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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 the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

2020 SECOND EXTRAORDINARY GENERAL MEETING
(I) CONTINUING CONNECTED TRANSACTIONS; (II) PROPOSED AMENDMENTS TO CERTAIN INTERNAL POLICIES OF THE COMPANY; AND (III) RELATED PARTY TRANSACTIONS 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 34 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 a.m. on 22 December 2020, 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 the 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 18 December 2020. 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.

20 November 2020

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

"Articles of Association"	the articles of association of Sinotrans Limited, as amended, modified or otherwise supplemented from time to time
"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
"CBIRC"	formerly known as China Banking Regulatory Commission and currently named as China Banking and Insurance Regulatory Commission
"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 under direct control of the SASAC, the actual controller of the Company, which directly and indirectly holds approximately 57.64% of the issued share capital of the Company as at the Latest Practicable Date
"China Merchants Bank"	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 Non Wholly-Owned Subsidiaries"	Sinotrans Shandong Hongzhi, Qingdao Jinyun Air and Shanghai Waihong Yishida, each being a non wholly-owned subsidiary of the Company and a connected person of the Company as at the Latest Practicable Date
"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 2020 second extraordinary general meeting of the Company to be held at 10 a.m. on 22 December 2020, 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 28 October 2020 in relation to the provision of various financial services by the Finance Company to the Group
"Former Financial Services Agreements"	the financial services agreements dated 14 November 2012, 25 March 2014, 16 April 2015 and 10 November 2017 entered into between the Company and the Finance Company in relation to the provision of various financial services by the Finance Company to the Group
"Former Master Lease Agreement"	the master lease agreement dated 10 November 2017 entered into between the Company and China Merchants in relation to the lease of certain properties and storage facilities (inclusive of the equipment therein) by the Group from China Merchants and its associates
"Former Master Services Agreement"	the master services agreement dated 10 November 2017 entered into between the Company and China Merchants in relation to the provision and receipt of transportation and logistics services between the Group and China Merchants and its associates
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"H Share(s)"	overseas listed foreign invested share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars

"Independent Board Committee"	a board committee comprising all the independent non-executive Directors of the Company 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 and their respective associates (including SINOTRANS & CSC)
"Latest Practicable Date"	17 November 2020, 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 dated 28 October 2020 entered into between the Company and China Merchants 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 28 October 2020 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 28 October 2020 in relation to the provision and receipt of transportation and logistics services between the Group and Sinotrans Shandong Hongzhi and its associates
"Master Services Agreements"	collectively, the Master Services Agreement (China Merchants) and the Master Services Agreement (Sinotrans Shandong Hongzhi)

"New Cap(s)"	the maximum value of the relevant Non-exempt Continuing Connected Transactions for each of the three years ending 31 December 2023 as set out in this circular
"Non-exempt Continuing Connected Transactions"	the continuing connected transactions contemplated under the Master Services Agreements, 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
"NVOCC"	the international maritime transportation business operations of a non-vessel operating common carrier to accept the cargo of the shipper as the carrier, take the freight charges from the shipper by issuing its own bills of lading or other transport documents, ship the international ocean goods through international shipping operators, and bear the responsibilities of the carrier as provided in Article 7 of Regulations of the People's Republic of China on International Ocean Shipping (Order No. 709 of the State Council of the People's Republic of China) (《中華人民共和國國際海運條例》(中華人民共和國國務院令第709號))
"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
"Qingdao Jinyun Air"	青島金運航空貨運代理有限公司 (Qingdao Jinyun Air Cargo Freight Forwarding 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 Latest Practicable Date
"Related Joint Ventures"	中外運-敦豪國際航空快件有限公司(DHL-Sinotrans International Air Courier Co., Ltd.*), 新陸橋(連雲港)碼頭有限公司(New Land Bridge (Lianyungang) Terminal Company Limited*), 上海聯和冷鏈物流有限公司(Shanghai United Cold Chain Logistics Co., Ltd.*), 中外運-日新國際貨運有限公司(Nissin-Sinotrans International Logistics Co., Ltd.*), all being joint ventures established by the Group with other independent third parties, and being related parties of the Company pursuant to the SSE Listing Rules, but not connected persons of the Company pursuant to the Listing Rules

"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)
"Shanghai Waihong Yishida"	上海外紅伊勢達國際物流有限公司 (Shanghai Waihong Yishida International Logistics Co., Ltd.*), which is held as to 60% by 中國外運華東有限公司 (Sinotrans Eastern Company Limited*) (a wholly-owned subsidiary of the Company), 15% by 中外運上海(集團)有限公司 (Sinotrans Shanghai (Group) Co., Ltd.*) (a wholly-owned subsidiary of SINOTRANS & CSC), 15% by 上港集團物流有限公司 (SIPG Logistics Co., Ltd.*) and 10% by 上海外高橋保税區聯合發展有限公司 (Shanghai Waigaoqiao Free Trade Zone United Development Co., Ltd.*) as at the Latest Practicable Date
"Share(s)"	H Share(s) and A Share(s)
"Shareholder(s)"	holder(s) of the Shares
"SINOTRANS & CSC"	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 36.01% 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 Latest Practicable Date
"SSE"	Shanghai Stock Exchange
"SSE Listing Rules"	Listing Rules of Shanghai Stock Exchange
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"%"	per cent

* *For the purpose of identification only*

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)

Chairman:
Li Guanpeng

Vice Chairman:
Song Dexing

Executive Director:
Song Rong

Non-executive Directors:
Su Jian
Xiong Xianliang
Jiang Jian
Jerry Hsu

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

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Principal Place of Business in Hong Kong:
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133 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

20 November 2020

To the Shareholders

Dear Sir/Madam:

2020 SECOND EXTRAORDINARY GENERAL MEETING (I) CONTINUING CONNECTED TRANSACTIONS; (II) PROPOSED AMENDMENTS TO CERTAIN INTERNAL POLICIES OF THE COMPANY; AND (III) RELATED PARTY TRANSACTIONS SUBJECT TO THE SHAREHOLDERS' APPROVAL PURSUANT TO THE SSE LISTING RULES

I. INTRODUCTION

The purpose of this circular is to provide the Shareholders with information regarding (i) the Non-exempt Continuing Connected Transactions; (ii) the proposed amendments to certain internal policies of the

Company; and (iii) the related party transactions subject to the Shareholders' approval pursuant to the SSE Listing Rules so as to make informed decisions on the resolutions to be proposed at the forthcoming EGM.

II. CONTINUING CONNECTED TRANSACTIONS

1. Background

Reference is made to the announcement of the Company dated 28 October 2020, in relation to, among other things, the Non-exempt Continuing Connected Transactions.

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 SASAC. 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. SINOTRANS & CSC, a wholly owned subsidiary of China Merchants established under the laws of the PRC and the controlling shareholder of the Company, is mainly engaged in NVOCC, international shipping agency, the organization, investment and management of integrated logistics, ship building and repair through its subsidiaries.

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 and 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 28 October 2020 that govern the provision or receipt of transportation and logistics services and the leasing arrangements between the Group and China Merchants and its associates to replace the Former Master Services Agreement and the Former Master Lease Agreement, the three-year contract term for both of which will expire on 31 December 2020. Similarly, the master services agreements dated 10 November 2017 entered into between the Company and the Connected Non Wholly-Owned Subsidiaries in relation to provision or receipt of transportation and logistics services between the Group and the Connected Non Wholly-Owned Subsidiaries and their associates will also expire on 31 December 2020. The Company has entered into the Master Services Agreement (Sinotrans Shandong Hongzhi) with Sinotrans Shandong Hongzhi to renew the former master services agreement. Based on the assessment of the future business development of the parties, the service agreements for provision or receipt of transportation and logistics services between the Group and each of Qingdao Jinyun Air and Shanghai Waihong Yishida and their associates will no longer be renewed. The transaction amounts between the Group and each of Qingdao Jinyun Air and Shanghai Waihong Yishida and their associates for provision or receipt of transportation and logistics services are expected to be minimal and within the de minimis threshold under Chapter 14A of the Listing Rules for the three years ending 31 December 2023. The Company will comply with the relevant requirement under Chapter 14A of the Listing Rules when applicable.

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 28 October 2020 to replace the Former Financial Services Agreements. 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; (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, (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 Non-exempt Continuing Connected Transactions which require Independent Shareholders' approval under the Listing Rules 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 28 October 2020, 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 services, shipping agency, storage and terminal services, trucking 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 prices and on normal commercial terms. "Market prices" 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 prices 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 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 2021 for a period of three years and end on 31 December 2023.

Historical transaction amounts

During the financial years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, the turnover/expenses of the Group attributable to each of the transactions with China Merchants and its associates under the Former Master Services Agreement were as follows:

Unit: hundred million
Currency: RMB

	For the year ended 31 December 2018	**For the year ended 31 December 2019**	**For the year ending 31 December 2020**
Actual amount with respect to the provision of transportation and logistics services by the Group	8.00[1]	13.53[1]	3.98[1&2]
Relevant annual cap under the Former Master Services Agreement	25.00	32.50	42.25
Historical utilization rate	32.00%	41.63%	9.42%[1&2]
Actual amount with respect to the receipt of transportation and logistics services by the Group	18.87[1]	16.85[1]	7.26[1&2]
Relevant annual cap under the Former Master Services Agreement	35.00	45.50	59.15
Historical utilization rate	53.91%	37.03%	12.27%[1&2]

Notes:

1. These historical transaction figures include the transaction amounts in relation to the provision and receipt of the lease service of containers and other equipment between the Group and China Merchants and its associates as contemplated under the Former Master Services Agreement, and such transactions will be integrated into the Master Lease Agreement for the three years ending 31 December 2023.

2. These figures represent the transaction amount for the six months ended 30 June 2020 and the utilization rates are calculated by measuring those transaction amounts against the relevant annual caps.

3. The historical utilization rates for the financial years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 are relatively low due to following reasons:

   (i) 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 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 as transportation and logistics services provider or vice versa; and

   (ii) the COVID-19 pandemic has had a negative impact on the whole transportation and logistics industry for the first half of 2020.

Annual caps under the Master Services Agreement (China Merchants)

The Company proposes that the aggregate transaction amount for each of the following types of transactions (in respect of which Independent Shareholders' approval is proposed to be sought at the EGM) for the three years ending 31 December 2023 pursuant to the Master Services Agreement (China Merchants) be capped as follows:

Unit: hundred million
Currency: RMB

	For the year ending 31 December 2021[1]	**For the year ending 31 December 2022[1]**	**For the year ending 31 December 2023[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 Board has taken into account the following factors:

   (i) in determining the annual cap for the year ending 31 December 2021, the Company has primarily taken into account the comparatively low utilization rates and the highest annual transaction amount over the financial years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, and the potential growth in the Group's revenue and operation scale as described further in paragraph (iv) below, and as such, the annual cap for the year ending 31 December 2021 was set with a decrease to a large degree (i.e. by around 40%) as compared to that of 2020;

   (ii) in determining the annual caps for the two years ending 31 December 2023, the Company has assumed a 30% year on year increase over the annual cap for the year ending 31 December 2021, to give allowance for:–

      (a) the volatility of volume of business 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, such as KLG Europe Holding B.V., Keppel Logistics (Hong Kong) Limited and Keppel Logistics (Foshan) Co., Ltd.; 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). For example, the China Containerized Freight Index (CCFI) has been rising steadily after bottoming out in 2016. Despite the decline in the first half of 2020 affected by the COVID-19 pandemic, it has rebounded rapidly since June 2020 and the average value of the CCFI was 952.31 points in September 2020, representing a year-on-year increase of 16.4%. The continuous upward trend of CCFI has not changed. In view of the CCFI of various routes, the freight rates of North America, Australia and New Zealand routes have been rising rapidly, and the freight rates of Europe and Mediterranean routes have stabilized and rebounded. The container throughput capacity of national ports maintains a growth trend. In September 2020, the container throughput capacity of national ports continued to represent a year-on-year and month-on-month increase.

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

(a) the country proposes to cultivate and develop modern logistics enterprises with international competitiveness, and the Company, as a unified operation platform for the logistics business of China Merchants Group, actively responds to the call of the country, focuses on the transformation and integration of the three major business sectors (i.e. logistics, forwarding and related business and e-commerce business), and builds a full supply chain product system, so as to increase the development of the consumer market, import market, and online market, continue to expand market share and accelerate the construction of a world-class smart logistics platform enterprise. The Company's revenue recorded a compound annual growth rate of more than 10% from 2009 to 2019. Despite the impact of the COVID-19 pandemic, the revenue of the Company in the first half of 2020 increased by more than 5% compared with the corresponding period of last year;

(b) domestic demand in respect of new infrastructure, consumption upgrades and fragmented logistics is expected to give rise to new growth points in the transportation and logistics business areas. In the first half of 2020, China's pandemic prevention and control situation continued to progress. The resumption of work and production, and the resumption of business and markets accelerated, and promoted economic growth from negative to positive. The GDP growth rate of China decreased by 6.8% in the first quarter but increased by 3.2% in the second quarter of 2020 as compared with the corresponding period of last year, and the growth rate in the third quarter reached 4.9%, showing a stable recovery trend, and China is the first major economy throughout the world to achieve growth after the outbreak of COVID-19 pandemic. According to the forecast of the International Monetary Fund (IMF) in June 2020, China's GDP growth rate will reach 8.2% in 2021. Benefiting from the long-term growth trend of China's economy, the revenue of the Company is expected to gain continuous growth momentum; and

(c) with the gradual easing of the global pandemic of COVID-19 and the gradual recovery of international trade activities, the IMF expects that without a second wave of COVID-19 pandemic, the global GDP growth rate in 2021 will be 5.4%, and that of emerging markets and developing economies will be 5.9%. Driven by the overall recovery of the world economy, and benefiting from favorable factors such as a series of national support policies and the continued decline in international crude oil prices, the global freight market is expected to enter into an upward channel after 2021.

(v) the potential increase in opportunities for collaboration between the Group and China Merchants Group (including SINOTRANS & CSC Group) and their associates as the Group continues to take advantage of the business platforms and resources 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) are fair and

reasonable 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 Sinotrans Shandong Hongzhi and its associates 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 Sinotrans Shandong Hongzhi and its associates in compliance with the requirements of the Listing Rules, on 28 October 2020, 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 services, shipping agency, storage and terminal services, trucking transportation, express services and shipping transportation and other logistics services) between members of the Group and Sinotrans Shandong Hongzhi and its associates. The term of the Master Services Agreement (Sinotrans Shandong Hongzhi) is for a period of three years commencing on 1 January 2021 and ending on 31 December 2023, 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 NVOCC business and international express services.

The table below sets out the historical transaction amounts of the Group with Sinotrans Shandong Hongzhi and its associates during the financial years ended 31 December 2018 and 2019 and for the six months ended 30 June 2020 and the proposed annual caps for the value of transportation and logistics services to be provided and received by the Group (in respect of which Independent Shareholders' approval is proposed to be sought at the EGM), with Sinotrans Shandong Hongzhi and its associates for the three years ending 31 December 2023 respectively:

Unit: ten thousand
Currency: RMB

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021 Cap[2]	For the year ending 31 December 2022 Cap[2]	For the year ending 31 December 2023 Cap[2]
Provision of transportation and logistics services by the Group	11,703	12,572	6,110[1]	25,000	32,500	39,000
Historical annual cap	20,000	26,000	33,800	-	-	-
Historical utilization rate	58.52%	48.35%	18.08%[1]	-	-	-
Receipt of transportation and logistics services by the Group	2,147	4,430	5,075[1]	25,000	28,000	31,900
Historical annual cap	6,000	7,800	10,140	-	-	-
Historical utilization rate	35.78%	56.79%	50.05%[1]	-	-	-

Notes:

1. These figures represent the transaction amount for the six months ended 30 June 2020 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 Board 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 Sinotrans Shandong Hongzhi and its associates for the two years ended 31 December 2019 and six months ended 30 June 2020; and

   (ii) potential increase in opportunities for collaboration between the Group and Sinotrans Shandong Hongzhi 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 Sinotrans Shandong Hongzhi to the other members of the Group and the gradual recovery of domestic economy and transportation and logistics industry after the alleviation of COVID-19 pandemic.

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 China Merchants and its associates under the Master Lease Agreement

The Former Master Lease Agreement will expire on 31 December 2020, which covers the lease of properties and storage facilities (inclusive of the equipment therein) by the Group from China Merchants and its associates. The provision and receipt of the lease service of containers and other equipment between the Group and China Merchants and its associates are contemplated under the Former Master Services Agreement, which will also expire on 31 December 2020. 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 28 October 2020, for a term of three years commencing on 1 January 2021 and ending on 31 December 2023 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 2018 and 2019 and for the six months ended 30 June 2020:

Unit: ten thousand
Currency: RMB

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the six months ended 30 June 2020
(i) Lease of properties and storage facilities (inclusive of the equipment therein)			
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	13,200[1]	12,400[1]	12,300[1]
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	972[2]	748[2]	662[2]
(ii) Lease of containers and other equipment			
Actual amount with respect to the lease of containers and other equipment by the Group as the lessee from China Merchants and its associates	45[3]	170[3]	192[3]
Actual amount with respect to the lease of containers and other equipment by the Group as the lessor to China Merchants and its associates	10,500[3]	9,664[3]	4,801[3]

Notes:

1. These historical figures were transaction amounts in relation 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 contemplated under the Former Master Lease Agreement for the two years ended 31 December 2019 and six months ended 30 June 2020.

2. The historical 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 for each of the three years ending 31 December 2020 was and will be within the de minimis threshold under Chapter 14A of the Listing Rules.

3. The provision and receipt of the lease service of containers and other equipment between the Group and China Merchants and its associates were contemplated under the Former Master Services Agreement for the three years ending 31 December 2020. Such transactions will be integrated into and governed by the Master Lease Agreement for the three years ending 31 December 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 2023 are as follows:

Unit: ten thousand
Currency: RMB

	For the year ending 31 December 2021[1]	**For the year ending 31 December 2022[1]**	**For the year ending 31 December 2023[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	275,000	302,500
- Other payments (including rent for those leases of which the lease term is no more than one year)	12,000	13,200	14,520
(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	5,290

	For the year ending 31 December 2021[1]	For the year ending 31 December 2022[1]	For the year ending 31 December 2023[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	6,600	7,260
-Other payments (including rent for those leases of which the lease term is no more than one year)	500	600	720
(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	26,450

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 2021, 2022 and 2023, the rent payable by the Group to China Merchants and its associates for the existing property lease arrangements taking into account their estimated subsequent renewals is expected to be around RMB394 million, RMB387 million and RMB304 million, respectively, and the

value recognized as the right-of-use assets in the financial statements of the Group will be around RMB1,322 million, RMB1,335 million and RMB1,184 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 is expected to be around RMB577 ten thousand, RMB558 ten thousand and RMB586 ten thousand, respectively;

(ii) the 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 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); and

(iv) the effect on the transaction amount from the recognition of property leases under the applicable provisions of the PRC Accounting Standards for Business Enterprises.

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 2021, 2022 and 2023, the rent payable by the Group to China Merchants and its associates for the existing lease arrangements in relation to the containers and other equipment taking into account their estimated subsequent renewals is expected to be around RMB304 ten thousand, RMB331 ten thousand and RMB331 ten thousand, respectively, and the value recognized as the right-of-use assets in the financial statements of the Group will be around RMB892 ten thousand, RMB913 ten thousand and RMB922 ten thousand, 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 is expected to be around RMB74 million, RMB72 million and RMB74 million, respectively;

(ii) the potential expansion of the business of the parties and the consequential increase in demand for additional containers and other equipment, especially when carrying out the transportation and logistics businesses by the Group; and

(iii) the effect on the transaction amount from the recognition of leases of containers and other equipment under the applicable provisions of the PRC Accounting Standards for Business Enterprises.

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.

(d) Transactions with the Finance Company

Principal terms of the Financial Services Agreement

On 28 October 2020, 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 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 2021 and ending on 31 December 2023:

(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. In addition, the Finance Company can facilitate management by the Company of its offshore cash through the SWIFT channel which can be accessed through the Finance Company.

(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 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.

Internal control and risk management measures under the Financial Services Agreement

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

1) 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.

2) 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.

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

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

5) The Finance Company is required to provide the Group with quarterly reports, setting out daily status of the Group's deposits with the Finance Company; the quarterly balance sheet, income statement and cash flow statement of the Finance Company; 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.

Furthermore, the Company noted that China Merchants, the holding company of the Finance Company, has made an undertaking to CBIRC 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 2018 and 2019 and the six months ended 30 June 2020, the amounts incurred by the Group attributable to deposit services with the Finance Company under the Former Financial Services Agreements were as follows:

Unit: hundred million
Currency: RMB

	For the year ended 31 December 2018	**For the year ended 31 December 2019**	**For the year ending 31 December 2020**
Actual maximum daily outstanding balance of deposits placed by the Group with the Finance Company (excluding loan proceeds advanced by the Finance Company)	35.37	38.40	38.57[1]
Relevant annual cap under the Former Financial Services Agreement	40.00	50.00	50.00
Historical utilization rate	88.43%	76.80%	77.14%[1]

Notes:

1. These figures represent the transaction amount for the six months ended 30 June 2020 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 (in respect of which Independent Shareholders' approval is proposed to be sought at the EGM) for the three years ending 31 December 2023 pursuant to the Financial Services Agreement be capped as follows:

Unit: hundred million
Currency: RMB

	For the year ending 31 December 2021[1]	**For the year ending 31 December 2022[1]**	**For the year ending 31 December 2023[1]**
Maximum daily outstanding balance of deposits placed by the Group with the Finance Company (excluding loan proceeds advanced by the Finance Company)	50.00	50.00	50.00

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. The maximum daily outstanding balance of deposits placed by the Group with the Finance Company for the three years ending 31 December 2023 pursuant to the Financial Services Agreement is capped as RMB5 billion, which remains as the same cap level as that of 2019 and 2020. In setting the abovementioned annual caps, the Board has taken into account the following:

   (i) the highest historical utilization rate for the caps of the maximum daily outstanding balance of deposits placed by the Group with the Finance Company under the Former Financial Services Agreements has reached 88.43%;

   (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 2023, 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 increases 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 2023 with respect to other financial services shall not exceed RMB20 million. For each of the three years ending 31 December 2020, 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.

The transactions contemplated under the Master Services Agreement (China Merchants) and the Master Services Agreement (Sinotrans Shandong Hongzhi) 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 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 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 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.

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

Basis of pricing

(i) the Master Services Agreements

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 services offered by its competitors from time to time. For some standard services, various service providers 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 services provided, the geographical coverage of 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 services for which the terms offered by service providers 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 services from at least two independent third parties (to the extent such alternative service providers 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 services (including the price of services) 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 service providers in the relevant market for a particular type of services, such departments and offices will review the terms of such services (including the price) with reference to the terms of similar 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 by the Group to China Merchants and Sinotrans Shandong Hongzhi and their associates will be at the market prices charged by the Group to independent third parties for the same or comparable type of 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 its minority Shareholders.

The payment terms of the transportation and logistics services provided and received 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.

(ii) the Master Lease Agreement

The Master Lease Agreement requires that the transactions between the parties are at the market prices and on normal commercial terms. "Market prices" 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 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. 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 Agreements.

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 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 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;

(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 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 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 do not cover areas such as Xinjiang, Ningxia and Gansu of the PRC, while China Merchants Group is able to provide relevant services for 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. 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 and beneficial to 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 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 and beneficial to the Company and the Shareholders as a whole to allow continuing connected transactions on normal commercial terms as contemplated under the Master Lease Agreement.

The Financial Services Agreement having entrenched terms that 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, offers flexibility to the Group to choose to use deposit taking services of the Finance Company to increase deposit interest returns on its Disposable Cash that is generated primarily from its operations and reduce costs and increase efficiency of settlement of transactions within China Merchants Group, 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 CBIRC) have paid up capital of RMB5 billion and be subject to the rules as to capital adequacy, debt-to-asset and other types of liquidity related ratios and corporate governance published by CBIRC, 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 subsection headed "(d) Transactions with the Finance Company – Internal control and risk management measures under the Financial Services Agreement" above). Accordingly, the Directors (including the independent non-executive Directors) consider that it is in the interest of and is beneficial to the Group to have greater latitude to deposit Disposable Cash with the Finance Company.

The Company has proposed ordinary resolutions at the EGM for the Shareholders to consider and, if thought fit, approve each of the abovementioned Non-exempt Continuing Connected Transactions.

III. PROPOSED AMENDMENTS TO CERTAIN INTERNAL POLICIES OF THE COMPANY

In order to comply with the applicable PRC laws and regulations and strengthen the corporate governance, the Board proposes to seek the approval of the Shareholders in relation to the amendments to certain internal policies of the Company, namely (1) the Procedural Rules for Meetings of the Board of Directors of the Company; (2) the Procedural Rules for Meetings of the Supervisory Committee of the Company; (3) the Working Manual for the Independent Directors of the Company; and (4) the Policy for the Management of Related Party Transactions of the Company, the details of which are set out in the Appendices II, III, IV and V of this circular respectively. Save for the amendments set out in appendices, other provisions in the above mentioned internal policies remain unchanged.

The Company has proposed an ordinary resolution at the EGM for the Shareholders to consider and, if thought fit, approve the abovementioned proposed amendments to certain internal policies of the Company.

IV. RELATED PARTY TRANSACTIONS SUBJECT TO THE SHAREHOLDERS' APPROVAL PURSUANT TO THE SSE LISTING RULES

1. 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 CBIRC to the Group. For each of 2021, 2022 and 2023, the maximum amount of deposits to be placed by the Group with China Merchants Bank will not exceed RMB4 billion, and the maximum amount of loans to be provided by China Merchants Bank to the Group will not exceed RMB5 billion. No caps have been specified in respect of the other financial services provided by China Merchants Bank to the Group for each of 2021, 2022 and 2023.

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.

2. Daily Related Party Transactions between the Group and the Related Joint Ventures

According to the ordinary operation needs of the Group, the Board had considered and approved the resolution in relation to the entering into the daily related party transactions framework agreement between the Company and the Related Joint Ventures. On 28 October 2020, the Company has entered into the daily related party transactions framework agreement with each of the Related Joint Ventures in relation to provision and receipt of freight forwarding, shipping, warehousing, road transportation, express delivery, ship transportation, container and other equipment leasing and other logistics services between the Group and the Related Joint Ventures for a term of three years from 1 January 2021 to 31 December 2023.

The pricing of the above daily related party transactions framework agreement shall be in accordance with the principle of fairness and reasonableness and based on market fair prices. In principle, the prices shall not deviate from the prices or charging standards of independent third parties. No party may use the related party transactions to harm the interests of the other party. The terms of specific services agreements contemplated under the daily related party transactions framework agreement shall be normal commercial terms.

Pursuant to the above daily related party transactions framework agreement, the annual caps in respect of the provision of abovementioned logistics related services for the Related Joint Ventures by the Group are set out below:

Unit: ten thousand
Currency: RMB

	2021	**2022**	**2023**
DHL-Sinotrans International Air Courier Co., Ltd.	16,000	19,000	22,500
Shanghai United Cold Chain Logistics Co., Ltd.	3,000	3,500	4,500
Nissin-Sinotrans International Logistics Co., Ltd.	8,000	9,500	11,500

Pursuant to the above daily related party transactions framework agreement, the annual caps in respect of the receipt of abovementioned logistics related services by the Group from the Related Joint Ventures are set out below:

Unit: ten thousand
Currency: RMB

	2021	2022	2023
DHL-Sinotrans International Air Courier Co., Ltd.	27,000	32,500	39,000
New Land Bridge (Lianyungang) Terminal Company Limited	12,000	14,500	17,500

According to the SSE Listing Rules, as certain director or senior management members of the Company concurrently serve as the directors of the Related Joint Ventures, the Related Joint Ventures constitute related parties of the Company, and the provision and receipt of abovementioned logistics related services between the Group and the Related Joint Ventures constitute related party transactions of the Company and shall be submitted to the EGM for the Shareholders' approval.

The Company has proposed an ordinary resolution at the EGM for the Shareholders to consider and, if thought fit, approve the abovementioned daily related party transactions between the Group and the Related Joint Ventures.

V. EGM

The H Share register of members of the Company will be closed from 11 December 2020 to 22 December 2020 (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 10 December 2020, 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 of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 10 December 2020.

The EGM will be convened and held at 10 a.m. on 22 December 2020 at the 1st Meeting Room, 11th Floor, Building 10/Sinotrans Tower B, No.5 Anding Road, Chaoyang District, Beijing 100029, the PRC to consider and, if thought fit, approve, among other things, (i) the Non-exempt Continuing Connected Transactions subject to the New Caps; (ii) the proposed amendments to certain internal policies of the Company; and (iii) the related party transactions subject to the Shareholders' approval pursuant to the SSE Listing Rules.

Notice of the EGM enclosed in this circular together with the notice of attendance and proxy form are despatched to the Shareholders on 20 November 2020 and are available on the website of the Company and the website of the 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 18 December 2020. 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 forms of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

As each of China Merchants, the Finance Company and Sinotrans Shandong Hongzhi is a party to the Master Services Agreement (China Merchants) and the Master Lease Agreement, the Financial Services Agreement as well as the Master Services Agreement (Sinotrans Shandong Hongzhi), respectively, they, together with their respective associates (including SINOTRANS & CSC), 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 57.64% 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 192,978,000 H Shares through SINOTRANS & CSC, its wholly owned subsidiary; and SINOTRANS & CSC directly held 2,472,216,200 A Shares and indirectly held 192,978,000 H Shares through its wholly owned subsidiaries, among which Sinotrans (Hong Kong) Holdings Ltd. held 106,683,000 H Shares, Sinotrans Shipping Inc. held 500,000 H Shares and Sinotrans Shipping Ltd. held 85,795,000 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. Song Dexing, Mr. Su Jian, Mr. Xiong Xianliang and Mr. Jiang Jian, being the directors of the Company, are concurrently holding positions in China Merchants, 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. Furthermore, as Mr. Li Guanpeng and Mr. Song Rong, being the directors of the Company, concurrently serve as the directors of the Related Joint Ventures, they have abstained from voting on the board resolution in respect of the daily related party transactions between the Group and the Related Joint Ventures in accordance with the relevant PRC laws and regulations.

According to Rule 13.39(4) of the Listing Rules, all votes of the EGM shall be taken by poll. An announcement on the poll results will be made by the Company after the EGM in accordance with the Listing Rules.

VI. DIRECTORS' RECOMMENDATION

As stated above, ordinary resolutions will be proposed to approve, among others, (i) the Non-exempt Continuing Connected Transactions subject to the New Caps; (ii) the proposed amendments to certain internal policies of the Company; and (iii) the related party transactions subject to the Shareholders' approval pursuant to the SSE Listing Rules at 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 pages 35 and 36 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 37 to 62 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; (ii) the proposed amendments to certain internal policies of the Company; and (iii) the related party transactions 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 the independent non-executive Directors) recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

VII. 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

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in respect of the terms of the Master Services Agreements, the Master Lease Agreement, the Financial Services Agreement and the transactions contemplated thereunder as set out in the Circular.

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)

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, 20 November 2020

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

18/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

20 November 2020

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 20 November 2020 issued by the Company to the Shareholders (the "**Circular**"), of which this letter of advice forms part. Capitalised 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 Agreements 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 28 October 2020, 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**"), to replace the Former Master Services Agreement and the Former Master Lease Agreement, respectively, the three-year term for both of which will expire on 31 December 2020. Similarly on even date, the Company entered into 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 Sinotrans Shandong Hongzhi and its associates in anticipation of the expiry of the relevant former master services agreement (the "**Former SSH Agreement**") on 31 December 2020.

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 28 October 2020 to replace the Former Financial Services Agreements.

Each of the Master Services Agreements, the Master Lease Agreement and the Financial Services Agreement shall have a term of three years commencing from 1 January 2021 and ending on 31 December 2023.

According to the Letter from the Board, the transactions contemplated under the Master Services Agreements, 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 (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 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 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 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. We have also assumed that 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 Group, China Merchants, Sinotrans Shandong Hongzhi, 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 information 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 2023, and they do not represent forecasts of revenues or costs to be recorded from the Master Services Agreements, 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 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 in the PRC. With 70 years of history and experience, the Group has established long-term and stable cooperative relationship with many well-known domestic enterprises and multinational corporations, and is well recognised by its customers. The Group also maintains good and stable partnership with internationally renowned shipping companies and airlines as suppliers.

The Group focuses its business on the fast-growing coastal regions and other strategic regions in the PRC, and has developed an extensive and comprehensive domestic and overseas service network. Leveraging on its comprehensive service network, integrated logistics service model and professional capabilities, the Group is able to provide complete specialised logistics services to its customers. In order to conform to the Company's strategic orientation and the industry development trend, to accelerate business restructuring, and to promote digital and platform-based transformation, the Group reorganised its business lines in 2019, under which it has adjusted its businesses into three major segments, namely logistics business, forwarding and related business and e-commerce business.

To cater for the various needs of its customers, the Group provides tailor-made integrated logistics solutions covering the entire value chain 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 services such as less-than-truck load express, bonded logistics and exhibition 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 other services such as road freight forwarding, shipping and trucking. According to the Directors, the Company is the largest freight forwarding company in the PRC.

The Group's e-commerce business includes cross-border e-commerce logistics, logistics e-commerce platform and logistics equipment sharing platform. The cross-border e-commerce logistics mainly refers to the whole-chain and partial chain professional end-to-end logistics service provided to e-commerce customers under the cross-border e-commerce trading model. Logistics e-commerce platform refers to the provision of various public services by the Group to platform customers through the unified online logistics e-commerce platform. Logistics equipment sharing platform refers to logistics equipment leasing including container and mobile fridge container, tracking and monitoring services.

As advised by the Directors, the Company has preliminarily formed a trinity business mode integrating the role of logistics provider, logistics integrator and logistics platform operator, and is positioned to become a frontrunner in the transportation and logistics industry.

2. The Master Services Agreements

Information on China Merchants and Sinotrans Shandong Hongzhi

As extracted from the Letter from the Board, 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. 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 NVOCC business and international express services.

Overview of the PRC's transportation and logistics industry

Since the 19th CPC National Congress, the transportation and logistics industry has been positioned as a fundamental, strategic and leading industry supporting the national economic growth. In 2019, the PRC government announced the Opinions on Promoting the High-quality Development of Logistics and Promoting the Formation of Strong Domestic Market (《推動物流高品質發展促進形成強大國內市場的意見》) and the Implementation Plan for the Construction of National Logistics Hub Network (2019-2020) (《國家物流樞紐網路建設實施方案(2019-2020年)》), under which the construction of national logistics hub layout was proposed. Several prominent geographical strategies, namely the Belt and Road Initiative, the Beijing-Tianjin-Hebei coordinated development, the development of Yangtze River Economic Belt, the construction of Guangdong-Hong Kong-Macao Greater Bay Area and the integrated development of Yangtze River Delta, were also initiated.

The PRC's total foreign trade demonstrated a trend of overall stable improvement. Based on the statistics released by the National Bureau of Statistics, in 2019, the total foreign trade value achieved approximately RMB32 trillion, representing a year-on-year increase of approximately 3.4%. Among which, the export value was approximately RMB17 trillion, representing an increase of approximately 5.0%; and the import value was approximately RMB14 trillion, representing an increase of approximately 1.6%.

At the same time, the PRC's total cargo transportation demonstrated an overall improving trend. Based on the statistics released by the National Bureau of Statistics, in 2019, the total volume of cargo transportation was approximately 47 billion tons, and the turnover of cargo transportation was approximately 19,929 billion ton-km. The annual port cargo throughput was approximately 14 billion tons, representing an increase of approximately 5.7%, of which the foreign trade cargo throughput was approximately 4 billion tons, increasing by approximately 4.7%. The annual port's container throughput was approximately 261 million TEUs, representing an increase of approximately 4.4%.

As aforementioned, the Belt and Road Initiative has been one of the prominent geographical strategies initiated by the PRC government in recent years. Based on the statistics released by the Shanghai Shipping Exchange, the Belt and Road Trade Cargo Volume Index

rose persistently from around 120 points in August 2018 to around 190 points in August 2020. During the same said period, the Belt and Road Trade Value Index also rose from around 120 points in August 2018 to the peak of around 150 points in August 2019. Despite the short-term downturn thereafter, the index bounced back to around 130 points in August 2020.

The outbreak of COVID-19 epidemic in early 2020 has inevitably hurt the PRC's economy. The PMI index fell sharply while the total foreign trade shrank from January 2020 to February 2020. However, it is widely believed that the impact of the epidemic on the PRC's economy would be rather temporary, and would not change the fundamentals of the PRC's stable and long-term economic improvement. Based on the latest statistics released by the National Bureau of Statistics, the gross domestic product growth rate of the PRC decreased by approximately 6.8% in the first quarter of 2020 but increased by approximately 3.2% in the second quarter of 2020. The PMI index has rebounded in March 2020 and stayed at roughly the same level as right before the COVID-19 outbreak during the second quarter of 2020. Furthermore, the total foreign trade value has been expanding steadily since March 2020, with the aggregate total foreign trade value in the second quarter of 2020 soaring by approximately 16.7% as compared to the first quarter of 2020. The China Containerised Freight Index ("**CCFI**") averaged at around 840 points in June 2020, which was a recovery from a successive 4-month decline. The CCFI has then picked up the rising momentum and reached around 900 points in late August 2020. Moreover, after the outbreak of the epidemic, the PRC government has successively announced the Guidance on Proactive and Orderly Promotion of the Resumption of Work and Production while Conducting Effective Epidemic Prevention and Control (《關於在有效防控疫情的同時積極有序推進復工復產的指導意見》), the Notice on the Furtherance of Establishing Pilots of Supply Chain Innovation and Application (《關於進一步做好供應鏈創新與應用試點工作的通知》) and the Notice on the Implementation Opinions for Further Reducing the Cost of Logistics (《關於進一步降低物流成本實施意見的通知》) to provide guidance and support for the gradual resumption of the transportation and logistics industry amid the relatively weak economic condition. In light of the above, the Directors expected that the PRC's transportation and logistics industry would maintain the overall expanding trend in the long run.

Reasons for the Master Services Agreements

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 do not cover areas such as Xinjiang, Ningxia and Gansu of the PRC; while 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 China Merchants Group and its associates, who are not in the same line of business as the Group, can become potential customers for services of the Group.

In view of the above, we concur with the Directors that the entering into of the Master Services Agreements 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

Pursuant to the Master Services Agreements dated 28 October 2020, the Group will provide and receive transportation and logistics services to/from China Merchants and its associates, and Sinotrans Shandong Hongzhi and its associates, 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 2021 for a period of three years ending on 31 December 2023.
Scope of services:	Provision and receipt of transportation and logistics services, including freight forwarding services, shipping agency, storage and terminal services, trucking transportation, express services and shipping transportation and other logistics services, between members of the Group and China Merchants and its associates, and Sinotrans Shandong Hongzhi and its associates.
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 this pricing mechanism. Based on the relevant internal control manuals and our discussion with the Directors, we understand that in order to ensure that services provided under the Master Services Agreements are charged at market prices, the business divisions for transportation and logistics services of the relevant Group member will collect information regarding market rates of various services offered by its competitors from time to time for comparison. For standard services, the service providers may issue price lists from time to time and the Group will obtain such price lists from time to time. For customised services, the Group will consider the pricing of such services with reference to, amongst others, the combination of the services provided and the geographical coverage of such services. In accordance with the business contract review system adopted by the Group, the operation management department, the finance department, the legal department and the general offices of the relevant Group member will review the terms of services (including the prices of services) and compare the same with

those offered by at least two independent third parties (to the extent that alternative service providers are available). Contracts in relation to transactions contemplated under the Master Services Agreements will be subject to final approval by the management of the Group who is experienced in the transportation and logistics industry. From the above, we noted that the pricing mechanism 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 further reviewed (i) around 40 transaction records for transactions contemplated under the Former Master Services Agreement as well as the Former SSH Agreement during the period from 2018 and 2020; and (ii) around 20 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 2018 to 2020. 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 payment terms, terms on delivery and service quality) were similar.

Given the stringent review system established by the Group to ensure the fairness and reasonableness of the terms of the transactions contemplated under the Master Services Agreements together with the results of our review of the past relevant transaction records, we 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.

Annual caps under the Master Services Agreements

Set out below are (i) the historical transaction amounts for each of the two years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 under the Former Master Services Agreement and the Former SSH Agreement (as the case may be); and (ii) the New Caps for each of the three years ending 31 December 2021, 2022 and 2023 under the Master Services Agreements:

	Historical transaction amounts under the Former Master Services Agreement		
	For the year ended 31 December 2018	**For the year ended 31 December 2019**	**For the six months ended 30 June 2020**
	(RMB hundred million)	*(RMB hundred million)*	*(RMB hundred million)*
Provision of transportation and logistics services by the Group	8.00	13.53	3.98
Receipt of transportation and logistics services by the Group	18.87	16.85	7.26

	The New Caps under the 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 year ended 31 December 2023** *(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 SSH Agreement		
	For the year ended 31 December 2018 *(RMB ten thousand)*	**For the year ended 31 December 2019** *(RMB ten thousand)*	**For the six months ended 30 June 2020** *(RMB ten thousand)*
Provision of transportation and logistics services by the Group	11,703	12,572	6,110
Receipt of transportation and logistics services by the Group	2,147	4,430	5,075

	The New Caps under the 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 year ended 31 December 2023** *(RMB ten thousand)*
Provision of transportation and logistics services by the Group	25,000	32,500	39,000
Receipt of transportation and logistics services by the Group	25,000	28,000	31,900

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

(i) The historical transaction amounts

As set out in the above tables, the actual amount with respect to the provision of transportation and logistics services by the Group under the Former Master Services Agreement increased by approximately 69.1% from 2018 to 2019. With regard to the receipt of transportation and logistics services by the Group, the actual transaction amount decreased by approximately 10.7% from 2018 to 2019. On the other hand, the actual amounts with respect to the provision and receipt of transportation and logistics services by the Group under the Former SSH Agreement increased by approximately 7.4% and 106.3%, respectively, from 2018 to 2019.

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 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 Sinotrans Shandong Hongzhi and its associates as transportation and logistics services provider or vice versa. Thus, we concur with Directors that the decrease in the actual transaction amount in respect of the receipt of transportation and logistics services by the Group under the Former Master Services Agreement has no bearing on the fairness and reasonableness of the basis to determine the New Caps under the Master Services Agreements.

(ii) Historical growth of the Group's revenue and net profit

The table below shows the audited revenue and net profit of the Group from 2015 to 2019 as extracted from the annual report of the Company for the year ended 31 December 2019 (the "**Annual Report**").

	2019	**2018**	**2017**	**2016**	**2015**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Operating income	77,650,091	77,311,837	73,157,513	60,252,933	45,934,828
Net profits attributable to the Shareholders	2,803,495	2,704,106	2,304,191	2,253,728	1,493,263

It is noted from the above table that as a strong proof of the Group's dominance and significant advancement within the PRC's transportation and logistics industry, both of the Group's revenue and net profit have been increasing continuously and robustly at a cumulative growth rate of approximately 69.0% and 87.7%, respectively, from 2015 to 2019. We further noted that the maximum combined New Cap of RMB4,615 million (i.e. RMB4,225 million plus RMB390 million) under the Master Services Agreements with regard to the provision of transportation and logistics services by the Group represents approximately 5.9% of the Group's total income from operations for the year ended 31 December 2019; whereas the maximum combined New Cap of RMB6,234 million (i.e. RMB5,915 million plus RMB319 million) under the Master Services

Agreements with regard to the receipt of transportation and logistics services by the Group represents approximately 8.1% of the Group's total costs of operation for the year ended 31 December 2019. Judging from the historical continuous robust growth of the Group's business, we consider the aforesaid percentages (which are below 10% only) to be acceptable.

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

According to the Annual Report, in 2019, the Group focused on expanding the market and enhancing quality and efficiency, and achieved leapfrog development and historic breakthroughs in various aspects of business expansion and corporate operation and management. The Group made symbolic breakthroughs in its three major businesses. For logistics business, the traditional storage and transportation service mode was extended to serve the whole industry chain, including inbound logistics, outbound logistics and in-production logistics. For forwarding and related businesses, Sinotrans E-LCL, the first national standardised product, was launched and covered the system nationwide. For e-commerce business, Sinotrans launched the Y2T, a unified national logistics e-commerce platform, and opened the Customs Service Cloud, the first national sharing center. Persistent efforts were devoted in intelligent logistics. With a commitment to building the first intelligent logistics brand in the PRC, the Group completed digital planning and established the first intelligent logistics technology center, with the widespread applications of ABCDT (artificial intelligence, blockchain, cloud computation, big data, Internet of Things) in the full chain of logistics.

Moreover, the Company was successfully listed on the Shanghai Stock Exchange in 2019. The Group also completed the acquisition of the 100% equity interests in seven European logistics companies under KLG Group. This was an initial step for the Group to expand its European operation network and extend the end-to-end service chain. The acquired KLG Group was consolidated into the consolidated financial statements of the Group starting from 2020. Contributed by this fact together with the increased volume of cross-border e-commence logistics business due to the expanded online consumption demand, and the strong market demand for air freight forwarding and rising freight price, the Group's operating income jumped by approximately 5.2% during the first half of 2020 as compared to the corresponding period in 2019 regardless of the COVID-19 epidemic.

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 China Merchants Group

Based on our independent research, we noted that China Merchants is a state-owned enterprise headquartered in Hong Kong and is under the direct supervision of SASAC. In 2019, China Merchants Group's various economic indicators hit a record high with revenue of approximately RMB714 billion, total profit of approximately

RMB163 billion and net profit of approximately RMB127 billion, surging substantially by approximately 9.9%, 12.4% and 18.3%, respectively, as compared to the prior year. As at 31 December 2019, the total assets of China Merchants Group amounted to approximately RMB9 trillion, representing a year-on-year increase of approximately 14.6%. As stated in the official website of China Merchants, the total profit, net profit and total assets of China Merchants Group ranked first among all state-owned enterprises.

At present, one of the three core businesses of China Merchants Group is comprehensive transportation. In this regard, China Merchants Group has established a relatively complete port network along the PRC's major hub ports, with investment or management rights of terminals distributed throughout Hong Kong, Taiwan, Shenzhen, Ningbo, Shanghai, Qingdao, Tianjin, Dalian, Yingkou, Zhangzhou, Zhanjiang and Shantou. Other container hub ports meanwhile have been successfully deployed in Southeast Asia, Africa, Europe, Middle East, North America, South America and Oceania. In 2019, China Merchants Group's port sector's equity throughput ranked first in the world with the collective container throughput reaching approximately 113 million TEUs, and the bulk cargo throughput reaching approximately 490 million tons.

Furthermore, China Merchants Group is a crucial participant and promoter of the national Belt and Road Initiative. It has accelerated the pace of international development with 68 ports operated globally in 27 countries and regions. China Merchants Group has also formed a relatively complete network of overseas ports, logistics, finance and industrial parks, which are mostly located in the dominant areas along the Belt and Road countries and regions. The acquisition of ten terminal projects in Asia, Europe, Middle East and the Caribbean has further enlarged the global port network of China Merchants Group.

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

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

As illustrated under the sub-section headed "Overview of the PRC's transportation and logistics industry" of this letter of advice, the PRC's transportation and logistics industry has been witnessing considerable progression in recent years. The transportation and logistics industry is positioned as a fundamental, strategic and leading industry supporting the national economic growth, with a number of prominent geographical strategies having been initiated. Notwithstanding the outbreak of COVID-19 epidemic, the PRC's transportation and logistics industry has already shown signs of gradual recovery and improvement. Given the continuous formidable support from the PRC government, it is expected that the PRC's transportation and logistics industry

would maintain the overall expanding trend in the long run; and hence it would be beneficial for the Company to set higher New Caps under the Master Services Agreements in order to allow ample room and flexibility for the Group's future business development.

We are of the view that factors (iii) to (v) above could help to justify the Company's assumption of the 30% year on year increase over the previous annual cap for the year ending 31 December 2021 in determining the annual caps for the two years ending 31 December 2023.

(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 the PRC and overseas. As such, the New Caps under the Master Services Agreements 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 CCFI over the past five years, we noted that the CCFI had fluctuated rather vibrantly between 600 points and 1,000 points. Taking into account the vibrant movement of the CCFI between 600 points to 1,000 points over the past five years, we are of the opinion that it is justifiable for the New Caps under the Master Services Agreements to take into account the potential fluctuation of the transportation and logistics industry due to its volatile nature.

In light of all the aforesaid factors, we are of the view that the New Caps under the Master Services Agreements 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 (including the Leasing Arrangement) facilitates continuous and stable use of operating premises and containers and other equipment between the Group and China Merchants and its associates at the 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 28 October 2020 is set out in the following table:

Term: Commencing on 1 January 2021 for a period of three years ending on 31 December 2023.

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 in various locations 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 this 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 China Merchants and its associates, 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 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 Group.

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 2018 and 2020; and (ii) around 15 transaction records between the Group and independent third parties in respect of similar leasing arrangements during the period from 2018 to 2020. 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 payment terms, terms on management and responsibilities) were similar.

Given the stringent review system established by the Group to ensure the fairness and reasonableness of the terms of the Leasing Arrangement under the Master Lease Agreement together with the results of our review of the past relevant transaction records, we 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 (i) the historical transaction amounts in respect of the lease of properties and storage facilities (inclusive of the equipment therein) by the Group from China Merchants and its associates for each of the two years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 under the Former Master Lease Agreement; and (ii) the New Caps in respect of the Leasing Arrangement for each of the three years ending 31 December 2021, 2022 and 2023 under the Master Lease Agreement:

	Historical transaction amounts		
	For the year ended 31 December 2018 *(RMB ten thousand)*	**For the year ended 31 December 2019** *(RMB ten thousand)*	**For the six months ended 30 June 2020** *(RMB ten thousand)*
The Group as lessee for properties and storage facilities (inclusive of the equipment therein)	13,200	12,400	12,300

	The New Caps		
	For the year ended 31 December 2021 *(RMB ten thousand)*	**For the year ended 31 December 2022** *(RMB ten thousand)*	**For the year ended 31 December 2023** *(RMB ten thousand)*
Rights-of-use assets (for those leases of which the lease term exceeds one year)	250,000	275,000	302,500
Other payments (including rent for those leases of which the lease term is no more than one year)	12,000	13,200	14,520

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 the lessee shall recognise 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 recognise (i) depreciation charge over the life of the right-of-use assets, and (ii) interest expenses amortised 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 of 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 conducted an interview with the Company and its auditors. Based on the representation of the Company and its auditors, 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) in effect (the "**Existing Leases**"), taking into account also the expected future growth, for each of the three years ending 31 December 2021, 2022 and 2023. In the course of the calculation, an incremental borrowing rate of 4.9% is used as the discount rate. Accordingly, for our due diligence purpose, we have requested and obtained from the Company the full list of the Existing Leases, with details regarding the property type, location, monthly rental and lease term of each of the Existing Leases. We have also searched on the website of PBOC and found that the benchmark interest rate for loans of over five years is 4.9%. In view of that (i) the incremental borrowing rate adopted is equivalent 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 and its auditors that in accordance with the PRC Accounting Standards for Business Enterprises, they will be recorded as expenses by the Company over the remainder of term of the lease and separate caps are therefore set in accordance with the Listing Rules.

In addition to 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 the PRC's logistics property market

From our independent research, with reference to an industry report compiled by Jones Lang LaSalle Limited, an industry consultant, in October 2019 with regard to, amongst others, the PRC's logistics property market published at https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1022/2019102200177.pdf, geographically, distribution centers in the PRC are based in three major centers of economic activity: the Beijing Tianjin area (northeast), the Yangtze River Delta (east) and the Pearl River Delta (south). Ports have historically played a vital role in the development of logistics facilities and have been clustered around these three distribution centers. Similarly, newer modes of transportation have also been primarily focusing on these three centers. The PRC's growing consumer class (especially in the middle-income segment) is underpinning the rising consumption trends and subsequent growth in demand for high-quality logistics distribution space. The PRC's household consumption has risen alongside average disposable income for the past two decades. Increasing incomes in turn are driving retail sales across a range of product categories. Middle class and retail market are both growing geographically more diverse. The transportation and logistics industry in particular continues to offer attractive long-term opportunities as the PRC builds its supply chain infrastructure. The

inland relocation of manufacturing capacity, combined with domestic consumption growth led by the rise of the middle class throughout the country, is creating strong demand for prime warehouse space. Many manufacturers and retailers are modernising and streamlining their supply chains, creating demand for modern, high-specification facilities.

In Beijing, the city government continues to restrict the amount of new warehouse land entering the market in its attempt to shift non-core administrative functions away from Beijing. As a result, despite the softer economic growth, the average occupancy rate in the Beijing logistics market is expected to remain at above 90% in the next two years. In Shanghai, there is still considerable leasing activity coming from manufacturing firms and third-party logistics service providers. Looking ahead, demand should continue to be fundamentally driven by local and regional consumer market growth, while there will also be strong demand from manufacturers. Going forward, the average occupancy rate in the Shanghai logistics market is forecasted to continue to remain at above 95% over the next two years. In Guangzhou, the city government has restricted logistics development. With supply constrained and rising tenant demand, vacancy has remained consistently low. Existing projects close to Guangzhou's city center are operating at near full occupancy. Typically, logistics occupancy is often higher and more stable than occupancy in office markets.

As for rentals, rents in Beijing have increased by about 90% since end-2008 and continue to grow at a strong pace as a result of the near full market occupancy and driven by strong demand from third-party logistics service providers and e-commerce companies. Mounting demand coupled with limited space options for occupiers supported rental growth of approximately 18.8% in 2018, and are expected to drive growth of approximately 12.6% in 2019. Rents in Shanghai have increased by about 46% since end-2008, and have grown at an even faster pace in Shanghai's satellite cities. Rents in Shanghai grew by approximately 5.0% in 2018 and are forecasted to continue to trend upward in 2019 and 2020 at an average of approximately 3.5% per year. Rents in Guangzhou have increased by about 47% since end-2008. With consistently high occupancy in core locations and higher vacancies in emerging, less popular areas, steady rental growth is expected in Guangzhou.

All in all, in the midst of the flourishing logistics property market of the PRC, market rents for properties at locations and of a quality similar to those currently occupied by the Group and in particular, for commercial properties in key cities in the PRC, 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, and so do the New Caps for 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" of this letter of advice, we have illustrated (a) the historical continuous robust advancement of the Group's business as proved by its revenue and net profit growth; (b) the potential future expansion in the Group's business and operation scale; (c) the solid background of China Merchants Group; and (d) the positive prospects of the PRC'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 China Merchants Group would likely to continue to expand in the near future, thereby driving additional demand for properties and storage facilities (inclusive of the equipment therein).

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 extracted from the Letter from the Board, the Finance Company's principal activities target at members of China Merchants Group: (i) handle financial and financial consulting, credit verification and related consulting and agency services; (ii) assist in 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 CBIRC. In accordance with the relevant requirements under the Measures for Administration of Finance Companies of Enterprise Groups (《企業集團財務公司管理辦法》) promulgated by CBIRC, 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 following ratio requirements: (i) the capital adequacy ratio shall not be lower than 10%; (ii) the net inter-bank borrowing balance shall not exceed its total registered capital; (iii) the total amount of outstanding guarantees shall not be more than its total registered capital; (iv) the total amount of

investment to total registered capital ratio shall not be more than 70%; and (v) the ratio of self-owned fixed assets to total registered capital shall not exceed 20%; and

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

According to 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 the PRC on the Finance Company. Furthermore, the Finance Company enjoys the benefit of the undertaking by China Merchants to CBIRC to provide funds to make up any funding shortfall in the event that the Finance Company is unable to meet its payment obligations.

We have also obtained from the Company the submission forms prepared by the Finance Company in reporting their liquidity ratios as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020 to the CBIRC and noted that the Finance Company has maintained its liquidity ratio above the relevant regulatory requirement.

In light of the foregoing, 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 and reduce costs and increase efficiency of settlement of transactions within 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 the PRC, thus offering the Group a higher deposit interest return. In terms of risk management, we have also analysed 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 28 October 2020 is set out in the following table:

Term: Commencing on 1 January 2021 for a period of three years ending on 31 December 2023.

Interest rate: The interests rate payable by the Finance Company to the Company and its subsidiaries 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 the PRC for the same period.

The Financial Services Agreement also contains the following protective provisions:

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

(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 CBIRC and other regulatory authorities.

(v) The Finance Company is required to provide the Group with quarterly reports, setting out daily status of the Group's deposits with the Finance Company; the quarterly balance sheet, income statement and cash flow statement of the Finance Company; significant organisation 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.

As aforementioned, the interest rates payable by the Finance Company to the Company and its subsidiaries 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 the PRC for the same period. In this

relation, we have compared the deposit rates offered by PBOC, other major domestic commercial banks in the PRC and the Finance Company, 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 the PRC.

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 2021, 2022 and 2023 under the Financial Services Agreement:

	For the year ending 31 December 2021 *(RMB hundred million)*	**For the year ending 31 December 2022** *(RMB hundred million)*	**For the year ending 31 December 2023** *(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)	50.00	50.00	50.00

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 2018 and 2019 and the six months ended 30 June 2020; (ii) the existing caps in respect of the deposit services under the Former Financial Services Agreements; and (iii) the utilisation rates of the existing caps:

	For the year ended 31 December 2018 *(RMB hundred million)*	For the year ended 31 December 2019 *(RMB hundred million)*	For the six months ended 30 June 2020 *(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)	35.37	38.40	38.57
The existing caps in respect of deposit services under the Former Financial Services Agreements (B)	40.00	50.00	50.00
% of utilisation (A)/(B)	88.4%	76.8%	77.1%

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 RMB3,537 million, RMB3,840 million and RMB3,857 million during the two years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, respectively, demonstrating a stable year-on-year surge. Besides, the existing caps under the Former Financial Services Agreements were substantially utilised, indicating that the existing caps had been reasonably determined.

(ii) The Group's cash position

As extracted from the interim report of the Company for the six months ended 30 June 2020 and the Annual Report, the Group's cash position as at 30 June 2020, 31 December 2019 and 2018 was as follows:

	As at 30 June 2020 (unaudited) *RMB'000*	**As at 31 December 2019** (audited) *RMB'000*	**As at 31 December 2018** (audited) *RMB'000*
Cash and bank balances	9,584,505	10,475,500	15,538,785

The Group's cash and bank balances stayed at a high level of around or above RMB10,000 million in recent years, and the New Cap in respect of the Deposit Services under the Financial Services Agreement of RMB5,000 million accounts for approximately 52.2%, 47.7% and 32.2% of the Group's available cash on hand as at 30 June 2020, 31 December 2019 and 31 December 2018, respectively. Moreover, the New Cap in respect of the Deposit Services under the Financial Services Agreement represents approximately 6.4% of the Group's total income from operations of approximately RMB77,650 million for the year ended 31 December 2019. 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, since the New Caps in respect of the Deposit Services for each of the three years ending 31 December 2021, 2022 and 2023 under the Financial Services Agreement are the same as the existing caps for the two years ended 31 December 2019 which had been reasonably determined, 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) Maximising 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 to the Company and its subsidiaries 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 the PRC 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 China Merchants Group, or as amongst members of the Group, to take 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 utilised to supplement the fund cash requirements of the subsidiaries of the Company and increase the efficiency of funds utilisation 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 values of the Non-exempt Continuing Connected Transactions must be restricted by the New Caps for the periods concerned under the Master Services Agreements, the Master Lease Agreement and the Financial Services Agreement; (ii) the terms of the Master Services Agreements, 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 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 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) around 15 sample records of the business contracts review as detailed under the sub-section headed "Principal terms of the Master Services Agreements" 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 2019; 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 2019. Having performed the above reviews which show that the Non-exempt Continuing Connected Transactions have been conducted in a fair and reasonable way and having been supervised independently, 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 will 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. 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
Deputy 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 15 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

As at the Latest Practicable Date, so far as the Directors, chief executive or supervisor of the Company are aware, none of the Directors, chief executive or supervisors of the Company has interests and short positions in the Shares, underlying Shares or debentures of the Company and 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 or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Hong Kong Stock Exchange.

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 or supervisors of the Company 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	Class of Shares	Percentage of the Company's total issued share capital	Percentage of the Company's issued H share capital
China Merchants *(Note 1)*	4,072,813,639 (L)	A Shares	55.03%	–
	192,978,000 (L)	H Shares	2.61%	8.99%
Pandanus Associates Inc. *(Note 2)*	298,101,000 (L)	H Shares	4.03%	13.90%
Brown Brothers Harriman & Co.	217,136,200 (L)	H Shares	2.93%	10.12%
(Note 3)	217,136,200 (P)	H Shares	2.93%	10.12%
FIDELITY FUNDS *(Note 4)*	146,756,091 (L)	H Shares	1.98%	6.84%
LSV ASSET MANAGEMENT *(Note 5)*	110,421,000 (L)	H Shares	1.49%	5.15%

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

Notes:

1. China Merchants holds 57.64% of the Company's total issued shares. China Merchants directly held 1,600,597,439 A Shares (long position), and indirectly held 2,472,216,200 A Shares (long position) and 192,978,000 H Shares (long position) through Sinotrans & CSC, its wholly owned subsidiary, and Sinotrans & CSC indirectly held 192,978,000 H Shares (long position) through its wholly owned subsidiaries, among which Sinotrans (Hong Kong) Holdings Ltd. held 106,683,000 H Shares (long position), Sinotrans Shipping Inc. held 500,000 H Shares (long position) and Sinotrans Shipping Ltd. held 85,795,000 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, 298,101,000 H Shares (long position) are interests of corporations controlled by substantial shareholders, of which 47,248,000 H Shares (long position) are reported as unlisted derivatives settled in cash.

3. 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 217,136,200 H Shares (long position) in the capacity of agent.

4. According to the Disclosure of Interests Form submitted by FIDELITY FUNDS on the website of Hong Kong Stock Exchange, FIDELITY FUNDS held 146,672,000 H Shares (long position) in the capacity of beneficial owner, and 84,091 H Shares (long position) are interests of corporations controlled by substantial shareholders.

5. According to the Disclosure of Interests Form submitted by LSV ASSET MANAGEMENT on the website of Hong Kong Stock Exchange, LSV ASSET MANAGEMENT held 74,389,000 H Shares (long position) in the capacity of investment manager, and 36,032,000 H Shares (long position) are deemed interest through its general partnership interest in certain limited partnerships.

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

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 interests 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.

The executive Director, namely Mr. Song Dexing, is the business director of Transportation and Logistics, the director of the Transportation and Logistics Division/Beijing Headquarters of China Merchants and the executive director of Sinotrans & CSC; the non-executive Director, namely Mr. Su Jian, is the Head of Finance Department (Property Department) of China Merchants; the non-executive Director, namely Mr. Xiong Xianliang, is the Head of Strategy and Development Department of China Merchants; and the non-executive Director, namely Mr. Jiang Jian, is the Head of the Disciplinary Committee Office and the Head of Supervision Department of 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.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or supervisor of the Company, 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 2019, 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 2019 (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:

(a) 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 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up; and

(b) 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

(a) The registered address of the Company is situated at Sinotrans Plaza A A43, Xizhimen Beidajie, Haidian District, Beijing 100082, the People's Republic of China. The headquarter of the Company is situated at Building 10/Sinotrans Tower B, No.5 Anding Road, Chaoyang District, Beijing 100029, People's Republic of China. The principal place of business of the Company in Hong Kong is situated at Room F & G, 20/F., MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

(b) The H share registrar of the Company is Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

VIII. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the office of Baker & McKenzie at 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong from the date of this circular, for a period of 14 days:

(a) the Master Services Agreements, the Master Lease Agreement and the Financial Services Agreement;

(b) the Former Master Services Agreement, the Former Master Lease Agreement, the Former Financial Services Agreement and the former master services agreement entered into between the Company and Sinotrans Shandong Hongzhi;

(c) the letter from the Independent Board Committee to the Independent Shareholders dated 20 November 2020, the text of which is set out on pages 35 to 36 of this circular;

(d) the letter from VBG Capital to the Independent Board Committee and the Independent Shareholders dated 20 November 2020, the text of which is set out on pages 37 to 62 of this circular; and

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

Details of proposed amendments to the Procedural Rules for Meetings of the Board of Directors of the Company are set out as follows, with amendments underlined:

(I) Article 4 is proposed to be amended as:

The directors are elected and replaced by general meeting, with a term of office of 3 years, and may be dismissed from their office by general meeting before the expiry of their term of office. The directors may be reelected upon the expiry of his term of office. The chairman and vice chairman shall be elected and removed by more than half of all the directors. The chairman and vice chairman have a term of office of 3 years and can be reelected, and the term of reelection of an independent director shall not be more than six years. Directors may request to resign before expiry of their terms of office.

In the event that the resignation of any director results in the number of members of the Board falling below the quorum, the resigned director shall continue to perform his duties in accordance with the laws, administrative regulations, rules of regulatory authorities and the provisions of these Rules until the re-elected director assumes office. Other than the circumstances referred to in this paragraph, the resignation of a director shall become effective upon submission of his resignation report to the Board.

(II) Article 5 is proposed to be amended as:

~~If necessary, the Board of Directors may establish special committees such as Execution Committee, Audit Committee, Remuneration Committee, Nomination Committee and Strategy Committee, which shall be responsible to the Board. These special committees shall develop working rules, which shall take effect after being approved by the Board. The special committees consist of the directors nominated by the chairman of the Board and elected by the Board.~~ The Board of Directors shall set up the audit committee, the remuneration committee and the nomination committee, and to meet needs, the strategy committee and relevant special committees. The special committees shall be responsible to the Board of Directors and shall perform their duties as authorized by the Board of Directors.

All members of the special committees shall be directors, and independent directors shall account for the majority of members of the audit committee, the nomination committee and the remuneration committee, and shall serve as the chairmen. The chairman of the audit committee shall be an accounting professional.

The Board of Directors shall be responsible for formulating the rules of procedures for the special committees to regulate their operations.

(III) Article 6 is proposed to be amended as:

The Board of Directors shall be responsible to the general meeting and exercise the following functions and powers:

(i) To convene the general meeting and report to the general meeting;

(ii) To execute the resolutions of the general meeting;

(iii) To decide the operation plan and investment scheme of the Company;

(iv) To develop the annual financial budget plan and accounting plan of the Company;

(v) To develop the profit distribution scheme and loss recovery scheme of the Company;

(vi) To develop the registered capital increase or decrease plan and the schemes for the issuance of corporate bonds and other securities and listing of the Company;

(vii) To develop the plan for substantial acquisition, purchase of the Company's shares or merger, division, dissolution or change of the form of the Company;

(viii) To decide such matters as external investment, acquisition and disposal of assets, asset mortgage, entrusted asset management ~~and~~, related party transactions and external guarantee within the authority granted by the general meeting;

(ix) To decide the setup of the internal management organization of the Company;

(x) To appoint or remove the president and secretary of the Board, appoint or remove the vice president, chief financial officer, the chief digital officer, the general counsel and other senior officers of the Company ~~and chief IT officer~~ based on the nomination of the president, and decide their remuneration, reward and punishment issues;

(xi) To develop the basic management systems of the Company, including basic compliance management system;

(xii) To develop the amendment scheme of the Articles of Association;

(xiii) To manage the information disclosure of the Company;

(xiv) To ask the general meeting to appoint or replace the accounting firm that provides auditing services for the Company;

(xv) To listen to the work report of the president ~~and~~, inspect the works of the president and appraise effectiveness of the compliance management of the Company;

(xvi) Other functions and powers granted by the laws, administrative regulations, department rules, listing rules of the jurisdiction where the Company is listed, Articles of Association or the general meeting.

(IV) Article 8 is proposed to be amended as:

The Board of Directors shall follow strict review and decision-making procedures when deciding such important matters as external investment, acquisition and disposal of assets, asset mortgage and pledge, external guarantee, entrusted asset management and related party transactions. For important investment

projects, the Board shall organize the relevant experts and professionals for review. For the matters that shall be considered at the general meeting according to the applicable laws and regulations or the governing rules at the jurisdiction where the Company is listed, the relevant matters shall be submitted to the general meeting for approval after being reviewed and approved by the Board of Directors. Meanwhile, the Board of Directors shall authorize the president's office meetings of the Company to review and approve the matters that do not meet the consideration standards of the Board of Directors.

Prior to making decisions on material issues of the Company, the Board of Directors shall first seek the opinions of the Party Committee.

(V) Article 9 is proposed to be amended as:

The chairman shall exercise the following functions and powers:

(i) To host the general meeting and convene and host the meeting of Board of Directors;

(ii) To supervise and inspect the implementation of the resolutions of the Board of Directors;

(iii) To sign material documents of the Board of Directors and other documents which shall be signed by the legal representative of the Company;

(~~iii~~iv) To sign the securities to be issued by the Company;

(~~iv~~v) Other functions and powers granted by the Board of Directors.

(VI) Article 20 is proposed to be amended as:

The directors, in principle, shall attend the meeting of Board of Directors in person. If the director cannot attend the meeting for any reason, he shall review the meeting documents and form clear opinions, and entrust other directors through written proxy to attend on his behalf. The proxy shall contain:

(i) The names of the principal and trustee;

(ii) The brief opinion of the principal on each proposal;

(iii) The authority granted by the principal, the validity period of the authorization, and the instruction for the voting on the proposals;

(iv) The signature of the principal and the date.

The entrusted director shall exercise the rights of the director on whose behalf he attends the meeting within the scope of authority. The entrusted director shall submit the written proxy to the meeting chairman, describe the entrusted attendance on the meeting attendance book, and exercise the rights of the director on whose behalf he attends the meeting within the scope of authority. If a director fails to attend a meeting of Board of Directors nor entrusts any agent to attend, he is deemed to give up the voting right at the meeting.

(VII) Article 42 is proposed to be amended as:

The Rules shall take effect from the date when ~~have been approved by~~ the general meeting resolution is approved and shall ~~take effect~~ be as the attachment to the Articles of Association ~~on the date when the A-shares of the Company are listed on Shanghai Stock Exchange~~.

Details of proposed amendments to the Procedural Rules for Meetings of the Supervisory Committee of the Company are set out as follows, with amendments underlined:

(I) Article 2 is proposed to be amended as:

The Supervisory Committee shall be responsible to the general meeting. It is a permanent supervisory body of the Company, responsible for supervising the Board of Directors and its members, the president, deputy president, chief financial officer, secretary of the Board, the chief digital officer, the general counsel ~~chief IT officer~~ and other senior management, in order to prevent them from abusing their power and infringing the legal rights and interests of the shareholders, the Company and the employees, and to maintain the legal rights and interests of the Company and shareholders.

(II) Article 6 is proposed to be amended as:

The Supervisory Committee is responsible to the general meeting and exercises the following functions and powers according to law:

(i) To review the securities issuance documents and periodical reports of the Company ~~prepared by the Board of Directors~~ and provide written review opinions~~;~~. The supervisors shall sign the written confirmation. The supervisors shall guarantee the timeliness and fairness of the information disclosure of the Company, and the truthfulness, accuracy and completeness of the information disclosed. If the supervisors cannot guarantee the truthfulness, accuracy and completeness of such securities issuance documents and periodical reports, or hold a different opinion, such opinion and the reason thereof shall be included in their written confirmation, which shall also be disclosed by the Company. If the Company has failed to make such disclosure, such supervisor may apply to disclose directly;

(ii) To check the financial affairs of the Company;

(iii) To supervise the performance of duties by the directors and senior executives, and make proposal to remove the director or senior executive who has breached the laws, administrative regulations, the Articles of Association and the resolutions of the general meeting;

(iv) To ask the director, president and other senior executives of the Company to make correction if their behaviors damage the interests of the Company;

(v) To make investigations when detecting any abnormality in the operation of the Company or having doubt on the financial information submitted by the Board of Directors to the general meeting (such as the financial report, business report and profit distribution plan), and engage when necessary professional institutions (such as accounting firm and law firm) to assist in its works at the expense of the Company;

(vi) To propose to convene the extraordinary general meeting, and convene and hold the general meeting when the Board of Directors fails to perform the duty of convening and hosting the general meeting set out in the Company Law;

(vii) To negotiate with or sue the directors on behalf of the Company; and to bring litigation against the directors and senior executives according to Article 151 of the Company Law;

(viii) To make proposal to the general meeting;

(ix) Other functions and powers set out in the Articles of Association.

(III) Article 41 is proposed to be amended as:

The Rules shall take effect from the date when ~~have been approved by~~ the general meeting resolution is approved and shall ~~take effect~~ be as the attachment to the Articles of Association ~~on the date when the A-shares of the Company are listed on Shanghai Stock Exchange.~~

Details of proposed amendments to the Working Manual for the Independent Directors of the Company are set out as follows, with amendments underlined:

(I) Article 1 is proposed to be amended as:

This Manual is hereby stipulated by Sinotrans Limited (hereinafter the "Company") under the relevant provisions of the "Company Law of the People's Republic of China" (hereinafter "Company Law"), "Establishment of Independent Director Systems by Listed Companies Guiding Opinion" (hereinafter "Guiding Opinion"), the "Code of Corporate Governance for Listed Companies in China", the "Stock Listing Rules of the Shanghai Stock Exchange" (hereinafter "Shanghai Stock Exchange Rules"), "The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" (hereinafter "Listing Rules"), the "Guidelines on the Duty Performance of Independent Directors of Listed Companies" and the "articles of association of Sinotrans Limited" (hereinafter "articles of association"), with the purpose of further improving the governance structure of the Company, promoting the standardized operation of the Company and ensuring that independent directors perform their duties.

(II) Article 15 is proposed to be amended as:

Independent Directors may resign before the expiry of his or her term of office. Independent Director shall submit a written resignation report to the Board of Directors with an explanation on any circumstances relating to his or her resignation or what such Independent Directors considers to be necessary to draw to the attention of the Shareholders and the Company's creditors.

In the event of failure to satisfy the qualification requirements for Independent Directors after assuming office, such Independent Directors shall resign within thirty days from the date of occurrence of such circumstances. If such resignation is not tendered as required, the Board of Directors shall start the decision-making process within two days to remove such Independent Directors from their duties as an independent director.

If the number of Independent Directors falls below three or the proportion of Independent Directors in members composition of the Board of Directors falls below one-thirds due to the resignation of the Independent Directors, the resigned Independent Director shall continue to perform his or her duties until new independent director is appointed, except that the Independent Director resigns due to loss of independence or is dismissed according to law. The nominee of such Independent Director or the Board of Directors shall nominate a new Independent Director within 90 days from the date of resignation of the aforesaid Independent Director.

(III) Article 16 is proposed to be amended as:

In the occurrence of failure to meet the independence requirement or otherwise unfit to perform the duties of Independent Directors, resulting in the Company's independent directors fail to meet quorum of the ~~Guidance~~ Guiding Opinion and the Listing Rules, the Company shall ~~make full~~ elect the Independent Directors as soon as possible to enable the number of Independent Directors to meet the quorum, ~~as required~~ and notify the Shanghai Stock Exchange and the Hong Kong Stock Exchange at the same time, as well as making an announcement and engaging independent directors.

(IV) Article 17 is proposed to be amended as:

Independent Directors shall attend Board meetings on time, understand the Company's production operations and operating situations, and take the initiative to investigate and obtain information necessary for making decisions. Independent Directors shall report their performance of duties at the Company's annual general meeting. In addition to the duties and powers granted by the Company Law and other relevant laws, regulations, and the articles of association, Independent Directors shall also have the following special powers:

(1) Prior confirmation of material ~~Material~~ related party transactions ~~shall, after being approved by the Independent Directors, be submitted to the Board of Directors for deliberation~~. Prior to Independent Directors form their judgment, intermediaries may be appointed to issue independent financial adviser reports as the basis for such judgment;

(2) Propose the appointment or dismissal of accounting firm to the Board of Directors;

(3) Request to the Board of Directors to convene extraordinary general meetings;

(4) Propose to convene Board meetings;

(5) When necessary, engage external auditor firms and consulting firms in an independent manner to audit and consult on the Company's specific matters~~ Engage external auditor firms and consulting firms in an independent manner~~;

(6) Publicly solicit voting rights from Shareholders prior to a general meeting~~.~~;

(7) Other powers conferred by laws, administrative regulations, department rules, regulatory documents, self-regulatory rules, articles of association and other provisions hereof.

To exercise the above powers, Independent Directors shall obtain the consent of more than half of all Independent Directors, except for the powers independently exercised by Independent Directors according to the relevant regulations. The Company shall bear the expenses incurred by an independent director in engaging intermediary parties and other expenses required to exercise his or her duties and responsibilities.

In the event that the above proposals are not adopted or the above powers cannot be exercised normally, the Company shall disclose the relevant circumstances.

(V) Article 18 is proposed to be amended as:

~~When the Board of Directors of the Company establishes Remuneration Committee, Audit Committee and Nomination Committee, etc., the Independent Directors shall represent more than half of the members of the aforesaid committee.~~ The Board of Directors of the Company shall set up the audit committee and may set up relevant special committees such as strategy, nomination, remuneration and appraisal committees as necessary. The Independent Directors shall be entitled to participate in such special committees as audit,

nomination, remuneration and appraisal committees under the board of directors of each listed company, serve as conveners in accordance with relevant regulations, and represent more than half of the members of the aforesaid committees.

(VI) Article 19 is proposed to be amended as:

In addition to performing the above duties, the Independent Directors shall give independent opinions to the Board of Directors of the Company or general meetings in respect of the following matters:

(1) External guarantee;

(2) Material related party transactions;

(3) The nomination, appointment and dismissal of Directors;

(4) The appointment or dismissal of senior management personnel;

(5) The remuneration of Directors and senior management personnel and equity incentive plans;

(6) Change in the use of proceeds;

(7) Excess proceeds used for permanent replenishment of working capital and the repayment of bank borrowings;

(8) Formulate plan for conversion of capital reserve fund into share capital;

(9) Formulate profit distribution policy, profit distribution plan and cash distribution plan;

(10) Changes in accounting policies and accounting estimates or correction of significant accounting errors resulting from reasons other than changes in accounting standards;

(11) Issuance of modified audit opinions by certified public accountants on the financial reports of the listed company;

(12) Appointment and dismissal of the accounting firm;

(13) Acquisition by the management;

(14) Material asset restructuring;

(15) Share repurchase by means of centralized bidding;

(16) Internal control evaluation report;

(17) Plan for change of undertakings made by the listed company to related parties;

(18) Effect of the issuance of preference shares on the rights and interests of each class of shareholders of the Company;

(19) Other matters required by laws, administrative regulations, department rules, regulatory documents, self-regulatory rules and articles of association or identified by the China Securities Regulatory Commission;

(20) Other matters deemed by the Independent Directors as may damage the rights and interests of the listed company and its medium and small shareholders.

~~(1) The nomination, appointment and dismissal of Directors;~~

~~(2) The appointment or dismissal of senior management personnel;~~

~~(3) The remuneration of Directors and senior management personnel of the Company;~~

~~(4) The borrowings or other fund transfers, existing or newly occurred, made between the Company and the Shareholders, actual controllers of the Company and their related persons involving an aggregated amount of more than RMB3 million or more than 5% of the latest audited net asset value of the Company, and whether the Company has taken effective measures to recover the debts;~~

~~(5) Matters deemed by the Independent Directors as may damage the rights and interests of the medium and small Shareholders;~~

~~(6) Other matters provided in the articles of association and the listing rules of the stock exchange the Company is listed on.~~

The Board of Directors shall carefully conduct research and discussion about the timing, conditions, minimum ratio, adjustment conditions, and requirements for its decision-making procedures when formulating a specific cash dividend plan of the Company, and the Independent Directors shall express clear and express opinion on such plans. Independent Directors may solicit the opinions of medium and small Shareholders, propose dividend proposals, and submit such proposals directly to the Board of Directors for deliberation.

In case of actual needs to adjust or change the profit distribution policy and shareholder dividend return plan in response to production and operation conditions, investment planning and long-term development needs, the protection of Shareholders' rights shall be the starting point for consideration and the opinions of Independent Directors shall be fully heard. The Independent Directors shall explicitly express their opinions on whether the profit distribution policy, especially the cash dividend policy adjustment or change of the bill, will damage the legitimate rights and interests of medium and small shareholders.

The Independent Director shall express their opinions on the above matters in one of the following manners: agree; reserved opinions and its reasons; object and its reasons; unable to give an opinion and its obstacles. In the event that the related matters are discloseable, the Company shall announce the opinions of the Independent Directors. In case of diversified opinions among the Independent Directors and no consensus can be reached, the Board of Directors shall separately disclose the opinions of each Independent Directors.

Before expressing their independent opinions on the voluntary delisting of the listed company, the Independent Directors shall sufficiently consult the medium and small shareholders on whether the matter is conducive to the long-term development of the company and the interests of all shareholders, and the opinions of the Independent Directors formed on this basis shall be announced in conjunction with the notice of the general meeting.

(VII) Article 21 is proposed to be amended as:

The Company shall provide Independent Directors with the necessary working conditions to ensure the effective exercise of their powers.

(1) Where a major issue is to be decided by the Board of Directors, the Company shall inform the Independent Director in advance according to the statutory time and provide sufficient information at the same time. Supplemental materials can be requested in case the Independent Directors considers the information provided is insufficient. In the event that more than two Independent Directors consider that the information is insufficient or the argument is unclear, written joint proposal can be submitted by such Independent Directors, and shall be adopted by the Board of Directors, to the Board of Directors to postpone the Board meeting or postpone the deliberation of such matters.

(2) The company shall provide the working conditions necessary for the Independent Directors to perform their duties. The secretary to the Board of Directors of the Company shall actively assist the Independent Directors to perform their duties, including but not limited to introduction of circumstances and provision of materials, etc. The secretary to the Board of Directors shall deal with the relevant matters in respect of the announcement at the stock exchange where the independent opinion, proposals and written explanations of the Independent Directors are required to be announced.

(3) When the Independent Directors exercise their powers, the relevant staff of the Company shall cooperate positively and shall not refuse, obstruct or conceal or interfere with the Independent Directors to exercise their powers independently.

(4) Documents and materials provided to the Independent Directors by the Company and its relevant employees shall be kept by the Company and the relevant Independent Directors for at least five years.

(5) Where professional opinions shall be issued by intermediary parties for the Independent Directors to resolve the substantial related party transactions and deliberate specific issues, the Company may provide a list of intermediaries for Independent Directors to choose from. The Company shall bear the fees incurred by the Independent Directors to engage intermediary parties and exercise their other powers.

In case of obstructions while exercising the power endowed by laws and regulations, the Independent Directors may explain the relevant situation to the Company's Board of Directors, require the management or the secretary of the Board to offer cooperation and record the fact of encountering obstructions and solutions into work records, and may report to the branch office of the China Securities Regulatory Commission or the stock exchange where the securities are listed.

(VIII) Article 22 is proposed to be amended as:

The Company shall pay appropriate allowance to the Independent Directors, unless otherwise stipulated by regulations and policies. The standard of such allowances shall be proposed by the Board of Directors, approved at the general meeting, and shall be disclosed in the annual report of the Company.

Other than the above allowance, Independent Directors shall not obtain any additional undisclosed benefits (including equity incentives) from the Company, its subsidiaries, controlling ~~and its major~~ shareholders, or other interested parties.

(IX) Article 23 is proposed to be amended as:

~~Transportation expenses paid by the Independent Directors to attend Board meetings (from the location of the Independent Directors to the meeting place) and the board and lodging expenses incurred for the duration of the meeting shall be paid by the Company. Other expenses shall be paid personally by the Independent Directors.~~

~~The Company may establish independent director liability insurance system when necessary to reduce the risk that may be incurred during the normal course of performing duties by the Independent Directors.~~ Reasonable expenses incurred by the Independent Directors in the course of performance of their duties shall be borne by the Company. The Independent Directors shall have the right to ask for advance on reasonable fees required to perform their duties from the listed company.

The Independent directors shall be entitled to require the listed company to purchase liability insurance for them to perform their duties as Independent Directors.

(X) Article 34 is proposed to be amended as:

This Manual shall take effect~~,~~ after being considered and approved at the general meeting~~, come into effect commencing from the date of the issue and listing of A shares of the Company on the Shanghai Stock Exchange.~~

(XI) The English version of Article 35 remains unchanged.

Details of proposed amendments to the Policy for the Management of Related Party Transactions of the Company are set out as follows, with amendments underlined:

(I) Article 16 is proposed to be amended as:

Any of the following related party transactions shall be deemed as a small-amount related party transaction and shall be subject to the approval of the president office meeting:

(i) any transaction between the Company and a related legal person which involves an amount of less than RMB3 million or 0.5% of the absolute value of most recently audited net assets of the Company (excluding provision of guarantees by the Company);

(ii) any transaction between the Company and a related natural person which involves an amount of less than RMB300,000 (excluding provision of guarantees by the Company); or

(iii) any other transaction between the Company and a related person which involves an amount that is less than the minimum amount requiring filing and publication under the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or Rules Governing the Listing of Securities on the Shanghai Stock Exchange.

(II) Article 17 is proposed to be amended as:

Any of the following related party transactions shall be deemed as a normal related party transaction and shall be subject to the approval of the Board of Directors of the Company:

(i) any transaction between the Company and any of its related legal persons that involves an amount of over RMB3 million accounting for over 0.5%~~ and below 5%~~ of the absolute value of most recently audited net assets of the Company;

(ii) any transaction between the Company and any of its related natural persons that involves an amount of over RMB300,000~~ and below RMB30 million~~; or

(iii) any other transaction between the Company and a related person that involves an amount requiring filing, publication and Board approval in accordance with the requirements of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, Rules Governing the Listing of Securities on the Shanghai Stock Exchange and other regulations.

(III) Article 18 is proposed to be amended as:

Any of the following related party transactions shall be deemed as a major related party transaction and shall be subject to the approval of the general meeting of the Company after approved by the Board of Directors:

(i) any transaction between the Company and a related person (excluding provision of guarantees by the Company, cash assets received by the Company and debts of the Company that purely relieve its obligations) that involves an amount of over RMB30 million accounting for over 5% of the absolute value of the most recently audited net assets of the Company;

(ii) any transaction in which the Company provides a security for a related person and shareholders holding less than 5% of shares of the Company, which shall, irrespective of the amount concerned, be disclosed in a timely manner upon the approval of the Board and submitted to the general meeting for consideration; or

(iii) any other transaction between the Company and a related person that involves an amount requiring filing, publication and general meeting approval under the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or the Rules Governing the Listing of Securities on the Shanghai Stock Exchange or other regulations.

(IV) Article 59 is proposed to be amended as:

This Policy will take effect upon ~~Upon~~ consideration and approval by the general meeting~~, this Policy shall come into effect as of the date when A shares of the Company are listed in Shanghai Stock Exchange~~.

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)

NOTICE OF THE 2020 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2020 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 a.m. on 22 December 2020 for the purpose of considering and, if thought fit, approving, with or without modifications, the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the proposed amendments to the Procedural Rules for Meetings of the Board of Directors of the Company, the Procedural Rules for Meetings of the Supervisory Committee of the Company, the Working Manual for the Independent Directors of the Company and the Policy for the Management of Related Party Transactions of the Company;

2. To consider and approve the entering into of the Financial Services Agreement dated 28 October 2020 between the Company and the Finance Company, the transactions contemplated thereunder and the proposed annual caps in respect of deposit services;

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

4. To consider and approve the entering into of the Master Services Agreement (China Merchants) dated 28 October 2020 between the Company and China Merchants, the transactions contemplated thereunder and the proposed annual caps;

5. To consider and approve the entering into of the Master Lease Agreement dated 28 October 2020 between the Company and China Merchants, the transactions contemplated thereunder and the proposed annual caps;

6. To consider and approve the entering into of the Master Services Agreement (Sinotrans Shandong Hongzhi) dated 28 October 2020 between the Company and Sinotrans Shandong Hongzhi, the transactions contemplated thereunder and the proposed annual caps; and

7. To consider and approve the entering into of the daily related party transactions framework agreement dated 28 October 2020 between the Company and the Related Joint Ventures.

By order of the Board
Sinotrans Limited
Li Shichu
Company Secretary

Beijing, China
20 November 2020

Notes:

1. Unless otherwise specified, details of the resolutions are set out in the circular of the Company in relation to the EGM dated 20 November 2020 (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 2020 to 22 December 2020 (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 10 December 2020 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 10 December 2020, for registration.

3. Shareholders intending to attend the EGM shall give written notice of the same to the Company, which shall be lodged at the office of the Company, at 10th Floor, Building 10/Tower B, No. 5 Anding Road, Chaoyang District, Beijing (Tel: (8610) 5229 5721) (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 18 December 2020.

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.

5. 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 5721) (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.

6. If a proxy attends the EGM on behalf of a Shareholder, he/she should produce his/her ID card and the instrument or document 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.

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