Company (excluding loan proceeds advanced by the Finance Company) (A)	49.47	48.80	45.18
The existing caps in respect of deposit services under the Former Financial Services Agreement (B)	50	50	50
% of utilization (A)/(B)	98.94	97.60	90.36

As shown in the above table, the maximum daily outstanding balance of deposits placed by the Group with the Finance Company (excluding loan proceeds advanced by the Finance Company) was approximately RMB4,947 million, RMB4,880 million and RMB4,518 million during the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023, respectively, having almost fully utilized the existing caps under the Former Financial Services Agreement.

(ii) The Group's cash position

As extracted from the interim report of the Company for the six months ended 30 June 2023 and the Annual Report, the Group's cash position as at 30 June 2023, 31 December 2022 and 2021 was as follows:

	As at 30 June 2023 (unaudited) *(RMB hundred million)*	**As at 31 December 2022** (audited) *(RMB hundred million)*	**As at 31 December 2021** (audited) *(RMB hundred million)*
Cash and bank balances	149.63	163.13	144.97

The Group's cash and bank balances stayed at a high level of around or above RMB10 billion in recent years, and the New Caps in respect of the Deposit Services under the Financial Services Agreement of RMB6,000 million accounts for less than 50% of the Group's available cash on hand as at 30 June 2023, 31 December 2022 and 31 December 2021. Moreover, the New Cap in respect of the Deposit Services under the Financial Services Agreement represents approximately 5.5% of the Group's total operating income of approximately RMB109 billion for the year ended 31 December 2022.

As advised by the Directors, alongside the future business expansion of the Group, the Directors expected that the Group's available cash on hand would likely to remain at the current high level, so would its overall financial and deposits need. In addition, given the high utilization of the existing caps in respect of the deposit services under the Former Financial Services Agreement, it is believed that the New Caps in respect of the Deposit Services were sensibly determined based on the Group's overall financial and deposits need.

(iii) Maximizing interest earnings and reducing settlement costs

As stipulated under the Financial Services Agreement, the Group has the discretion to select the financial institution(s) for deposit services as well as the amounts of deposits based on its own business needs. In addition, the interest rate payable by the Finance Company for any Deposit Services: (i) are to be 15% to 50% higher than the general interest rates set by PBOC for the same type of deposits for the same term; and (ii) are not to be lower than the interest rates applicable to the same type of deposits obtained by the Company from other major domestic commercial banks in China for the same period. The aforesaid provisions can on the one hand provide the Group with flexibility in choosing the financial institution(s) for deposit services, and on the other hand allow the Group to capture higher interest earnings from its idle cash.

Moreover, the Directors are of the view that the deposits placed by the Group with the Finance Company can (i) facilitate settlement of transactions between the Group and other members of the China Merchants Group, or as amongst members of the Group, taking advantage of the lower transaction costs given that the Finance Company does not charge for domestic settlement services under the terms of the Financial Services Agreement; and (ii) be utilized to supplement the cash requirements of the subsidiaries of the Company and increase the efficiency of funds utilization of the Group.

Taking into account the above factors, we are of the view that the New Caps in respect of the Deposit Services under the Financial Services Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

5. INTERNAL CONTROL AND COMPLIANCE WITH THE LISTING RULES

As referred to in the Letter from the Board, the Group has adopted a series of internal control procedures in relation to the Non-exempt Continuing Connected Transactions.

Furthermore, the Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the total amounts of the Non-exempt Continuing Connected Transactions must be restricted by the New Caps for the periods concerned under the Master Services Agreements, the Purchase and Sales Framework Agreement, the Master Lease Agreement and the Financial Services Agreement; (ii) the terms of the Master Services Agreements, the Purchase and Sales Framework Agreement, the Master Lease Agreement and the Financial Services Agreement (together with the New Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Master Services Agreements, the Purchase and Sales Framework Agreement, the Master Lease Agreement and the Financial Services Agreement (together with the New Caps) must be included in the Company's subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, amongst others, that the Non-exempt Continuing Connected Transactions are carried out in accordance with the pricing policies of the Company, and the New Caps are not being exceeded. In the event that the total amounts of the Non-exempt Continuing Connected Transactions exceed the New Caps, or that there is any material amendment to the terms of the Master Services Agreements, the Purchase and Sales Framework Agreement, the Master Lease Agreement and the Financial Services Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

To assess whether the internal control procedures of the Group are in place, we have reviewed (i) the guidance on continuing connected transactions and the regulations on business contracts management maintained by the Group; (ii) sample records of the business contracts review as detailed under the sub-section headed "Principal terms of the Master Services Agreements and the Purchase and Sales Framework Agreement" of this letter of advice conducted by the Group; (iii) disclosures in relation to the review of continuing connected transactions by the independent non-executive Directors and auditors of the Company in the annual reports of the Company for the three years ended 31 December 2020, 2021 and 2022; and (iv) reports issued by the auditors of the Company regarding their review of the continuing connected transactions for the three years ended 31 December 2020, 2021 and 2022. Having performed the above reviews which show that the Non-exempt Continuing Connected Transactions have been conducted in a fair and reasonable way under independent supervision, we consider that the internal control procedures of the Group are in place for the purpose of monitoring the Non-exempt Continuing Connected Transactions.

With the internal control procedures of the Group and the stipulated requirements for continuing connected transaction of the Listing Rules in place, the Non-exempt Continuing Connected Transactions would be monitored and hence the interest of the Independent Shareholders may be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Non-exempt Continuing Connected Transactions (including the New Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Non-exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 18 years of experience in corporate finance industry.

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

II. DISCLOSURE OF INTERESTS

(I) Interests of Directors

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, chief executive of the Company or Supervisors had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, or in accordance with information received by the Company.

Name	Position	Number of Shares Interested	Type of Shares	Percentage in total issued Share capital	Percentage in issued A Share capital
Song Rong *(Note 1)*	Director	1,286,800 (L)	A Share	0.02%	0.02%

**Note:* (L) Long Position

Note:

1. Such interests relate to share options granted to the Directors on 25 January 2022 pursuant to the share option incentive scheme of the Company.

Saved as disclosed in the sections headed "(II) Interests of Shareholders discloseable pursuant to the SFO" and "(III) Directors' interests in competing business" below, as at the Latest Practicable Date, none of the Directors, proposed Directors, Supervisors or proposed Supervisors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(II) Interests of Shareholders discloseable pursuant to the SFO

As at the Latest Practicable Date, so far as is known to the Directors, chief executive of the Company or Supervisors and based on the Company's register required to be maintained pursuant to section 336 of the SFO, the persons (other than a Director, chief executive or supervisor of the Company) having an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name	Corporate interests	Type of Shares	Percentage in total issued Share capital	Percentage in issued H Share capital
China Merchants *(Note 1)*	4,072,813,639 (L)	A Share	55.84%	–
	192,978,000 (L)	H Share	2.65%	9.47%
Pandanus Associates Inc. *(Note 2)*	264,370,000 (L)	H Share	3.62%	12.97%
LSV ASSET MANAGEMENT *(Note 3)*	171,317,800 (L)	H Share	2.35%	8.40%
Brown Brothers Harriman & Co. *(Note 4)*	164,020,190 (L)	H Share	2.25%	8.05%
	164,020,190 (P)	H Share	2.25%	8.05%
The Bank of New York Mellon Corporation *(Note 5)*	143,049,746 (L)	H Share	1.96%	7.02%
	58,996,306 (P)	H Share	0.81%	2.89%

**Notes:* (L) Long Position, (P) Lending Pool

Notes:

1. As at the Latest Practicable Date, China Merchants held 58.48% of the Company's total issued shares. China Merchants directly held 1,600,597,439 A Shares (long position), indirectly held 2,472,216,200 A Shares (long position) and 107,183,000 H Shares (long position) through SINOTRANS & CSC, its wholly-owned subsidiary, and indirectly held 85,795,000 H Shares (long position) through China Merchants Investment Development (Hong Kong) Limited, its wholly-owned subsidiary. SINOTRANS & CSC indirectly held 107,183,000 H Shares (long position) through its subsidiaries, of which Sinotrans (Hong Kong) Holdings Ltd. held 106,683,000 H Shares (long position), Sinotrans Shipping Inc. held 500,000 H Shares (long position).

2. According to the Disclosure of Interests Form submitted by Pandanus Associates Inc. on the website of Hong Kong Stock Exchange, 264,370,000 H Shares (long position) are interests of corporations controlled by substantial shareholders, of which 55,923,000 H Shares (long position) are reported as unlisted derivatives settled in cash.

3. According to the Disclosure of Interests Form submitted by LSV ASSET MANAGEMENT on the website of Hong Kong Stock Exchange, LSV ASSET MANAGEMENT held 128,648,800 H Shares (long position) in the capacity of investment manager. 42,669,000 H Shares (long position) are deemed interest through its general partnership interest in certain limited partnerships.

4. According to the Disclosure of Interests Form submitted by Brown Brothers Harriman & Co. on the website of Hong Kong Stock Exchange, Brown Brothers Harriman & Co. held 164,020,190 H Shares (long position) in the capacity of agent, all of which were lending pool.

5. According to the Disclosure of Interests Form submitted by The Bank of New York Mellon Corporation on the website of Hong Kong Stock Exchange, 143,049,746 H Shares (long position) are interests of corporations controlled by substantial shareholders, of which 58,996,306 H Shares were lending pool.

Save as disclosed above, the Directors are not aware that there is any person (other than a Director, chief executive or supervisor of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(III) Directors' interests in competing business

The non-executive Director, namely Mr. Wang Xiufeng, is the Vice President of China Merchants; the non-executive Director, namely Mr. Deng Weidong, is the Head of the Strategic and Development Department/Technological Innovation Department of China Merchants; the non-executive Director, namely Ms. Luo Li, is the Deputy Head of Finance Department (Property Department) of China Merchants; and the non-executive Directors, namely Mr. Yu Zhiliang and Mr. Tao Wu, are professional external directors appointed by China Merchants. China Merchants is the ultimate controlling shareholder of the Company. Certain subsidiaries of China Merchants engage in the Group's "core businesses" (namely freight forwarding and shipping agency operations) in certain "core strategic regions" of the Group in the PRC which have only nominal operations which are the same as or similar to the "core businesses" of the Group.

Mr. Jerry Hsu (a non-executive Director) is considered to have interests in other business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business as at the Latest Practicable Date, within the meaning of the Listing Rules. He is a representative nominated by DHL Worldwide Express BV, the strategic investor of the Company (the "**Strategic Investor**").

DHL Worldwide Express BV is a member of the Deutsche Post World Net Group whose business operations are global mail, express delivery, logistics and financial services serving both in Europe and around the world. While, for the purposes of the Listing Rules, Jerry Hsu is considered to have interests (by way of minority equity interest or stock options or directorships) in competing businesses (i.e. those of the Strategic Investor, being a major international company in the transportation and logistics industry), the Company has been and continues to carry on its business, management and operation independently of and at arms length from, those businesses and through its joint venture and cooperation arrangements with the Strategic Investor.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, no other Directors or any of their respective close associates had any interests in a business, which competes or may compete with the business of the Group.

III. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors, proposed Directors, Supervisors or proposed Supervisors had entered into or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

IV. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed there has been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

V. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested, directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors, proposed Directors, Supervisors or proposed Supervisors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which had been proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2022 (the date to which the latest published audited consolidated financial statements of the Group were made up).

VI. EXPERTS AND CONSENTS

The following is the qualification of the experts which has given its opinion or advice which is contained in this circular:

Name	Qualification
VBG Capital (Independent Financial Adviser)	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser did not have:

(i) any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up; and

(ii) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

VII. MISCELLANEOUS

In any event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

VIII. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (https://www.sinotrans.com/) up to and including the date which is 14 days from the date of this circular:

(I) the Master Services Agreements;

(II) the Purchase and Sales Framework Agreement;

(III) the Master Lease Agreement;

(IV) the Financial Services Agreement;

(V) the letter from the Independent Board Committee to the Independent Shareholders dated 24 November 2023, the text of which is set out on page 41 of this circular;

(VI) the letter from VBG Capital to the Independent Board Committee and the Independent Shareholders dated 24 November 2023, the text of which is set out on pages 42 to 69 of this circular; and

(VII) the written consent referred to in the section headed "VI. Expert and Consents" in this appendix.

中國外運股份有限公司
SINOTRANS LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00598)

NOTICE OF 2023 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2023 second extraordinary general meeting (the "**EGM**") of Sinotrans Limited (the "**Company**") will be held at 1st Meeting Room, 11th Floor, Building 10/Sinotrans Tower B, No. 5 Anding Road, Chaoyang District, Beijing 100029, the People's Republic of China at 10:00 a.m. on 15 December 2023 for the purpose of considering and, if thought fit, approving, with or without modifications, the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve each of the following sub-resolutions in relation the (i) the Non-exempt Continuing Connected Transactions subject to the New Caps and (ii) the related party transaction subject to the Shareholders' approval pursuant to the SSE Listing Rules:

   1.1 To consider and approve the entering into of the Master Services Agreement (China Merchants) dated 26 October 2023 between the Company and China Merchants, the transactions contemplated thereunder and the proposed annual caps.

   1.2 To consider and approve the entering into of the Master Services Agreement (Sinotrans Shandong Hongzhi) dated 26 October 2023 between the Company and Sinotrans Shandong Hongzhi, the transactions contemplated thereunder and the proposed annual caps.

   1.3 To consider and approve the entering into of the Purchase and Sales Framework Agreement dated 26 October 2023 between the Company and Y2T, the transactions contemplated thereunder and the proposed annual caps.

   1.4 To consider and approve the entering into of the Master Lease Agreement dated 26 October 2023 between the Company and China Merchants, the transactions contemplated thereunder and the proposed annual caps.

1.5 To consider and approve the entering into of the Financial Services Agreement dated 26 October 2023 between the Company and the Finance Company, the transactions contemplated thereunder and the proposed annual caps in respect of deposit services.

1.6 To consider and approve the provision of financial services by China Merchants Bank to the Group.

By order of the Board
Sinotrans Limited
Li Shichu
Company Secretary

Beijing, China
24 November 2023

As at the date of this notice, the board of directors of the Company comprises Wang Xiufeng (Chairman), Song Rong (executive director), Deng Weidong (non-executive director), Luo Li (non-executive director), Yu Zhiliang (non-executive director), Tao Wu (non-executive director), Jerry Hsu (non-executive director), and four independent non-executive directors, namely Wang Taiwen, Meng Yan, Song Haiqing and Li Qian.

Notes:

1. Unless otherwise specified, details of the resolutions are set out in the circular of the Company in relation to the EGM dated 24 November 2023 (the "**Circular**"). Terms defined in the Circular shall have the same meanings when used in this notice unless the context otherwise requires.

2. The H Share register of members of the Company will be closed from 11 December 2023 to 15 December 2023 (both days inclusive), during which no transfer of H Shares will be registered. Any holders of H Shares whose names appear on the H Share register of members of the Company at 4:30 p.m. on 8 December 2023, are entitled to attend and vote at the EGM of the Company after completing the registration procedures for attending the meeting. In order for the H Shareholders to be entitled to attend and vote at the EGM, persons holding H Shares shall lodge share transfer documents accompanied by the relevant H Share certificates with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 8 December 2023, for registration.

3. Shareholders intending to attend the EGM shall give written notice to the Company, which shall be lodged at the office of the Company, at 10th Floor, Building 10/Sinotrans Tower B, No. 5 Anding Road, Chaoyang District, Beijing (Tel: (8610) 5229 5720) (for A Shareholders), or Computershare Hong Kong Investor Services Limited, the Company's H Share registrar, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), on or before 13 December 2023.

4. Shareholders entitled to attend and vote at the EGM are entitled to appoint one or more persons (whether or not a Shareholder of the Company) as their proxy to attend and vote on behalf of themselves.

   In order to be valid, the form of proxy, together with a duly notarised power of attorney or other document of authority, if any, under which the form is signed must be deposited at the office of the Company, at 10th Floor, Building 10/Sinotrans Tower B, No. 5 Anding Road, Chaoyang District, Beijing (Tel: (8610) 5229 5720) (for A Shareholders), or Computershare Hong Kong Investor Services Limited, the Company's H Share registrar, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), not later than 24 hours before the time for holding the EGM or any adjournment thereof.

5. If a proxy attends the EGM on behalf of a Shareholder, he/she should produce his/her ID card and the instrument signed by the appointer or his/her legal representative, and specifying the date of its issuance. If a legal person Shareholder appoints its corporate representative to attend the EGM, such representative should produce his/her ID card and the notarised copy of the resolution passed by the board or other authorities or other notarised copy of the authorisation issued by such legal person Shareholder.

6. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.