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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)

POTENTIAL CONTINUING CONNECTED TRANSACTIONS – PURCHASE AND SALES FRAMEWORK AGREEMENT

PURCHASE AND SALES FRAMEWORK AGREEMENT

Reference is made to the Announcement. On 23 December 2020, SIT, CMII, Shenzhen Bida and Y2T jointly entered into the capital increase agreement in relation to the capital increase to Y2T.

The Board is pleased to announce that on 30 December 2020, the Company and Y2T entered into the Purchase and Sales Framework Agreement, pursuant to which, the Group will receive system development and operation maintenance services, logistics and related services provided by Y2T Group and will provide logistics and related services to Y2T Group for a period from 1 January 2021 to 31 December 2023.

LISTING RULES IMPLICATION

As at the date of this announcement, Y2T is an indirect wholly-owned subsidiary of the Company and proposes to proceed with the Capital Increase. Upon completion of the Capital Increase, it is expected that CMII (both the general partner (executive partner) and limited partner of which are wholly-owned subsidiaries of China Merchants, the ultimate controlling shareholder of the Company) will hold more than 10% voting rights of Y2T (excluding indirect interests held through the Company), therefore, Y2T will become a connected subsidiary of the Company and hence a connected person of the Company under Rule 14A.16 of the Listing Rules. Accordingly, upon completion of the Capital Increase, the transactions contemplated under the Purchase and Sales Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the proposed annual caps for the transactions contemplated thereunder will become effective concurrently.

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the maximum annual caps for the transactions contemplated under the Purchase and Sales Framework Agreement are more than 0.1% but 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.

None of the Directors has any material interest in the Purchase and Sales Framework Agreement, and therefore they are not required under the Listing Rules to abstain from voting on the relevant Board resolutions. Nonetheless, as Mr. Song Dexing, Mr. Su Jian, Mr. Xiong Xianliang and Mr. Jiang Jian, all being Directors of the Company, are also holding positions in China Merchants, they have abstained from voting on the relevant Board resolutions in accordance with the relevant PRC laws and regulations.

BACKGROUND

Reference is made to the Announcement. On 23 December 2020, SIT, CMII, Shenzhen Bida and Y2T jointly entered into the capital increase agreement in relation to the capital increase to Y2T.

The Board is pleased to announce that on 30 December 2020, the Company and Y2T entered into the Purchase and Sales Framework Agreement, pursuant to which, the Group will receive system development and operation maintenance services, logistics and related services provided by Y2T Group and will provide logistics and related services to Y2T Group for a period from 1 January 2021 to 31 December 2023.

As disclosed in the Announcement, Y2T is an indirect wholly-owned subsidiary of the Company and proposes to proceed with the Capital Increase. Upon completion of the Capital Increase, it is expected that CMII (both the general partner (executive partner) and limited partner of which are wholly-owned subsidiaries of China Merchants, the ultimate controlling shareholder of the Company) will hold more than 10% voting rights of Y2T (excluding indirect interests held through the Company), therefore, Y2T will become a connected subsidiary of the Company and hence a connected person of the Company under Rule 14A.16 of the Listing Rules.

As at the date of this announcement, the Capital Increase has not yet been completed. Therefore, the transactions contemplated under the Purchase and Sales Framework Agreement will not constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Nevertheless, upon completion of the Capital Increase, the transactions contemplated under the Purchase and Sales Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the proposed annual caps for the transactions contemplated thereunder will become effective concurrently.

Purchase and Sales Framework Agreement

Date

30 December 2020

Parties

- (1) The Company; and
- (2) Y2T

Subject matter

Pursuant to the terms under the Purchase and Sales Framework Agreement, Y2T Group shall provide the Group with (1) system development and operation maintenance services, including: the system development for the Online Platform, including various online product channels (such as international and domestic sea transport, air transport, railway transport, container consolidation and other product channels); development of online freight forwarding systems, development of front page for online customs systems; development of front page and flow control tower for full-chain products; development of accounts system and online payment center of the Online Platform; development of supply chain finance related systems of the Online Platform; development of user workbench and related functions; network security facilities and development of the Online Platform; online operation maintenance for the Online Platform and customer services; and development of necessary components supporting the normal operation of the Online Platform, such as relevant data and interconnects; and (2) 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 Y2T Group.

Term

The Purchase and Sales Framework Agreement shall take effect only after (a) being signed and stamped with company seal or contract seal by the legal representatives or authorized representatives of the parties and (b) the completion of the Capital Increase by Y2T and fulfilment of the required approval procedures in respect of connected transactions under the Listing Rules, and will remain effective for a period from 1 January 2021 to 31 December 2023.

Pricing policies

The price of each product and service under the Purchase and Sales Framework Agreement shall be determined at arm's length and on normal commercial terms. And the price of products and services to be provided by each party to the other shall be the market price. The aforesaid "market price"

represents the price provided or obtained by an independent third party in respect of a same or similar product or service in the same area on normal commercial terms during the ordinary course of business of the parties.

The logistics and related services to be provided by the Group to Y2T Group under the Purchase and Sales Framework Agreement will be charged based on the market price to be charged by the Group to an independent third party in respect of a same or similar product or service and vice versa. When entering into any particular transaction with Y2T Group, the relevant member of the Group will consider a number of factors including, among other things, the combination of product or service provided or received, the geographical coverage of product or service provided or received and the terms offered by the local competitors, to ensure the price for the particular transaction is at the market price as defined above. The Company has established a purchase bidding mechanism to ensure the purchase of products or services is fair and reasonable, for example, during a non-public purchase process, the purchaser shall obtain corresponding quoted prices and terms from at least three suppliers (if not the sole source in the market). Meanwhile, the Company has established a business contracts review system, through which, the supervisory departments will review the terms of product or service (including price) to ensure such terms are at the market prices as defined above. In the event there are less than three alternative independent third party suppliers available in the relevant market for a particular type of product or service, the relevant departments will review the terms (including price) of such product or service as well as business scope with reference to the terms of similar product or service provided or received by the Group previously and consider whether the terms being offered are commercially beneficial to the Group.

Settlement

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.

Historic transaction amount

As at the date of this announcement, Y2T is a wholly-owned subsidiary established by the Company according to its platform-based and digitization development strategies, and the "Online Platform" currently operated by Y2T is a global-oriented public logistics e-commerce platform established by the Company. Since October 2013, the Group has been receiving system development and operation maintenance services, logistics and related services from Y2T Group and providing logistics and related services to Y2T Group from time to time. According to the internal management accounts of the Group, the actual transaction amounts for the two financial years ended 31 December 2019 and from 1 January 2020 to 30 November 2020 are set out below:

	1 January 2018 to 31 December 2018	1 January 2019 to 31 December 2019	1 January 2020 to 30 November 2020
Provision of system development and operation maintenance services by Y2T Group to the Group	RMB12 million	RMB22.31 million	RMB8.60 million
Provision of logistics and related services by Y2T Group to the Group	RMB14.67 million	RMB20.24 million	RMB16.95 million
Provision of logistics and related services by the Group to Y2T Group	RMB1.64 million	RMB3.10 million	RMB4.14 million

Proposed annual caps

The proposed annual caps under the Purchase and Sales Framework Agreement are set out below (assuming the Capital Increase is completed):

	1 January 2021 to 31 December 2021	1 January 2022 to 31 December 2022	1 January 2023 to 31 December 2023
Provision of system development and operation maintenance services by Y2T Group to the Group	RMB40 million	RMB50 million	RMB60 million
Provision of logistics and related services by Y2T Group to the Group	RMB30 million	RMB40 million	RMB50 million
Provision of logistics and related services by the Group to Y2T Group	RMB200 million	RMB400 million	RMB600 million

The above proposed annual caps are determined after arm's length negotiations by the parties after considering (i) the actual transaction amounts for the two financial years ended 31 December 2019 and from 1 January 2020 to 30 November 2020 between the Group and Y2T Group; (ii) the actual demand and estimated growth of the Group's receipt of system development and operation maintenance services, logistics and related services from Y2T Group and provision of logistics and related services to Y2T Group given the resources of Y2T platform services increase, the platform products become more and more diversified and the number of active enterprises increases, along with the acceleration of the online launch of the Group's principal products and standard services; and (iii) the expected rapid growth in the digitization of the whole logistics industry, including digital products and transactions, in the coming three years.

Reasons for and Benefit of the Purchase and Sales Framework Agreement

Since October 2013, the Group has been receiving system development and operation maintenance services, logistics and related services from Y2T Group and providing logistics and related services to Y2T Group from time to time. As Y2T will become a connected subsidiary of the Company upon completion of the Capital Increase, the above transactions between the Group and Y2T Group will constitute continuing connected transactions of the Company. Therefore, the entering into of the Purchase and Sales Framework Agreement by the Company and Y2T will be beneficial to better control and monitor the above transactions between the Group and Y2T Group and ensure the full compliance of the requirements under the Listing Rules by the Company. 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 Y2T Group and the Group will further increase.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Purchase and Sales Framework Agreement are fair and reasonable and on normal commercial terms, and the transactions contemplated thereunder (including the proposed annual caps) are conducted in the ordinary and usual course of business of the Group, and are in the interests of the Shareholders of the Company as a whole.

INFORMATION OF THE PARTIES

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.

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. As at the date of this announcement, Y2T proposes to proceed with the Capital Increase. It is expected that Y2T will be owned as to 40% by the Company through SIT, a wholly-owned subsidiary of the Company, upon completion of the Capital Increase, and will remain a subsidiary of the Company, while the remaining equity interests will be owned as to 40% and 20% by CMII (both the general partner (executive partner) and limited partner of which are

wholly-owned subsidiaries of China Merchants) and Shenzhen Bida, an employees' shareholding platform (the ultimate beneficial owners of which, namely 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, are not connected persons of the Company under the Listing Rules), respectively. For details, please refer to the Announcement.

LISTING RULES IMPLICATION

As at the date of this announcement, Y2T is an indirect wholly-owned subsidiary of the Company and proposes to proceed with the Capital Increase. Upon completion of the Capital Increase, it is expected that CMII (both the general partner (executive partner) and limited partner of which are wholly-owned subsidiaries of China Merchants, the ultimate controlling shareholder of the Company) will hold more than 10% voting rights of Y2T (excluding indirect interests held through the Company), therefore, Y2T will become a connected subsidiary of the Company and hence a connected person of the Company under Rule 14A.16 of the Listing Rules. Accordingly, upon completion of the Capital Increase, the transactions contemplated under the Purchase and Sales Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the proposed annual caps for the transactions contemplated thereunder will become effective concurrently.

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the maximum annual caps for the transactions contemplated under the Purchase and Sales Framework Agreement are more than 0.1% but 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.

None of the Directors has any material interest in the Purchase and Sales Framework Agreement, and therefore they are not required under the Listing Rules to abstain from voting on the relevant Board resolutions. Nonetheless, as Mr. Song Dexing, Mr. Su Jian, Mr. Xiong Xianliang and Mr. Jiang Jian, all being Directors of the Company, are also holding positions in China Merchants, they have abstained from voting on the relevant Board resolutions in accordance with the relevant PRC laws and regulations.

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
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“Announcement”	the connected transaction announcement disclosed by the Company on 23 December 2020 in respect of the capital increase to Y2T proposed to be made by CMII and Shenzhen Bida
“Board”	the board of Directors of the Company
“Capital Increase”	the arrangements relating to the capital increase to Y2T and the subscription of the new registered capital of Y2T proposed to be made by CMII and Shenzhen Bida, for details of which please refer to the Announcement
“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
“Company”	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, whose H Shares are listed on the Hong Kong Stock Exchange and whose A Shares are listed on the Shanghai Stock Exchange
“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, for the purpose of this announcement, excluding Y2T Group
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Online Platform”	the Y2T Platform (www.y2t.com), the nationwide logistics e-commerce platform owned by the Company
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“Purchase and Sales Framework Agreement”	the products and services purchase and sales framework agreement dated 30 December 2020 entered into between the Company and Y2T in relation to the provision of products and services between the Group and Y2T Group
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	H Share(s) and A Share(s)
“Shareholder(s)”	shareholder(s) of the Company
“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
“Y2T Group”	Y2T and its subsidiaries
“%”	per cent

By order of the Board
Sinotrans Limited
Li Shichu
Company Secretary

Beijing, 30 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.