

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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: 0598)

CONNECTED TRANSACTION – DEEMED DISPOSAL OF A SUBSIDIARY

The Board of the Company is pleased to announce that, on 23 December 2020, SIT, CMII, Shenzhen Bida and Y2T jointly entered into the Capital Increase Agreement, pursuant to which, CMII and Shenzhen Bida agreed to subscribe for the new registered capital of Y2T of RMB50 million and RMB25 million, respectively, in accordance with the terms and conditions of the Capital Increase Agreement. In which, the consideration of the capital increase payable by CMII will be RMB57 million and that payable by Shenzhen Bida is expected to be no more than RMB85.5 million. Upon completion of the Capital Increase, SIT, CMII and Shenzhen Bida will hold 40%, 40% and 20% equity interests in Y2T, respectively, and Y2T will remain a subsidiary of the Company and its financial results will remain to be included into the consolidated statements of the Company. On the same day, SIT, CMII, Shenzhen Bida and Y2T jointly entered into the Shareholders' Agreement, pursuant to which, each of the parties agreed upon, among others, the rights of Y2T's shareholders upon completion of the Capital Increase. Furthermore, SIT and CMII entered into the Concerted Party Agreement on the same day.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, both the general partner (executive partner) and limited partner of CMII are subsidiaries of China Merchants, the ultimate controlling shareholder of the Company, CMII is therefore a connected person of the Company. Although the ultimate beneficial owners of Shenzhen Bida include director/chief executive of Y2T, Shenzhen Bida is not a connected person of the Company under the Listing Rules as Y2T is an insignificant subsidiary under Rule 14A.09 of the Listing Rules.

Upon completion of the Capital Increase, the Company's shareholding in Y2T will be diluted, therefore, the Capital Increase constitutes a deemed disposal transaction under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the entering into of the

Capital Increase Agreement with the Investors is less than 5%, the Capital Increase is not a discloseable transaction under Chapter 14 of the Listing Rules. As CMII, one of the Investors, is a connected person of the Company, the Capital Increase constitutes a connected transaction under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the capital increase by CMII to Y2T is more than 0.1% but less than 5%, such transaction is subject to the reporting, announcement and annual review requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the transaction documents in respect of the Capital Increase, and therefore they are not required under the Listing Rules to abstain from voting on the relevant Board resolution. Nonetheless, as Mr. Song Dexing, Mr. Su Jian, Mr. Xiong Xianliang and Mr. Jiang Jian, all being Directors of the Company, are concurrently holding positions in China Merchants, they have abstained from voting on the relevant Board resolution in accordance with the relevant PRC laws and regulations.

Completion of the Capital Increase is conditional upon the completion of the closing procedures and industrial and commercial registration procedures related to the transaction. Accordingly, the Capital Increase may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

I. BACKGROUND

The Board of the Company is pleased to announce that, on 23 December 2020, SIT, CMII, Shenzhen Bida and Y2T jointly entered into the Capital Increase Agreement, pursuant to which, CMII and Shenzhen Bida agreed to subscribe for the new registered capital of Y2T of RMB50 million and RMB25 million, respectively, in accordance with the terms and conditions of the Capital Increase Agreement. In which, the consideration of the capital increase payable by CMII will be RMB57 million and that payable by Shenzhen Bida is expected to be no more than RMB85.5 million. Upon completion of the Capital Increase, SIT, CMII and Shenzhen Bida will hold 40%, 40% and 20% equity interests in Y2T, respectively, and Y2T will remain a subsidiary of the Company and its financial results will remain to be included into the consolidated statements of the Company. On the same day, SIT, CMII, Shenzhen Bida and Y2T jointly entered into the Shareholders' Agreement, pursuant to which, each of the parties agreed upon, among others, the rights of Y2T's shareholders upon completion of the Capital Increase. Furthermore, SIT and CMII entered into the Concerted Party Agreement on the same day.

II. CAPITAL INCREASE AGREEMENT

Major terms of the Capital Increase Agreement are summarized as follows:

Date

23 December 2020

Parties

- (1) SIT (as the existing shareholder);
- (2) CMII (as an Investor);
- (3) Shenzhen Bida (as an Investor); and
- (4) Y2T (as the target company)

The Capital Increase and Consideration Payment

Pursuant to the Capital Increase Agreement, CMII has agreed to make a capital increase of RMB57 million to Y2T, including RMB50 million to be contributed to the registered capital and RMB7 million to be credited as the capital reserve; and Shenzhen Bida has agreed to make a capital increase to Y2T by tranches with the estimated aggregated amount of no more than RMB85.5 million. The first tranche of the capital increase will amount to RMB14.25 million, including RMB12.5 million to be contributed to the registered capital and RMB1.75 million to be credited as the capital reserve. Prior to the Capital Increase, the Company, through SIT, its wholly-owned subsidiary, holds 100% equity interests in Y2T. Upon completion of the Capital Increase, Y2T will be owned as to 40%, 40% and 20% by SIT, CMII and Shenzhen Bida, respectively. Y2T will remain a subsidiary of the Company and its financial results will remain to be included into the consolidated statements of the Company.

In the Capital Increase, the consideration of the capital increase payable by CMII and the first tranche of the consideration of the capital increase payable by Shenzhen Bida, i.e. RMB1.14 per registered capital of Y2T of RMB1, was determined after arm's length negotiation by all parties with reference to factors including the appraised value (RMB57 million) of total shareholders' equity of Y2T as at the base date of evaluation (i.e. 31 December 2019) as set out in the asset evaluation report prepared by China Alliance Appraisal Co., Ltd., an independent asset appraiser, based on the income approach, as well as the nature of business, future development plan and fund demands of Y2T. The subsequent tranches of the consideration of the capital increase payable by Shenzhen Bida will be determined based on the appraised value of net asset per share of Y2T in the filed evaluation report of Y2T for the preceding year of such capital increase, and will in principle be higher than RMB1.14 per registered capital of Y2T of RMB1 with the total amount expected to be no more than RMB71.25 million.

Each of CMII and Shenzhen Bida shall pay the consideration to Y2T in respect of the Capital Increase as agreed below:

- (1) CMII shall make a lump-sum payment of the consideration of the capital increase (RMB57 million) to the designated account of Y2T within 20 days after the effectiveness of the Capital Increase Agreement.
- (2) The Y2T shares in the Capital Increase to be subscribed by Shenzhen Bida (i.e. 20% shares of Y2T upon completion of the Capital Increase), a unified shareholding platform established by the rewarded employees of Y2T, will be subscribed by the rewarded employees of Y2T for the purpose of employee incentive. The rewarded employees of Y2T shall pay the subscription amount in instalments to the account of Shenzhen Bida pursuant to the employee incentive scheme formulated by Y2T from time to time and Shenzhen Bida shall pay to the account of Y2T within 10 days after receiving each instalment of the subscription amount paid by such employees. In the Capital Increase, the first tranche of the consideration of the capital increase payable by Shenzhen Bida (i.e. RMB14.25 million, representing the consideration of 10% shares of Y2T upon completion of the Capital Increase) shall be settled in 2022, and the subsequent consideration payable by Shenzhen Bida (expected to be no more than RMB71.25 million, and representing the consideration of remaining 10% shares of Y2T upon completion of the Capital Increase) shall be settled no later than 31 December 2030.

As the income approach was applied in the asset evaluation report for Y2T, taking into account the discounted future estimated cash flows, the calculation of the appraised value thereof is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The followings are the details of the principal assumptions, including commercial assumptions, upon which the asset evaluation report was based:

(I) General assumptions:

- (1) Transaction assumption: it is assumed that all assets to be evaluated are already in the process of transaction, and the asset appraiser carries out a evaluation based on the simulated market such as the transaction conditions of the assets to be evaluated;
- (2) Open market assumption: it is assumed that both parties of the assets traded or to be traded in the market are in the same position and have opportunities and time to obtain sufficient market information so as to make a reasonable judgment upon the function, usage and transaction price of assets;
- (3) Going-concern assumption: it is assumed that the evaluated entity is in full compliance with all relevant laws and regulations, and will operate on a going-concern basis in the foreseeable future.

(II) Special assumptions:

- (1) The assumptions in respect of the evaluation were generally based upon the specific evaluation purposes set out in the asset evaluation report;
- (2) There are no material changes in the relevant prevailing laws, regulations or macro-economic situations of the PRC, and there will be no unforeseeable material changes in the external economic environments such as interest rate, exchange rate, taxation basis and rate or policy levies;
- (3) It is assumed that the future management of the evaluated entity will remain accountable and will continue to maintain the existing management mode and align the scope and approach of operation to the current ones;
- (4) It is assumed that the evaluated assets will be used in a manner consistent with their current usages and the current manner, scale, frequency and environment of use, without considering the best usage of each asset;
- (5) It is assumed that there are no force majeure or unforeseeable factors which may have significant adverse impacts on the entity based on its current manner and level of management;
- (6) The related basic information and financial information provided by the evaluated entity and the principal are true, accurate and complete;
- (7) The financial reports and transaction data of comparable companies referred by the appraiser are true and reliable;
- (8) The evaluation only covers the scope set out in the asset evaluation declaration form provided by the principal and the evaluated entity, without considering the contingent assets or contingent liabilities of the principal and the appraised entity which are not set out in such form;
- (9) It is assumed that Y2T can continue to obtain legal qualifications to conduct business in the future;
- (10) It is assumed that the entity generates even net cash flows throughout the year.

ShineWing Certified Public Accountants LLP, the auditor of the Company, has reviewed the calculations of the discounted future estimated cash flows in connection with the evaluated value of total shareholders' equity of Y2T. The Board confirmed that the profit forecast has been made after due and careful enquiry. The report issued by ShineWing Certified Public

Accountants LLP and the letter issued by the Board are set out in Appendix I and Appendix II to this announcement, respectively. The qualifications of the experts who have given their opinions or advices which are contained in this announcement are as follows:

Name	Qualification	Date of conclusion or advice
ShineWing Certified Public Accountants LLP	PRC Certified Public Accountant	23 December 2020
China Alliance Appraisal Co., Ltd.	Asset Appraiser	7 December 2020

As at the date of this announcement, so far as the Directors are aware, none of the experts above has any beneficial interests in the share capital of the members of the Group, nor has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares, convertible securities, warrants, options or derivative securities carrying voting rights in any member of the Group.

The above experts have given and have not withdrawn their written consent to the issue of this announcement and the references to their names in the letter(s) included in the announcement and/or the context herein.

Completion

The Capital Increase Agreement shall become effective on the date when the legal representative/representative of executive partner (or authorized representative) of all parties sign and affix their official seals. Y2T shall complete the registration of changes with the relevant industrial and commercial administrative department and make corresponding amendments to the articles of association within 20 days after the date of the Capital Increase Agreement. Each party shall pay commercially reasonable efforts and take all necessary steps to complete the Capital Increase.

Other Arrangements

Pursuant to the Capital Increase Agreement, upon completion of the Capital Increase, Y2T will establish a board of directors comprised of five members, two, two and one of which will be nominated by SIT, CMII and Shenzhen Bida respectively. Chairman of the board of directors will be served by the director nominated by SIT after appointment.

Upon setting aside of reserved funds and making up losses by Y2T, the board of directors and shareholders of Y2T may decide to distribute the remaining profit after tax to its shareholders in proportion to their paid-in capital contribution. Shenzhen Bida will not be entitled to such profit distribution as to its contribution not yet paid.

III. SHAREHOLDERS' AGREEMENT

On the same date, SIT, CMII, Shenzhen Bida and Y2T entered into the Shareholders' Agreement, pursuant to which, each party agreed upon, among others, the rights of Y2T's shareholders. The major terms of the Shareholders' Agreement are summarized as below:

Priority in subsequent financing and pre-emptive rights

Subject to the terms under the Capital Increase Agreement and the Shareholders' Agreement, in the event Y2T launches a new series of equity financing, the Investors shall have a priority in investing no less than an amount as calculated below under the same conditions:

Priority investment amount = Percentage of equity interests in Y2T then held by the Investors x Pre-investment evaluation for Y2T during such new series of financing.

In addition, if the Investors don't exercise the above "priority in subsequent financing" or there are still new registered capitals available for subscription after the Investors' exercise of "priority in subsequent financing", then the Investors shall have pre-emptive rights as agreed upon under the Shareholders' Agreement.

Anti-dilution rights

Subject to the terms under the Capital Increase Agreement and the Shareholders' Agreement, without the prior consent of the Investors in writing, the price of any new equities, shares, stocks, convertible bonds or other warrants convertible into any equity interests in Y2T to be issued by Y2T after the Completion Date shall not be lower than the price of the Capital Increase (being RMB1.14 per registered capital of Y2T of RMB1).

Superior preferential rights/ancillary preferential rights

Subject to the terms under the Capital Increase Agreement and the Shareholders' Agreement, the Investors shall be automatically entitled to a more preferential term in the relevant situation and apply it to the Capital Increase if any one of the followings occurs:

- (1) If agreed upon under any agreement entered into by SIT and Y2T, or SIT is entitled to more preferential terms and conditions in practice in comparison with the terms and rights applicable to the Investors under the transaction documents entered into in respect of the Capital Increase; or
- (2) After the Completion Date and before the completion of Y2T's initial public offering and listing on a PRC or overseas stock exchange (including but not limited to the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the STAR Market of the Shanghai Stock Exchange, the New York Stock Exchange or the Hong Kong Stock Exchange, but excluding the National Equities Exchange and Quotations) (hereinafter referred to as the

“**Listing**”), there exist more preferential terms and conditions in future financing activities of Y2T (including equity financing and debt financing) in comparison with the terms and rights applicable to the Investors under the transaction documents entered into in respect of the Capital Increase.

Rights of first refusal and tag-along rights

Subject to the terms under the Capital Increase Agreement and the Shareholders’ Agreement, before the Listing of Y2T, if SIT intends to transfer, directly or indirectly, its equity interests in Y2T to any third parties (hereinafter referred to as the “**Prospective Buyer**”) or accept the offer made by the Prospective Buyer to purchase its equity interests, the Investors shall be entitled to purchase the whole or part of the equity interests intended to be transferred from SIT prior to the Prospective Buyer or any other shareholders of Y2T in proportion to their shareholdings and at a same price and time of payment.

Subject to the terms under the Capital Increase Agreement and the Shareholders’ Agreement, before the Listing of Y2T, when SIT, as a transferor, intends to transfer its direct or indirect equity interests in Y2T, provided any of the Investors decides not to exercise rights of first refusal as agreed upon under the Shareholders’ Agreement, such Investor is entitled to dispose of its equity interests in Y2T to the Prospective Buyer, tag along with SIT at a same price and under same terms and conditions.

Dividend rights

Subject to the terms under the Capital Increase Agreement and the Shareholders’ Agreement, Y2T shall declare and distribute dividends to all shareholders in proportion to their respective equity interests in Y2T. Y2T shall not declare and distribute any dividends to any other shareholders in the form of cash, properties or shares until the Investors receive such dividends.

IV. CONCERTED PARTY AGREEMENT

On the same day, CMII and SIT entered into the Concerted Party Agreement, pursuant to which, CMII agreed to act in concert with SIT in relation to significant matters regarding decision-making and operation and management of Y2T upon completion of the Capital Increase, including but not limited to determining the business policy and investment plan of Y2T; reviewing the report of the board of directors; reviewing the report of the supervisors/the supervisory committee; increasing or decreasing the registered capital, introducing investors; issuing corporate bonds; the merger, split, dissolution, liquidation or change of the company form, etc.

V. REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Capital Increase will be beneficial for the realization of Y2T's diversified shareholding and the improvement of its corporate governance structure, and will further improve its capability for science and technology research and development, expand the scale of its principal businesses, and accelerate the development of the Company's e-commerce business and transformation to platform and ecosystem. Meanwhile, the shares of Y2T subscribed by Shenzhen Bida in the Capital Increase will be used for the employee incentive of Y2T, which will be beneficial to activate employees of Y2T and improve its competitiveness of attracting, retaining, and inspiring excellent talents.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the transaction documents in respect of the Capital Increase are fair and reasonable and on normal commercial terms, and the Capital Increase is in the interests of the Company and the Shareholders as a whole, although not conducted in the ordinary or usual course of business of the Group due to its nature.

VI. FINANCIAL IMPACT OF THE CAPITAL INCREASE

The proceeds from the Capital Increase will be used for the strategic layout, science and technology research and development and daily operations of Y2T.

As at the date of this announcement, Y2T is 100% owned by the Company through SIT, a wholly-owned subsidiary of the Company, and thus Y2T is a wholly-owned subsidiary of the Company. Upon completion of the Capital Increase, the Company will indirectly hold 40% equity interests in Y2T through SIT, and Y2T will remain a subsidiary of the Company and its financial results will remain to be included into the consolidated statements of the Company. No expected gain or loss will be accrued to the Company as a result of the deemed disposal.

VII. INFORMATION OF THE PARTIES

The Group

The Group is a leading integrated logistics service provider and integrator in the PRC, and its principal businesses 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 under direct control of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. China Merchants is a large-scale conglomerate with diversified businesses. At present, China Merchants mainly focuses on three core industries: comprehensive transportation, featured finance, and holistic development and operation of residential communities and industrial parks. It has also been engaging in the transformation from these three primary industries to the three platforms of industrial management, financial services, and investment and capital operation.

SIT

SIT is a company incorporated in the PRC with limited liability. It is mainly responsible for the operation of the Company's internet products and the investment and management of innovative projects, the unified operation planning of the Company's internet products and innovative investment projects, as well as the participation in the preparation and coordinated management of internet industry funds in the logistics business segment. As at the date of this announcement, SIT is a wholly-owned subsidiary of the Company.

CMII

CMII is a limited partnership incorporated in the PRC, and its principal businesses are equity investment, venture capital investment, investment management and investment advisory. CMII is owned as to 0.1% by China Merchants Innovation Investment Management Co., Ltd.* (招商局創新投資管理有限責任公司), which is its general partner (executive partner), and 99.9% by Shenzhen China Merchants Holding Investment Co., Ltd.* (深圳市招控投資有限責任公司), which is its limited partner, respectively. Both China Merchants Innovation Investment Management Co., Ltd. and Shenzhen China Merchants Holding Investment Co., Ltd. are wholly-owned subsidiaries of China Merchants, and their ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

Shenzhen Bida

Shenzhen Bida is a limited partnership incorporated in the PRC and a unified shareholding platform established for the rewarded Y2T employees. The shares it subscribed from Y2T in the Capital Increase will be utilized to reward certain employees of Y2T. As at the date of this announcement, the general partner (executive partner) of Shenzhen Bida is Shenzhen Yunbida Enterprise Management Co., Ltd.* (深圳運必達企業管理有限公司) (the ultimate beneficial owners of which are natural persons 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), who hold 67%, 9%, 8%, 8% and 8% equity interests, respectively), which holds 50% equity interests in Shenzhen Bida; and the limited partner of Shenzhen Bida is Shenzhen Yunbida Enterprise Management Partnership (Limited Partnership)* (深圳運必達企業管理合夥企業 (有限合夥)), which holds 50% equity interests in Shenzhen Bida. The general partner (executive partner) of Shenzhen Yunbida Enterprise Management Partnership (Limited Partnership) is Shenzhen Yunbida Enterprise Management Co., Ltd., and its limited partners are natural persons Liu Pojun and Liu Haifeng, who hold 60%, 20% and 20% in Shenzhen Yunbida Enterprise Management Partnership (Limited Partnership), respectively. Natural persons Liu Pojun, Liu Haifeng, He Jian, Li Lifeng and Zhang Weifeng are directors/senior management of Y2T (an insignificant subsidiary of the Company), and they are not connected persons of the Company under the Listing Rules.

Y2T

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 date of this announcement, Y2T is 100% owned by the Company through SIT, a wholly-owned subsidiary of the Company, thus Y2T is an indirect wholly-owned subsidiary of the Company.

According to the consolidated financial statements prepared by Y2T in accordance with the China Enterprise Accounting Standards, the unaudited net assets of Y2T as at 30 June 2020 is RMB26,766,979.04. The appraised value of total shareholders' equity of Y2T as at the base date of evaluation (i.e. 31 December 2019) as set out in the asset evaluation report prepared by China Alliance Appraisal Co., Ltd., an independent asset appraiser, using the income approach, is RMB57 million. According to the consolidated financial statements prepared by Y2T in accordance with the China Enterprise Accounting Standards, the net profit before and after tax of Y2T for the two financial years ended 31 December 2018 and 31 December 2019 are as follows:

	For the financial year ended	
	31 December 2019	31 December 2018
	(audited)	(audited)
	(RMB)	(RMB)
Net profit before tax and non-recurring items	381,019.77	275,153.92
Net profit after tax and non-recurring items	247,471.90	154,651.00

VIII. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, both the general partner (executive partner) and limited partner of CMII are subsidiaries of China Merchants, the ultimate controlling shareholder of the Company, CMII is therefore a connected person of the Company. Although the ultimate beneficial owners of Shenzhen Bida include director/chief executive of Y2T, Shenzhen Bida is not a connected person of the Company under the Listing Rules as Y2T is an insignificant subsidiary under Rule 14A.09 of the Listing Rules.

Upon completion of the Capital Increase, the Company's shareholding in Y2T will be diluted, therefore, the Capital Increase constitutes a deemed disposal transaction under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the entering into of the Capital Increase Agreement with the Investors is less than 5%, the Capital Increase is not a discloseable transaction under Chapter 14 of the Listing Rules. As CMII, one of the Investors, is a connected person of the Company, the Capital Increase constitutes a connected transaction under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of

the capital increase by CMII to Y2T is more than 0.1% but less than 5%, such transaction is subject to the reporting, announcement and annual review requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the transaction documents in respect of the Capital Increase, and therefore they are not required under the Listing Rules to abstain from voting on the relevant Board resolution. Nonetheless, as Mr. Song Dexing, Mr. Su Jian, Mr. Xiong Xianliang and Mr. Jiang Jian, all being Directors of the Company, are concurrently holding positions in China Merchants, they have abstained from voting on the relevant Board resolution in accordance with the relevant PRC laws and regulations.

Completion of the Capital Increase is conditional upon the completion of the closing procedures and industrial and commercial registration procedures related to the transaction. Accordingly, the Capital Increase may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

IX. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions 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 Shanghai Stock Exchange and traded in RMB
“Board”	the board of Directors of the Company
“Capital Increase”	the arrangement relating to the capital increase to Y2T proposed to be made by CMII and Shenzhen Bida pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement in relation to Y2T jointly entered into by SIT, CMII, Shenzhen Bida and Y2T on 23 December 2020
“China Merchants”	招商局集團有限公司 (China Merchants Group Limited*), the ultimate controlling shareholder of the Company, a wholly state-owned enterprise established under the laws of the PRC under direct control of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC

“CMII”	深圳市招商局創新投資基金中心(有限合夥)(Shenzhen China Merchants Innovation Investment Fund Center (Limited Partnership)*), a limited partnership incorporated in the PRC
“Completion Date”	the date on which Y2T obtains the new business license issued by the administration for industry and commerce for the Capital Increase
“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 Shanghai Stock Exchange
“Concerted Party Agreement”	the concerted party agreement in relation to significant matters regarding decision-making and operation and management of Y2T entered into by SIT and CMII on 23 December 2020
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas listed share(s) 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
“Investor(s)”	CMII and/or Shenzhen Bida, as the case may be
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	H Share(s) and A Share(s)
“Shareholder(s)”	the shareholder(s) of the Company
“Shareholders’ Agreement”	the shareholders’ agreement in relation to the capital increase to Y2T jointly entered into by SIT, CMII, Shenzhen Bida and Y2T on 23 December 2020
“Shenzhen Bida”	深圳必達企業諮詢合夥企業(有限合夥) (Shenzhen Bida Enterprise Consultation Partnership (Limited Partnership)*), a limited partnership incorporated in the PRC
“SIT”	中外運創新科技有限公司 (Sinotrans Innovation & Technology Co., Ltd.*), a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of the Company as at the date of this announcement
“Y2T”	運易通科技有限公司 (Y2T Technology Co., Ltd.*), a company incorporated in PRC with limited liability, and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“%”	per cent

By order of the Board
Sinotrans Limited
Li Shichu
Company Secretary


Beijing, 23 December 2020

As at the date of this announcement, the board of directors of the Company comprises Li Guanpeng (Chairman), Song Dexing (Vice Chairman), Song Rong (executive director), Su Jian (non-executive director), Xiong Xianliang (non-executive director), Jiang Jian (non-executive director), Jerry Hsu (non-executive director), and four independent non-executive directors, namely Wang Taiwen, Meng Yan, Song Haiqing and Li Qian.

* For the purpose of identification only

APPENDIX I – REPORT FROM THE AUDITOR

The following is the text of a report received from the auditor of the Company, ShineWing Certified Public Accountants LLP, for the purpose of incorporation in this announcement.

	<p>信永中和會計師事務所</p> <p>ShineWing certified public accountants</p>	<p>北京市東城區朝陽門北大街 8號富華大廈A座9層</p> <p>9/F, Block A, Fu Hua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, 100027, P.R.China</p>	<p>聯繫電話: +86(010)6554 2288 telephone: +86(010)6554 2288</p> <p>傳真: +86(010)6554 7190 facsimile: +86(010)6554 7190</p>
---	--	--	---

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE FAIR VALUE BUSINESS VALUATION OF Y2T TECHNOLOGY CO., LTD

TO THE BOARD OF DIRECTORS OF SINOTRANS LIMITED

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business evaluation dated 7th December 2020 prepared by China Alliance Appraisal Co., Ltd. Beijing Branch in respect of the fair value business evaluation (the “**Valuation**”) of the 100% equity of Y2T Technology Co., Ltd (the “**Target Company**”). The Valuation is set out in the announcement of Sinotrans Limited (the “**Company**”) dated 23rd December 2020 (the “**Announcement**”) regarding the capital increase and expand equity to the Target company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set out in this Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any evaluation of the Target Company.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out in the Valuation. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 29(2) of Appendix 1B of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out in the Valuation.

ShineWing Certified Public Accountants LLP
Beijing, the PRC
23 December 2020

APPENDIX II – LETTER FROM THE BOARD

To: The Stock Exchange of Hong Kong Limited
Listing Division
12/F, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

Dear Sir/Madam,

Company: Sinotrans Limited (the “**Company**”)

Re: Profit Forecast-Letter of Confirmation under Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)

Reference is made to the announcement of the Company dated 23 December 2020 mentioning the asset evaluation report of Y2T Technology Co., Ltd.* (運易通科技有限公司) (“**Y2T**”) dated 7 December 2020 (the “**Asset Evaluation Report**”) prepared by China Alliance Appraisal Co., Ltd. (the “**Asset Appraiser**”) using the income approach.

The board of directors of the Company (the “**Board**”) has reviewed the bases and assumptions of the Asset Evaluation Report and discussed the same with the Asset Appraiser and ShineWing Certified Public Accountants LLP, the auditor of the Company (the “**Auditor**”). The Board has also considered the report issued by the Auditor on 23 December 2020 in relation to the calculations of the profit forecast in the Asset Evaluation Report.

In accordance with Rule 14.62(3) of the Listing Rules, the Board confirmed that the profit forecast used in the aforementioned Asset Evaluation Report has been made after due and careful enquiry.

Sinotrans Limited
The Board

23 December 2020

* For the purpose of identification only