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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD., you should at once hand this circular and the form of proxy and the reply slip to the purchaser or transferee or to the bank or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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中國國際海運集裝箱(集團)股份有限公司  
**CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.**  
*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 2039)**

**(1) CONTINUING CONNECTED TRANSACTIONS; AND  
(2) PROPOSED SPIN-OFF AND LISTING OF CIMC WETRANS  
ON THE SHENZHEN STOCK EXCHANGE**

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



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A letter from the Board is set out on pages 6 to 40 of this circular. A letter from the Independent Board Committee including its advice to the independent Shareholders is set out on pages 41 to 42 of this circular. A letter from Innovax Capital Limited, the Independent Financial Adviser, including its advice to the Independent Board Committee and the independent Shareholders in respect of the Continuing Connected Transactions in relation to the New Framework Agreement is set out on pages 43 to 63 of this circular.

A notice convening the EGM to be held at 2:40 p.m. on Wednesday, 3 August 2022 at CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong, the PRC dated 15 July 2022 has been sent together with the proxy form. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the office as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

15 July 2022

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## DEFINITIONS

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*Unless the context otherwise requires, the following expressions in this circular shall have the following meanings:*

“A Share(s)”	domestic share(s) in the registered share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in RMB;
“Articles of Association”	the Articles of Association of the Company;
“associate(s)”	has the meaning ascribed thereto in the Hong Kong Listing Rules;
“Board”	the board of Directors;
“China Merchants”	China Merchants Group Limited (招商局集團有限公司), a wholly state-owned enterprise established under the laws of the PRC under direct control of the State-owned Assets Supervision and Administration Commission of the State Council, and as at of the Latest Practicable Date, it holds 24.49% equity interests in the Company, thus it is a substantial Shareholder of the Company;
“China Merchants Port”	China Merchants Port Group Co., Ltd. (招商局港口集團股份有限公司), a joint stock company established in the PRC with limited liability and a subsidiary of China Merchants, a substantial Shareholder of the Company;
“China Merchants RORO”	China Merchants Guangzhou Roro Shipping Company Limited (廣州招商滾裝運輸有限公司), a joint stock company established in the PRC with limited liability and a subsidiary of China Merchants, a substantial Shareholder of the Company;
“CIMC Investment”	China Merchants (CIMC) Investment Limited (招商局國際(中集)投資有限公司), holding approximately 24.49% of the issued Shares of the Company as of the Latest Practicable Date and is a substantial Shareholder of the Company;
“CIMC Wetrans”	CIMC Wetrans Logistics Technology (Group) Co., Ltd., a company incorporated in the PRC and a subsidiary of the Company;

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## DEFINITIONS

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“Company”	China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司), a joint stock company with limited liability incorporated in the PRC under the Company Law of the PRC in January 1980, the H Shares of which are listed on the Hong Kong Stock Exchange and the A Shares of which are listed on the Shenzhen Stock Exchange;
“connected person(s)”	has the meaning ascribed thereto in the Hong Kong Listing Rules;
“Continuing Connected Transactions”	the transactions contemplated under the New Framework Agreement;
“Director(s)”	the director(s) of the Company;
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be convened to consider and if thought fit approve, among other things, the Continuing Connected Transactions in relation to the New Framework Agreement and relevant resolutions on the proposed spin-off and listing of CIMC Wetrans on the Shenzhen Stock Exchange;
“Group”	the Company and its subsidiaries;
“H Share(s)”	the overseas-listed foreign share(s) in the registered share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;

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## DEFINITIONS

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“Independent Board Committee”	the independent committee of the Board, comprising Mr. YANG Xiong, Mr. ZHANG Guanghua and Ms. LUI FUNG Mei Yee, Mabel, all of whom are independent non-executive Directors, formed to advise the independent Shareholders in respect of the New Framework Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser” or “Innovax Capital Limited”	Innovax Capital Limited, being the independent financial adviser has been appointed to advise the Independent Board Committee and the independent Shareholders in respect of the New Framework Agreement and the transactions contemplated thereunder;
“independent third party(ies)”	parties who are not the connected persons of the Company;
“Latest Practicable Date”	8 July 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its printing;
“Liaoning Port”	Liaoning Port Group Limited* (遼寧港口集團有限公司), a joint stock company established in the PRC with limited liability and a subsidiary of China Merchants, a substantial Shareholder of the Company;
“New Framework Agreement”	the new goods and services framework agreement entered into between the Company and Sinotrans & CSC on 17 June 2022 in relation to (i) the supply of goods and provision of services to Sinotrans & CSC Group by the Group; and (ii) the receiving of services from Sinotrans & CSC Group by the Group. The New Framework Agreement shall be effective upon signing by the parties and the Company’s compliance with the relevant approval procedures under the Shenzhen Listing Rules and the Hong Kong Listing Rules. The Original Framework Agreement will be lapsed on the day when the New Framework Agreement becomes effective. The term of New Framework Agreement will be 3 years commencing from 1 January 2022 to 31 December 2024;

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## DEFINITIONS

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“Original Framework Agreement”	the goods and services framework agreement dated 9 December 2021 entered into between the Company and Sinotrans & CSC in relation to (i) the supply of goods and provision of services to Sinotrans & CSC Group by the Group; and (ii) the receiving of services from Sinotrans & CSC Group by the Group which commences on 1 December 2021 and expires on 31 December 2023. The Original Framework Agreement will be lapsed on the day when the New Framework Agreement becomes effective;
“PRC”	the People’s Republic of China;
“related party(ies)”	has the meaning ascribed thereto under the Shenzhen Listing Rules;
“related transaction(s)”	has the meaning ascribed thereto under the Shenzhen Listing Rules;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the share(s) of the Company, including A Share(s) and H Share(s);
“Shareholder(s)”	the holder(s) of the Share(s);
“Shenzhen Listing Rules”	the Rules Governing the Listing of Securities on the Shenzhen Stock Exchange;
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange;
“Sinotrans”	Sinotrans Container Lines Co., Ltd. (中外運集裝箱運輸有限公司), a joint stock company established in the PRC with limited liability and a subsidiary of China Merchants, a substantial Shareholder of the Company;
“Sinotrans & CSC”	Sinotrans & CSC Holdings Co., Ltd. (中國外運長航集團有限公司), a joint stock company established in the PRC with limited liability and a subsidiary of China Merchants, a substantial Shareholder of the Company;
“Sinotrans & CSC Group”	Sinotrans & CSC and its subsidiaries, and other associates;

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## DEFINITIONS

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“substantial Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Supervisor(s)”	the supervisor(s) of the Company, who under the PRC law perform a supervisory function in relation to the Board, the manager and other officers;
“Transaction”	the entering into of the New Framework Agreement between the Company and Sinotrans & CSC on 17 June 2022, pursuant to which the proposed caps for 2022, 2023 and 2024 in respect of the Continuing Connected Transactions between the parties were agreed;
“%”	per cent.

\* *for identification purposes only*

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## LETTER FROM THE BOARD

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中國國際海運集裝箱(集團)股份有限公司  
**CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.**  
*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 2039)**

***Board of Directors:***

***Executive Director:***

Mr. MAI Boliang (*Chairman*)

***Non-executive Directors:***

Mr. ZHU Zhiqiang (*Vice-Chairman*)

Mr. HU Xianfu (*Vice-Chairman*)

Mr. KONG Guoliang

Mr. DENG Weidong

***Legal address, registered address  
and address of head office:***

8th Floor,  
CIMC R&D Centre,  
2 Gangwan Avenue,  
Shekou, Nanshan District,  
Shenzhen,  
Guangdong, the PRC

***Independent non-executive Directors:***

Mr. YANG Xiong

Mr. ZHANG Guanghua

Ms. LIU FUNG Mei Yee, Mabel

15 July 2022

*To the Shareholders*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS; AND  
(2) PROPOSED SPIN-OFF AND LISTING OF CIMC WETRANS  
ON THE SHENZHEN STOCK EXCHANGE**

**INTRODUCTION**

Reference is made to (i) the announcements of the Company dated 9 December 2021 and 17 June 2022 in relation to, among others, the Original Framework Agreement; the Continuing Connected Transactions in relation to the New Framework Agreement; (ii) the announcement of the Company dated 15 July 2022 regarding the resolutions of the second meeting in 2022 of the tenth session of the Board and the second meeting in 2022 of the tenth session of the supervisory committee, in relation to the proposed spin-off and listing of CIMC Wetrans on the Shenzhen Stock Exchange; and (iii) the notice of the EGM of the Company dated 15 July 2022.



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## LETTER FROM THE BOARD

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Based on the factors such as the recent actual transactions, economic environment of the market and expected prices to remain high, the Company and Sinotrans & CSC anticipate that the original 2022 annual cap and 2023 annual cap under the Original Framework Agreement will not be able to meet the future transaction needs of the parties. To this end, on 17 June 2022, the Board of the Company approved the entering into the New Framework Agreement between the Company and Sinotrans & CSC, in which the proposed caps for 2022, 2023 and 2024 in respect of the continuing connected transactions between the parties were agreed. The Original Framework Agreement will be lapsed on the day when the New Framework Agreement becomes effective.

The Independent Board Committee, comprising Mr. YANG Xiong, Mr. ZHANG Guanghua and Ms. LUI FUNG Mei Fee, Mabel, all of whom are independent non-executive Directors, has been formed to advise the independent Shareholders as to the New Framework Agreement and the transactions contemplated thereunder and the proposed annual caps. The letter from the Independent Board Committee setting out its advice and recommendations to the independent Shareholders on the New Framework Agreement and the transactions contemplated thereunder is set out on page 41 to page 42 of this circular.

Innovax Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in respect of the New Framework Agreement and the transactions contemplated thereunder. The letter from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders on the New Framework Agreement and the transactions contemplated thereunder is set out on pages 43 to 63 of this circular.

Besides, the Company intends to spin-off CIMC Wetrans for an initial public offering of RMB ordinary shares (A shares) in the PRC and listing the same on the Shenzhen Stock Exchange in order to achieve better development of CIMC Wetrans, a subsidiary of the Company.

Accordingly, the purpose of this circular is to provide Shareholders in relation to, among other things, (1) the details of the New Framework Agreement and the transactions contemplated thereunder; (2) a letter from the Independent Board Committee to the independent Shareholders, setting out its recommendations in respect of the New Framework Agreement and the transactions contemplated thereunder; (3) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the independent Shareholders in respect of the New Framework Agreement and the transactions contemplated thereunder; (4) more details of the proposed spin-off and listing of CIMC Wetrans on the Shenzhen Stock Exchange; and (5) relevant information about the certain resolutions to be proposed at the EGM, so that the Shareholders can make informed decisions regarding their voting on the resolutions to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### (1) CONTINUING CONNECTED TRANSACTIONS

#### A. The New Framework Agreement

##### *Background*

On 17 June 2022, the Company and Sinotrans & CSC entered into the New Framework Agreement in relation to carrying out the Continuing Connected Transactions. Each transaction under the New Framework Agreement will be conducted in the ordinary and usual course of business of the Group and will be agreed on an arm's length basis with terms which are fair and reasonable to the Group.

#### I. Principal Terms of the New Framework Agreement

##### *Date*

17 June 2022

##### *Parties*

- (a) The Company (for itself and on behalf of its subsidiaries); and
- (b) Sinotrans & CSC (for itself and on behalf of its subsidiaries and other associates).

##### *Nature of the transactions*

Pursuant to the New Framework Agreement, the Group agreed to supply goods (such as containers) and provide services to Sinotrans & CSC Group; and receive services from Sinotrans & CSC Group. In essence, the goods provided by the Group to Sinotrans & CSC Group mainly include containers, container accessories, mobile cold storage units, trailers and liquid storage tanks; while the Group (a) provides services which mainly include (i) depot/station services such as container lifting on and off, loading and unloading, container repair and maintenance; (ii) the railway services such as sea-rail combined transportation and international railway train transportation; (iii) the ship agency services such as the delivery order handling and exchange and container release; and (iv) feeder transportation services; and (b) receives services which mainly include cargo booking services. According to the terms of the New Framework Agreement, Sinotrans & CSC Group and the relevant members of the Group shall enter into specific contracts for subsequent goods or services to agree on specific transaction terms respectively.

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## LETTER FROM THE BOARD

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### *Payment method*

Payments will be made in accordance with the terms in the specific contracts to be entered into between Sinotrans & CSC Group and the relevant members of the Group under the New Framework Agreement.

### *Term and termination*

The New Framework Agreement shall be valid upon signing by the parties and the Company's compliance with the relevant approval procedures under the Shenzhen Listing Rules and the Hong Kong Listing Rules. The Original Framework Agreement will be lapsed on the day when the New Framework Agreement becomes effective. The term of the New Framework Agreement will be 3 years commencing from 1 January 2022 to 31 December 2024.

## II. Historical Actual Transactions under the Original Framework Agreement

The actual transactions between the Group and Sinotrans & CSC Group for the years ended 31 December 2019, 2020 and 2021 and for the four months ended 30 April 2022 are as follows:

*Unit: RMB'000*

Connected persons	Scope of Connected Transactions	Historical transaction amount			
		For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2021	For the four months ended 30 April 2022
Sinotrans & CSC Group	Sales of goods and provision of services by the Group to Sinotrans & CSC Group	113,772	103,727	207,944	52,033
	Receiving of services by the Group from Sinotrans & CSC Group	201,868	415,680	1,128,600	521,525

## LETTER FROM THE BOARD

The actual transaction amount and utilization rates of the annual caps for the transactions conducted under the Original Framework Agreement between the Group and Sinotrans & CSC Group from January to April 2022 are as follows:

*Unit: RMB'000*

	<b>Annual Caps for 2022 under the Original Framework Agreement</b>	<b>Actual transaction amount from January to April 2022</b>	<b>Utilization rate</b>
Sales of goods and provision of services by the Group to Sinotrans & CSC Group	220,000	52,033	24%
Receiving of services by the Group from Sinotrans & CSC Group	720,000	521,525	72%
Total	940,000	573,558	61%

### III. Proposed Caps and Basis for Determining the Transaction

#### *Proposed Caps*

The Proposed Caps in respect of the Continuing Connected Transactions agreed for the three years ending 31 December 2022, 2023 and 2024 are set out respectively as below:

*Unit: RMB hundred million*

	<b>For the year ending 31 December 2022</b>	<b>Proposed Caps For the year ending 31 December 2023</b>	<b>For the year ending 31 December 2024</b>
Sales of goods and provision of services by the Group to Sinotrans & CSC Group	5.2	5.5	5.8
Receiving of services by the Group from Sinotrans & CSC Group	42	44	46

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## LETTER FROM THE BOARD

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### *Basis for Determining the Proposed Caps of the Transaction*

The Group and Sinotrans & CSC Group determined the annual caps for 2022, 2023 and 2024 in respect of the Continuing Connected Transactions upon negotiation with reference to the following factors: (1) for the four months ended 30 April 2022, the actual transaction amounts between the Group and Sinotrans & CSC Group, albeit not exceeding, have already reached 60% of the annual cap for 2022 under the Original Framework Agreement, significantly exceeding expectation due to the fact that the market prices of shipping remained very high in the first quarter of the year and that the logistics segment of the Group has begun to carry out acquisitions and mergers in 2021 which were completed in the first half of 2022, pursuant to which, the newly merged companies have had continuous transactions with Sinotrans & CSC Group to different extent as Sinotrans & CSC Group is one of the largest public service providers in the logistics and shipping industry in China, thereby the business scale of the logistics segment of the Group in 2022 was expanded, and furthermore as the first quarter was a traditional off-season in the logistics and shipping market and the third and fourth quarters were traditional peak seasons in the logistics and shipping market, thus it was expected that the annual cap for 2022 and the annual cap for 2023 under the Original Framework Agreement could not meet the transaction needs of the Group and Sinotrans & CSC Group; (2) it was expected that international trade and the development of shipping industry would further promote the transaction amounts of goods and services between the Group and Sinotrans & CSC Group because (i) the Group's business performance has been strong from January to April 2022 and exceeded expectations even though the first quarter is the traditional slack season for the logistics and shipping market and accordingly, the business volume will usually increase significantly during the third and fourth quarters as they are the peak seasons for the logistics and shipping market; (ii) the freight rates are expected to remain at historically high level in 2022; and (iii) it is expected that the epidemic will gradually improve from 2023 to 2024 and the epidemic prevention and control measures in China are likely to be adjusted and are expected to gradually return to normal and leading to generally stable logistics business from 2023 to 2024 as compared to 2022; (3) business development plan of the Group, including merged businesses, continuous expansion of logistics business teams and increased acquisitions of services provided by Sinotrans & CSC Group to response to its competitive advantage plans, etc., all of which would increase the transaction amounts between the Group and Sinotrans & CSC Group in different degrees; and (4) price fluctuations of related logistics services and products.

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## LETTER FROM THE BOARD

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In respect of the development of the Group's logistics business, with their focus placed on multimodal transport, the Group's logistics service business achieved a new high in revenue in 2021. During 2021, the Group expanded its business territory by strategically investing various high-quality enterprises in PRC and abroad, achieving a full coverage of the global routes, and growing into a leading integrated logistics service provider covering all modes of transportation in China. On 1 January 2022, the Regional Comprehensive Economic Partnership (RCEP) officially came into force, bringing an important boost to stabilise foreign trade and promote the development of the new business model. The country has successively introduced the 14th Five-Year Plan for the Quality Development of Foreign Trade, the 14th Five-Year Plan for the Development of Cold Chain Logistics, and the Work Plan for Promoting the Development of Multimodal Transport and Optimising and Adjusting the Transport Structure (2021–2025). In 2022, the Group will further cultivate major global shipping routes, extend its service chain, strengthen the deployment of local service capacity in international ports of destination, and increase joint venture cooperation with railways and accordingly lead to an increase in the annual caps under the New Framework Agreement.

In addition, as the logistics and container manufacturing businesses of the Group are related to the ocean exporting business of China, the growth of which would drive the Group's sales to and purchases from the Sinotrans & CSC Group and thus increase the annual caps under the New Framework Agreement. The ocean exporting business of the PRC could be reflected by China Containerised Freight Index ("CCFI"). The CCFI reflects the fluctuations of spot freight rates on nationwide export container transport market. The CCFI has been demonstrating a rising trend since 2020, which increased from 897.53 on 3 January 2020 to 1,658.58 on 31 December 2020, representing an increase of 84.8%. It continued to climb during 2021. Notwithstanding the two corrections during early and late 2021, the CCFI reached 3,344.24 on 31 December 2021, representing an increase of 101.6% as compared to 31 December 2020. The CCFI reached its historical high of 3,587.91 on 11 February 2022 and then experienced a correction down to a low of 3,056.98 on 6 May 2022. Afterwards, it rose again and reached 3,229.53 on 10 June 2022.

In light of the abovementioned (i) current market trend which is expected to remain high; (ii) anticipated significant increase in business volume in the third and fourth quarters of the year as they are the peak seasons for the logistics and shipping market; and (iii) expected increase in the business transaction amount in the future according to the current development trend of the shipper's self-contained container distribution business and port terminal mobile cold storage units business in the logistics industry, the Board (including the independent non-executive Directors) is of the view that the proposed caps under the New Framework Agreement is fair and reasonable and in the interest of the Company as a whole despite that the actual transaction amount incurred from January to April 2022 accounts for a relatively low proportion of the proposed caps in 2022.

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## LETTER FROM THE BOARD

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### *Pricing Policies*

In accordance with the New Framework Agreement, the pricing policies of the Continuing Connected Transactions under the New Framework Agreement shall be determined on arm's length basis and on normal commercial terms, and the price of goods or services to be provided between the parties shall be the market price. The details are as follows:

1. Supply of goods and provision of services to Sinotrans & CSC Group by the Group:
  - a) Regarding supply of goods: 1) where there is a bidding process as required under the requirements of the relevant PRC laws and regulations in the future, the bidding result shall prevail; 2) where there is no bidding process, the price shall be determined with reference to the price of similar goods provided to independent third parties and/or market price (including the comparable local, domestic or international market price) based on the goods' type and quality. The market price data shall be collected through independent third parties such as industry associations, including (i) independent industry associations and institutions, and if supply of containers is involved, references can be made to the market information issued by China Container Industry Association, Shanghai Shipping Freight Exchange Co., Ltd., China Shipping net and Clarksons; and (ii) pricing information publicly disclosed by the Group's competitors, comparable market prices shall be updated from time to time, and reported to its management as references for pricing decision; 3) where neither of the above prices is applicable or where it is impracticable to apply the above pricing policies, the Group will negotiate with Sinotrans & CSC Group on arm's length basis after considering the cost, technology, quality and the historical transaction prices of the goods; and

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## LETTER FROM THE BOARD

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- b) Regarding provision of services: 1) where there is a bidding process as required under the requirements of the relevant PRC laws and regulations in the future, the bidding result shall prevail; 2) where there is no bidding process, if logistics service fee is involved, the price shall be determined by the parties at the time of entering into the relevant agreement with reference to the weight and type of cargo, mode of shipment, freight rate of the carrier, type of storage space required, etc., and with reference to the service fees of similar services provided to and charged by independent third party logistics and freight services operators/or market price, such as the Notice on Revising and Issuing the “Port Tariff Calculation Regulation” (《關於修訂印發「港口收費計費辦法」的通知》) jointly issued by the Ministry of Transport and the National Development and Reform Commission (“NDRC”) of the PRC and the Public information and transaction platform for multimodal integrated transport in the Yangtze River Economic Belt (<http://www.cjdsly.com/>), etc.; 3) where neither of the above prices is applicable or where it is impracticable to apply the above pricing policies, the Group will negotiate with Sinotrans & CSC Group on arm’s length basis after considering the cost, technology and the historical transaction prices of the services.
2. Receiving of services from Sinotrans & CSC Group by the Group:
- a) Regarding receiving of services: 1) where there is a bidding process as required under the requirements of the relevant PRC laws and regulations in the future, the bidding result shall prevail; 2) where there is no bidding process, if logistics service fee is involved, the price shall be determined by the parties at the time of entering into the relevant agreement with reference to the weight and type of cargo, mode of shipment, freight rate of the carrier, type of storage space required, etc., and with reference to the service fees charged by independent third party logistics and freight services operators for providing similar services/or with reference to the market price, such as the Notice on Revising and Issuing the “Port Tariff Calculation Regulation” (《關於修訂印發「港口收費計費辦法」的通知》) jointly issued by the Ministry of Transport and the NDRC of the PRC and the public information and transaction platform for multimodal integrated transport in the Yangtze River Economic Belt (<http://www.cjdsly.com/>), etc.; 3) where neither of the above prices is applicable or where it is impracticable to apply the above pricing policies, the Group will negotiate with Sinotrans & CSC Group on arm’s length basis after considering the cost, technology and the historical transaction prices of the services.



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## LETTER FROM THE BOARD

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As far as the Group or Sinotrans & CSC Group (as applicable) is concerned, the above prices and terms will not deviate from the prices and terms offered by the Group or Sinotrans & CSC Group (as applicable) for the supply or receiving of similar goods and/or services to or from independent third parties, and will make reference to at least two contemporaneous transactions of similar volume or quality with unrelated third parties. In addition, the finance department and the business department of the Group will conduct a comprehensive analysis quarterly of the profitability of the supply or receiving of similar goods and/or services to or from different customers (including Sinotrans & CSC Group and independent third party customers), review the profit contribution of different customers and reflect the analysis results to the business departments for reference in making pricing adjustment decisions.

#### **IV. Internal Control Measures**

The Company has established a series of measures and policies, including contract policies, related party transaction management methods and internal control management methods, to ensure that the continuing connected transactions/ordinary related-party transactions will be carried out in accordance with the agreements. The Company's auditing and monitoring department conducts internal assessments on the internal control measures of the Company annually by requesting for contract samples, systems and other materials for inspection from the business departments to ensure that the internal control measures in respect of the continuing connected transactions/ordinary related-party transactions remain comprehensive and effective, and reports the test results to the audit committee of the Board, the Board and the supervisory committee of the Company. The Group has also launched an early warning system for related party transactions, which has been linked with the accounting system of the finance department of the Group. Such early warning system will provide quarterly emails regarding aggregated analysis of the related party transactions of the Group, which will include the name of counterparty, transaction year, total transaction amount so far and quota ratio, so that the Group can conduct regular monitoring of related party transactions. The Company's external auditor conducts an annual audit on the Company's internal control measures in respect of financial reporting and an annual review on the continuing connected transactions/ordinary related-party transactions pursuant to the requirements under the Hong Kong Listing Rules.

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## LETTER FROM THE BOARD

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### **V. Reasons for and Benefit of Transaction**

Sinotrans & CSC Group is principally engaged in non-vessel operating business, international ship agency and organization, investment and management of integrated logistics. As the Group has maintained a long-term and reliable business relationship with Sinotrans & CSC Group, the entering into of the New Framework Agreement and the conducting of related Continuing Connected Transactions are in line with the actual needs for the operation and development of the Group's principal businesses in light of the abovementioned basis for determining the annual caps under the New Framework Agreement, and will not prejudice the interests of the Company and the Shareholders, especially the minority Shareholders, nor adversely affect the independence of the Company. The conducting of such transactions will not give rise to reliance of the principal businesses of the Company on connected persons/parties. The prices and terms with respect to the sale of goods and provision/receiving of services between the Group and Sinotrans & CSC Group under the New Framework Agreement shall be determined under a fair and reasonable basis, and shall not deviate from the prices and terms offered by the Group or Sinotrans & CSC Group to independent third parties for provision or receiving of similar goods and/or services. The Directors, including independent non-executive Directors, are of the view that the New Framework Agreement is entered into on normal commercial terms after arm's length negotiations in the ordinary and usual course of business of the Group with terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **VI. Consideration by the Company**

The relevant resolution on the Transaction have been considered and approved at the twelfth meeting in 2022 of the ninth session of the Board of the Company held on 17 June 2022. Mr. Hu Xianfu and Mr. Deng Weidong, the connected Directors, have abstained from voting, and other non-connected Directors have unanimously agreed to the resolution. The independent Directors of the Company have conducted a prior review and issued independent opinions.

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## LETTER FROM THE BOARD

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### **VII. Prior Approval and Independent Opinions of Independent Directors of the Company**

1. After prior review of the Continuing Connected Transactions/ordinary related-party transactions between the Group and Sinotrans & CSC Group, we believe that the transactions comply with the requirements of relevant laws and regulations and the Articles of Association and are formed during the business development of the Group. The New Framework Agreement (for 2022, 2023 and 2024) signed by both parties is entered into on normal commercial terms or better terms after arm's length negotiation in the ordinary and usual course of business. The terms are fair and reasonable, and in the interest of the Group and the Shareholders as a whole, and conducive to the sustained and healthy development of the Company.
2. We believe that the consideration and voting procedures of the Continuing Connected Transactions/ordinary related-party transactions between the Group and Sinotrans & CSC Group comply with the requirements of relevant laws and regulations and the Articles of Association. The transactions followed the principles of fairness, openness and impartiality. Mr. Hu Xianfu and Mr. Deng Weidong, the connected/related Directors have abstained from voting. No circumstance was found that would harm the interests of the Company and all Shareholders, especially the minority Shareholders.

### **VIII. General Information of the Parties**

#### *The Company*

The Company is a joint stock company with limited liability established in the PRC, the H Shares and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, respectively. The Group is principally engaged in the manufacture of containers, road transportation vehicles, airport facilities and logistics equipment/fire and rescue equipment, energy/chemical and liquid food equipment, offshore engineering, logistics service and recycled load business, etc. In addition, the Group is also engaged in finance and asset management and other businesses.

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## LETTER FROM THE BOARD

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### *Sinotrans & CSC*

Sinotrans & CSC is a wholly state-owned company established under the laws of the PRC and a wholly-owned subsidiary of China Merchants. It is principally engaged in non-vessel operating business; international ship agency; organization, investment and management of integrated logistics; ship manufacture and maintenance; ocean engineering; investment, establishment and operation of the relevant infrastructures; import and export business; technical services, etc. The key consolidated financial data of Sinotrans & CSC is as follows:

*Unit: RMB'000*

	<b>2021</b> (Audited)
Revenue	80,334,294
Net profit attributable to the parent company	3,556,796
	<b>As at</b> <b>31 December</b> <b>2021</b> (Audited)
Total assets	68,470,276
Net assets attributable to the parent company	42,244,203

### **IX. Hong Kong Listing Rules Implications**

As at the Latest Practicable Date, as Sinotrans & CSC is a subsidiary of China Merchants, which in turn is a substantial Shareholder of the Company, Sinotrans & CSC and its subsidiaries are also connected persons of the Company. Therefore, the transactions between the Group and Sinotrans & CSC Group contemplated under the New Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Given that: 1) on 9 December 2021, the Company entered into the Original Framework Agreement with Sinotrans & CSC, and 2) on 11 May 2022, the Company entered into relevant agreements (collectively, the “**China Merchants Framework Agreements**”) with China Merchants Port, Liaoning Port, China Merchants RORO and Sinotrans, respectively, which agreed on the caps in respect of the transaction amounts for the three years ending 31 December 2022, 2023 and 2024 between the parties, and Sinotrans & CSC, China Merchants Port, Liaoning Port, China Merchants RORO and Sinotrans are all subsidiaries of China Merchants, the Transaction under the New Framework Agreement shall be aggregated with the proposed caps under the China Merchants Framework Agreements. As one or more applicable percentage ratios (within the meaning of the Hong Kong Listing Rules) in respect thereof are more than 5% but less than 25%, the Transaction, after aggregated, constitutes

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## LETTER FROM THE BOARD

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the continuing connected transaction of the Company which shall be subject to the reporting, annual review and announcement requirements, as well as the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

On 17 June 2022, the twelfth meeting in 2022 of the ninth session of the Board was convened and the Resolution Regarding Continuing Connected Transactions/Ordinary Related-party Transactions with Sinotrans & CSC Holdings Co., Ltd. was considered and approved. As both Mr. Hu Xianfu, the Vice-chairman of the Company, and Mr. Deng Weidong, a Director, hold positions in China Merchants or its subsidiaries, they are considered to have material interests in the Continuing Connected Transactions. As such, Mr. Hu Xianfu and Mr. Deng Weidong have abstained from voting on the resolutions in relation to the contemplated Continuing Connected Transactions proposed to the Board. Save as disclosed above, none of the Directors of the Board has a material interest in the Continuing Connected Transactions.

As at the Latest Practicable Date, as Sinotrans & CSC is a subsidiary of China Merchants, which in turn is a substantial Shareholder of the Company and indirectly holds 880,429,220 Shares, representing approximately 24.49% of the issued Shares of the Company, CIMC Investment and its related parties therefore has a material interest in the resolution of entering into the New Framework Agreement. Thus, CIMC Investment and its related parties shall be required to abstain from voting on the relevant resolution in the EGM.

### **X. Shenzhen Listing Rules Implications**

As at the Latest Practicable Date, Sinotrans & CSC is a subsidiary of China Merchants, a substantial Shareholder of the Company. According to Chapter 6 of the Shenzhen Listing Rules, Sinotrans & CSC and its subsidiaries are related legal persons of the Company, and the transactions between the Group and Sinotrans & CSC Group under the New Framework Agreement constitute ordinary related-party transactions of the Company.

### **(2) PROPOSED SPIN-OFF AND LISTING OF CIMC WETRANS ON THE SHENZHEN STOCK EXCHANGE**

#### **I. Resolution Regarding the Compliance of the Spin-off and Listing of the Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. on the Shenzhen Stock Exchange with Relevant Laws and Regulations**

After review, the Board agreed to spin-off the controlling subsidiary CIMC Wetrans to make an initial public offering of RMB ordinary shares (A shares) in the PRC and to list the same on the Shenzhen Stock Exchange (the “**Spin-off and Listing**”).

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## LETTER FROM THE BOARD

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In accordance with the requirements of the Company Law of the People's Republic of China (the "**Company Law**"), the Securities Law of the People's Republic of China (the "**Securities Law**"), Provisions on the Spin-off of Listed Companies (Trial) (the "**Spin-off Rules**") and other laws, regulations and regulatory documents, the Board, after careful self-examination and verification of the actual situation of the Company and related matters, is of the view that the Spin-off and Listing is in compliance with the relevant laws, regulations and rules.

### **II. Resolution Regarding the Plan on the Spin-off and Listing of the Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. on the Shenzhen Stock Exchange**

After review, the Board considered and approved the preliminarily proposed spin-off and listing plan as follows:

1. Place of listing: the Shenzhen Stock Exchange.
2. Type of shares to be issued: domestic listed RMB ordinary shares (A shares) in the PRC.
3. Par value of shares: RMB1.00.
4. Target subscribers: price consultation parties pursuant to the relevant qualification requirements of regulatory authorities such as the China Securities Regulatory Commission (the "**CSRC**"), as well as natural persons, legal persons and other institutional investors who have opened securities accounts for A shares on the Shenzhen Stock Exchange (except for those who are prohibited by laws, rules, regulations and regulatory documents of the PRC).
5. Time of issuance and listing: CIMC Wetrans will choose an appropriate time for issuance after the approval by or the registration with the CSRC, and the specific date of issuance will be determined by the board of directors of CIMC Wetrans authorised by its general meeting after the approval by or the registration with the CSRC.
6. Method of issuance: by a combination of offline placing and online capital subscription or other issuance methods as recognized by the CSRC and the Shenzhen Stock Exchange.

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## LETTER FROM THE BOARD

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7. Size of issuance: the number of shares to be publicly issued shall account for not less than 10% of the total share capital of CIMC Wetrans after the issuance, and to the effect that the equity interests of the Company in CIMC Wetrans shall be not less than 50.01% after the completion of the issuance. The final number of the issuance will be negotiated and determined jointly by the board of directors of CIMC Wetrans authorised by its general meeting and the lead underwriter(s) in accordance with the requirements of relevant regulatory authorities, specific conditions of the securities market, number of share capital before the issuance and the capital demand of the fund raising project.
8. Method of pricing: the issuance price of shares will be determined through price consultation with professional institutional investors such as securities company, fund management company, trust fund company, finance company, insurance company, qualified overseas investors and manager of privately raised fund, who have registered with the Securities Association of China. The issuer and the lead underwriter(s) may determine the issuance price through preliminary price consultation or after the issue price range is determined from the preliminary price consultation, the issue price will be determined through cumulative tender price consultation.
9. Other matters related to the issuance: the strategic placement, use of funds raised, underwriting method, over-allotment option (if applicable) and other matters involved in this issuance will be further confirmed and adjusted by CIMC Wetrans based on the implementation of the issuance and listing plan, market conditions, policy adjustment and regulatory authorities' opinions, etc.

Given that the abovementioned issue plan is preliminary, the Spin-off and Listing is subject to the consideration and approval at the general meeting of the Company, the approval of the Hong Kong Stock Exchange and the approval or registration procedures of the CSRC. In order to facilitate the work relating to the listing of CIMC Wetrans, it is proposed in the general meeting of the Company to authorise the Board and its authorised persons to decide or adjust the spin-off and listing plan of CIMC Wetrans based on specific conditions.

### **III. Resolution Regarding the Proposal on the Spin-off and Listing of the Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. on the Shenzhen Stock Exchange**

After review, the Board considered and approved the Proposal of China International Marine Containers (Group) Co., Ltd. on the Spin-off and Listing of the Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. on the Shenzhen Stock Exchange prepared by the Company in accordance with the relevant provisions of the Company Law, the Securities Law, the Spin-off Rules and other laws, regulations, rules and regulatory documents. For details of the proposal, please refer to the Proposal on the Spin-off and Listing of the Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. on the Shenzhen Stock Exchange disclosed on 15 July 2022.

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## LETTER FROM THE BOARD

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### IV. Resolution Regarding the Compliance of the Spin-off and Listing of the Controlling Subsidiary with the Rules on the Spin-off of Listed Companies (Trial)

The Company proposes to spin off its controlling subsidiary, CIMC Wetrans, and has it listed on the Shenzhen Stock Exchange. After careful assessment by the Board, the Spin-off and Listing complies with the relevant requirements of the Spin-off Rules with feasibility, the details of which are set out below:

1. The spin-off of a listed company shall meet the following conditions at the same time:

- (1) The listed company has been listed for over three years in Mainland China.

The Company's shares were listed on the Shenzhen Stock Exchange in 1994 and have been listed for over three years, which is in compliance with the requirements under the Spin-off Rules.

- (2) The listed company has been profitable within the latest three fiscal years consecutively.

According to the annual reports of the Company for the latest three years and the audit reports PwC Zhong Tian Shen Zi (2020) No. 10036, PwC Zhong Tian Shen Zi (2021) No. 10036 and PwC Zhong Tian Shen Zi (2022) No. 10036 (the "Audit Reports of the Company for the Latest Three Years") issued by PricewaterhouseCoopers Zhong Tian LLP ("PwC") for the Company, the net profit (which shall be calculated at the lower value before and after deducting the non-recurring profit and loss) attributable to shareholders of the parent company as realized by the Company for 2019, 2020 and 2021 amounted to approximately RMB1.241 billion, RMB343 million and RMB5.473 billion, respectively, and thus the Company has been profitable in the latest three fiscal years consecutively, which is in compliance with the requirements under the Spin-off Rules.

- (3) The net profit attributable to the shareholders of the listed company shall not be less than RMB600 million (the calculation of net profit under the Spin-off Rules shall be based on the lower value before and after deducting the non-recurring profit and loss) after deducting the net profit of the proposed spin-off subsidiary attributable to its equity within the latest three fiscal years.



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## LETTER FROM THE BOARD

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According to the Audit Reports of the Company for the Latest Three Years and the unaudited financial data of CIMC Wetrans for listing, the net profit (which shall be calculated at the lower value before and after deducting the nonrecurring profit and loss) of the Company attributable to the shareholders of the parent company after deducting the net profit of CIMC Wetrans attributable to its equity within the latest three fiscal years accumulated to RMB6,823,726,000, which is not less than RMB600 million. It is in compliance with the requirements under the Spin-off Rules.

- (4) The net profit of the proposed spin-off subsidiary attributable to its equity in the consolidated statements of the listed company for the latest fiscal year shall not exceed 50% of the net profit attributable to the shareholders of the listed company. The net assets of the proposed spin-off subsidiary attributable to its equity in the consolidated statements of the listed company for the latest fiscal year shall not exceed 30% of the net assets attributable to the shareholders of the listed company.

According to the audit report PwC Zhong Tian Shen Zi (2022) No. 10036 issued by PwC for the Company, the net profit attributable to the shareholders of the parent company for the latest fiscal year (2021, the same below) was RMB6,665,323,000 and the net profit attributable to the shareholders of the parent company after deducting the non-recurring profit and loss was RMB5,473,060,000. According to the unaudited financial data of CIMC Wetrans for listing, the net profit attributable to the shareholders of the parent company for the latest fiscal year was RMB242,804,500 and the net profit attributable to the shareholders of the parent company after deducting the non-recurring profit and loss was RMB194,096,500. The proportion of the net profit of CIMC Wetrans attributable to its equity in the consolidated statement of the Company for the latest fiscal year to the net profit attributable to the shareholders of the parent company was 3.06% (which net profit shall be calculated before deducting the non-recurring profit and loss) and 2.98% (which net profit shall be calculated after deducting the non-recurring profit and loss), respectively, neither of which exceeded 50%. It is in compliance with the requirements under the Spin-off Rules.

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## LETTER FROM THE BOARD

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According to the audit report PwC Zhong Tian Shen Zi (2022) No. 10036 issued by PwC for the Company, the net assets attributable to the shareholders of the parent company at the end of the latest fiscal year were RMB45,118,633,000. Based on the unaudited financial data of CIMC Wetrans, the net assets attributable to the shareholders of the parent company at the end of the latest fiscal year was RMB1,458,722,200 and the net assets of CIMC Wetrans attributable to its equity in the consolidated statements of the Company for the latest fiscal year accounted for 2.72% of the net assets attributable to the shareholders of the parent company, not exceeding 30%. It is in compliance with the requirements under the Spin-off Rules.

Accordingly, the Spin-off and Listing complies with the requirements of this clause.

2. A listed company may not be spin off if one of the following circumstances exists:
  - (1) The funds or assets are embezzled by the controlling shareholders, actual controllers or their related parties or listed company's interests are materially prejudiced by its controlling shareholders, actual controllers and their related parties.

There is no controlling shareholder or de facto controller in the Company. Based on the 2021 audited financial statements of the Company and the Special Report on Funds Occupied by Controlling Shareholders and Other Related Parties of China International Marine Containers (Group) Co., Ltd. issued by PwC (PwC Zhong Tian Te Shen Zi (2022) No. 2820), the funds or assets of the Company are not in the possession of related parties, and there are no major related party transactions that would prejudice the interests of the Company. It is in compliance with the requirements under the Spin-off Rules.

- (2) The listed company or its controlling shareholders or actual controllers have received administrative penalty from the China Securities Regulatory Commission in the last 36 months.

There is no controlling shareholder or de facto controller in the Company. The Company has not received administrative penalty from the CSRC in the last 36 months, which is in compliance with the requirements under the Spin-off Rules.

- (3) The listed company or its controlling shareholders or actual controllers have been publicly reprimanded by the stock exchange in the last 12 months.

There is no controlling shareholder or de facto controller in the Company. The Company has not been publicly reprimanded by the stock exchange in the last 12 months, which is in compliance with the requirements under the Spin-off Rules.

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## LETTER FROM THE BOARD

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- (4) The financial accounting reports of the listed company for the latest one year or one period were issued by certified public accountants in an audit report with a qualified, an adverse opinion or an unexpressed opinion.

The financial and accounting reports of the Company for the latest one year (being 2021) were issued by PwC, an unqualified audit report PwC Zhong Tian Shen Zi (2022) No. 10036, which is in compliance with the requirements under the Spin-off Rules.

- (5) The aggregate shares of the proposed spin-off subsidiary held by the directors, senior management of the listed company and their related parties exceed 10% of the total share capital of the subsidiary before the spin-off and listing, except for the indirect ownership by directors, senior management and their related parties through the listed company.

As of the date of this circular, the shares of CIMC Wetrans held by the directors, senior management and their related parties of the Company (excluding the shares of CIMC Wetrans indirectly held by such persons through the Company) in aggregate did not exceed 10% of the total share capital of CIMC Wetrans, which is in compliance with the requirements under the Spin-off Rules.

3. If one of the following circumstances exists in a subsidiary of a listed company, the listed company may not be spin off:

- (1) The principal businesses or assets are invested with the proceeds of the listed company from its share issuance and fund raising in the latest three fiscal years, unless the total amount of raised fund used by such subsidiary in the latest three fiscal years does not exceed 10% of its net assets.

The Company did not issue shares to raise funds, nor use the businesses and assets which were invested with the proceeds from issuance of shares and fund raisings within the latest three fiscal years as the principal business and assets of CIMC Wetrans, which is in compliance with the requirements under the Spin-off Rules.

- (2) The principal businesses or assets are purchased by the listed company through major asset restructuring in the latest three fiscal years.

The Company did not purchase business and assets through major asset restructuring within the latest three fiscal years, nor use the businesses and assets which were purchased through major asset restructuring within the latest three fiscal years as the principal business and assets of CIMC Wetrans, which is in compliance with the requirements under the Spin-off Rules.

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## LETTER FROM THE BOARD

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- (3) The principal businesses or assets are the principal businesses and assets of the listed company at the time of its initial public offering and listing.

The principal business of CIMC Wetrans is logistics services business, and it is not the principal business or assets of the Company at the time of its initial public offering and listing, which is in compliance with the requirements under the Spin-off Rules.

- (4) Mainly engaged in financial business.

The principal business of CIMC Wetrans is logistics services business, and it is not a company mainly engaged in financial business, which is in compliance with the requirements under the Spin-off Rules.

- (5) The aggregate shares of the proposed spin-off subsidiary held by the directors, senior management and their related parties exceed 30% of the total share capital of the subsidiary before the spin-off and listing, except for the indirect ownership held by directors, senior management and their related parties through the listed company.

As of the date of this circular, the shares of CIMC Wetrans held by the directors, senior management and their related parties of CIMC Wetrans (excluding the shares of CIMC Wetrans indirectly held by such persons through the Company) in aggregate did not exceed 30% of the total share capital of CIMC Wetrans, which is in compliance with the requirements under the Spin-off Rules.

4. The spin-off of a listed company shall fully explain and disclose:

- (1) The Spin-off will help the listed company to highlight its principal businesses and enhance its independence.

The principal businesses of the Group (other than CIMC Wetrans and its controlling subsidiaries) include (among other things) the manufacture of containers, road transportation vehicles, energy/chemical/liquid food equipment, offshore engineering equipment and airport facilities, recycled load business, finance and asset management business. The principal business of CIMC Wetrans is logistics services business. CIMC Wetrans remains independent from the other business segments of the Company. After the Spin-off and Listing, the Group (other than CIMC Wetrans and its controlling subsidiaries) will continue to focus their resources on the development of businesses other than the principal business of CIMC Wetrans, and further enhance the independence of the Company.

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## LETTER FROM THE BOARD

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- (2) After the Spin-off, both the listed company and the proposed spin-off subsidiary are in compliance with the regulatory requirements for horizontal competition and related party transactions of the CSRC and the stock exchange. There is no horizontal competition between the listed company and proposed spin-off subsidiary that will be listed overseas after the Spin-off and Listing.

***1) Horizontal competition***

The principal businesses of the Group (other than CIMC Wetrans and its controlling subsidiaries) include (among other things) the manufacture of containers, road transportation vehicles, energy/chemical/liquid food equipment, offshore engineering equipment and airport facilities, recycled load business, finance and asset management business.

The principal business of CIMC Wetrans is logistics services business. It provides logistics solutions tailored to customers' individual needs around major domestic seaports, Yangtze River ports, railway hub stations and major international air routes, and provides comprehensive full-process cross-border logistics services covering various modes of transportation, including sea, land and air, based on the resource layout of "containers, goods and yards".

The Group (other than CIMC Wetrans and its controlling subsidiaries) has not engaged in any business activities that substantially compete or may substantially compete with the principal businesses of CIMC Wetrans and its controlling subsidiaries. Upon completion of the Spin-off, the Group (other than CIMC Wetrans and its controlling subsidiaries) and CIMC Wetrans are in compliance with the regulatory requirements of the CSRC and the Shenzhen Stock Exchange in relation to horizontal competition.

The Company and CIMC Wetrans have made written undertakings to avoid horizontal competition, respectively.

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## LETTER FROM THE BOARD

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### 2) *Similar businesses*

#### *I. Medical cold chain logistics business*

CIMC Cold Cloud (Beijing) Technology Co., Ltd., a subsidiary of the Group (other than CIMC Wetrans and its controlling subsidiaries) and its subsidiaries (collectively, “**CIMC Cold Cloud**”), are engaged in medical cold chain logistics business, mainly leveraging on self-developed technology and equipment to provide integrated cold chain temperature control transportation solutions for customers in the pharmaceutical industry. Compared with the fresh cold chain logistics business engaged in by CIMC Wetrans, the medical cold chain logistics business engaged in by CIMC Cold Cloud has significant differences in terms of delivery products, transport vehicles, required technologies and customers served and other aspects, which does not constitute substantial horizontal competition.

#### *II. Freight forwarding business*

Nantong CIMC Port Development Co., Ltd. (“**Nantong Port**”), a subsidiary of the Group (other than CIMC Wetrans and its controlling subsidiaries), is engaged in freight forwarding business. With main focus on its operating terminals, Nantong Port is engaged in terminal operation services such as loading and unloading, stockpiling, and provides some ancillary freight forwarding services according to customer demands. Compared with the freight forwarding business engaged in by CIMC Wetrans, the freight forwarding business engaged in by Nantong Port has significant differences in terms of business positioning, operating areas, major customers and suppliers and other aspects, which does not constitute substantial horizontal competition.

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## LETTER FROM THE BOARD

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### *III. Comprehensive solution services for recycling packaging operations*

CIMC Transportation Technology Co., Ltd, a subsidiary of the Group (other than CIMC Wetrans and its controlling subsidiaries) and its subsidiaries (collectively, “**CIMC Unit Load**”), is engaged in comprehensive solution services for recycling packaging operations. CIMC Unit Load is mainly engaged in recycled load business, provides unitized load for lease or sale, and provides comprehensive solution services for recycling packaging operations based on customer demands, which involves logistics services. Compared with the logistics service business engaged in by CIMC Wetrans, the comprehensive solution services for recycling packaging operations engaged in by CIMC Unit Load has significant differences in terms of demand reasons, customers served, products loaded, operating areas and other aspects, which does not constitute substantial horizontal competition.

### **3) Related party transactions**

Following the Spin-off and Listing, the Company will maintain its control over CIMC Wetrans which will still be a subsidiary within the scope of the Company’s consolidated financial statements, and the related party transactions of the Group will not be changed significantly as a result of the Spin-off and Listing.

For CIMC Wetrans, subsequent to the Spin-off and Listing, the Company will remain as the controlling shareholder of CIMC Wetrans and the related party transactions between CIMC Wetrans and its controlling subsidiaries and the Group (other than CIMC Wetrans and its controlling subsidiaries) will still be included in the annual related party transactions incurred by CIMC Wetrans.

After the Spin-off and Listing, the related party transactions taken place between the Group (other than CIMC Wetrans and its controlling subsidiaries) and CIMC Wetrans and its controlling subsidiaries will guarantee the compliance, reasonableness and fairness and will ensure the independence of the Group (other than CIMC Wetrans and its controlling subsidiaries) and CIMC Wetrans and its controlling subsidiaries, refrain from taking advantage of the related party transactions to adjust financial indicators and undermine the interests of the Group (other than CIMC Wetrans and its controlling subsidiaries) and CIMC Wetrans and its controlling subsidiaries, and also comply with the regulatory requirements of the CSRC and the Shenzhen Stock Exchange for related party transactions.

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## LETTER FROM THE BOARD

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The Company and CIMC Wetrans have made written undertakings to reduce and regulate the related party transactions, respectively.

In conclusion, the Spin-off and Listing complies with the requirements of the Spin-off Rules.

- (3) After the spin-off, both the listed company and the proposed spin-off subsidiary are independent from each other in terms of the assets, financial and institutional aspects, and there is no cross-employment of senior management and financial personnel.

The Group (other than CIMC Wetrans and its controlling subsidiaries) and CIMC Wetrans have their own independent and complete operational assets with clear ownership; each of the Group (other than CIMC Wetrans and its controlling subsidiaries) and CIMC Wetrans has established an independent finance department and a system of financial management and is able to make decisions on financial matters independently with a standardized financial accounting system; the Company and CIMC Wetrans have both set up organizations such as general meeting, board of directors and supervisory committee, as well as various internal departments, which exercise their operation and management functions and rights independently; CIMC Wetrans has its own independent senior management and financial personnel, and there is no cross-employment with the senior management and financial personnel of the Group (other than CIMC Wetrans and its controlling subsidiaries). After the spin-off, the Group (other than CIMC Wetrans and its controlling subsidiaries) and CIMC Wetrans will remain independent in respect of assets, financial affairs, organizations and personnel.

In conclusion, the Spin-off and Listing complies with the requirements of the Spin-off Rules.

- (4) After the spin-off, there are no other serious deficiencies in terms of independence between the listed company and the proposed spin-off subsidiary.

The assets of the Group (other than CIMC Wetrans and its controlling subsidiaries) and CIMC Wetrans are independent and complete from each other and remain independent in terms of finance, institutions, personnel and business, and each has a complete business system and the ability to operate independently directly to the market, and there are no other serious defects in terms of independence.



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## LETTER FROM THE BOARD

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In conclusion, the Spin-off and Listing complies with the requirements of the Spin-off Rules.

**V. Resolution Regarding the Spin-off and Listing of the Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. on the Shenzhen Stock Exchange which Benefits the Safeguarding of Legal Rights and Interests of Shareholders and Creditors**

After review, the Board's analysis of the impact of the Spin-off and Listing on shareholders, creditors and other stakeholders of each party is as follows:

***1. The Spin-off and Listing benefits the safeguarding of legal rights and interests of respective shareholders***

After the completion of the Spin-off and Listing, the Company will retain control over CIMC Wetrans, whose financial conditions and profitability will still be reflected in the Company's consolidated statements. The Company and CIMC Wetrans will professionally operate and develop their own advantageous businesses, which will help maximize the value of respective shareholders. Although the shares held by the Company in CIMC Wetrans will be diluted after the public issuance of shares by CIMC Wetrans, CIMC Wetrans will, through the Spin-off and Listing, further improve its operating efficiency and governance structure, which will help increase the overall profitability in the future and have a positive impact on respective shareholders.

***2. The Spin-off and Listing benefits the safeguarding of legal rights and interests of creditors***

The Spin-off and Listing will help CIMC Wetrans hasten the pace of development and innovation, increase the overall strength of the Group, and further expand financing channels and facilitate its independent financing, which in turn will enhance the liquidity of the Group's assets to improve its solvency, reduce the operation risk of the Group and help safeguard the legal rights and interests of creditors.

***3. The impact of the Spin-off and Listing on other stakeholders***

During the Spin-off and Listing, the Company and CIMC Wetrans will, in accordance with relevant laws and regulations, strengthen information disclosure, prudently regulate and operate procedures that may involve risks, striving to protect the rights and interests of other stakeholders.

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## LETTER FROM THE BOARD

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### **VI. Resolution Regarding the Ability to Maintain Independence and Sustainable Operation of the Company**

After review, the Board holds the view that the Company has the ability to maintain independence and sustainable operation after the Spin-off and Listing, with details set out as follows:

#### ***1. The Company has the ability to maintain independence after the Spin-off and Listing***

The Spin-off and Listing complies with relevant requirements of the Spin-off Rules. Both the Group (other than CIMC Wetrans and its controlling subsidiaries) and CIMC Wetrans have their own independent and complete assets, remain independent in the aspects of finance, institution, staff and business, have their respective complete business systems and abilities to operate independently with market-oriented approaches, and do not have any other serious defects in terms of independence.

The Company will, according to the requirements prescribed in the Spin-off Rules, engage independent financial advisors, law firms, accounting firms and other securities service institutions, which are in accordance with the provisions of the Securities Law, to provide professional advice on the Spin-off and Listing. Among them, independent financial advisors with sponsoring institution qualification will undertake the relevant responsibilities, including but not limited to: performing due diligence and prudent review as to whether the spin-off of the Company complies with the Spin-off Rules, and whether there are false representations, misleading statements contained in or material omissions from the relevant information disclosed by the Company and other matters, issuing opinions on these regards and making relevant announcements; in the remaining period of the year when CIMC Wetrans is listed on the Shenzhen Stock Exchange and the following complete fiscal year, continuing to supervise the Company to maintain the independent listing status and focus on the independent operation and sustainable operation ability of the core assets and businesses of the Company, continuing to supervise the Company to fulfill the information disclosure obligation in accordance with laws in relation to the changes of assets and financial position of the CIMC Wetrans that will have material impact on the equity held by the Company and other important information that may significantly affect the share price of the Company.

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## LETTER FROM THE BOARD

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**2. *The Company has the ability to maintain sustainable operation after the Spin-off and Listing***

On the one hand, given that each business of the Group is keeping a strong momentum at present, and CIMC Wetrans maintains independence from the Group's other business segments, the Spin-off will not have any substantial impact on the sustainable operation of the Group's other business segments. On the other hand, after the Spin-off and Listing, CIMC Wetrans remains to be a subsidiary within the scope of the consolidated financial statements of the Company. The financial conditions, operation results and cash flows of CIMC Wetrans will still be reflected in the consolidated financial statements of the Company. After the completion of the Spin-off and Listing, the financing capability of CIMC Wetrans will be improved, and the operation scales, the innovation ability and profitability will be rapidly enhanced, which in turn will improve the overall profitability of the Group in the future and promote appreciation of the Group.

**VII. Resolution Regarding the Capability of CIMC Wetrans Logistics Technology (Group) Co., Ltd. to Implement Regulated Operation**

After review, the Board holds the view that CIMC Wetrans has the capability to implement regulated operation, with details set out as follows:

In accordance with provisions of the Company Law and its articles of association as currently in effect, CIMC Wetrans has established the general meeting, the Board, Supervisory Committee, appointed the senior management including the general manager, the chief financial officer and secretary of the Board. It has a sound organization structure, with clear responsibilities set for staff of each department, and a standardized operation system.

Pursuant to provisions of relevant laws, regulations and regulatory documents including the Company Law, the Code of Corporate Governance of Listed Companies and the Guidelines for Articles of Association of Listed Companies, CIMC Wetrans has formulated the articles of association, the Rules of Procedure for General Meetings, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Supervisory Committee and other relevant systems.

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## LETTER FROM THE BOARD

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### **VIII. Resolution Regarding the Explanation on the Completeness of and Compliance with Statutory Procedures of the Spin-off and Listing of the Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. on the Shenzhen Stock Exchange and the Validity of Legal Documents Submitted**

After review, the Board holds the view that in the Spin-off and Listing, the Company has fulfilled the necessary statutory procedures at the current stage in accordance with the relevant requirements of laws, regulations and regulatory documents, including the Company Law, the Securities Law and the Spin-off Rules, and the Articles of Association. The statutory procedures performed in the Spin-off and Listing are complete and in compliance with laws. The legal documents submitted to the relevant regulators are valid.

According to the relevant laws, regulations and regulatory documents, the Company and all directors make the following statements and guarantees regarding the relevant legal documents to be submitted for the Spin-off and Listing: the Proposal of China International Marine Containers (Group) Co., Ltd. on the Spin-off and Listing of the Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. on the Shenzhen Stock Exchange and the relevant disclosure documents issued by the Company are true, accurate and complete, and do not contain false records, misleading statements or material omissions. The Company and all directors jointly and severally accept full legal responsibility for the truthfulness, accuracy and completeness of the information contained therein.

Based on the foregoing, the statutory procedures the Company has performed in the Spin-off and Listing are complete and in compliance with the requirements of relevant laws, regulations, regulatory documents and the Articles of Association, and the legal documents submitted to the relevant regulators are legal and valid.

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## LETTER FROM THE BOARD

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### **IX. Resolution Regarding the Analysis on the Objectives, Commercial Reasonableness, Necessity and Feasibility of the Spin-off and Listing of the Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. on the Shenzhen Stock Exchange**

After review, the Company has the following analysis on the objectives, commercial reasonableness, necessity and feasibility of the Spin-off and Listing:

#### ***1. Objectives, Commercial Reasonableness, Necessity of the Spin-off and Listing***

##### *(1) Complying with the internal needs of the operation and development of CIMC Wetrans and improving its level of professional operation*

In recent years, benefiting from the new development pattern of “dual circulation” at home and abroad, the “Belt and Road” trade has continued to deepen, and the logistics industry has continued to develop rapidly. In order to seize the opportunities of industry development, CIMC Wetrans will further promote its own development, expand transportation capacity, improve the construction of multimodal networks, and enhance its level of professional operation through the Spin-off and Listing, thereby further reducing unit operating costs, improving market competitiveness, and making more contribution to the overall business development and profitability improvement of the Group. In addition, becoming a listed company will help CIMC Wetrans to further enhance its brand awareness, increase its market influence, attract and retain outstanding talents in the business field, and play a more positive role in promoting the continuous growth of the performance of CIMC Wetrans.

##### *(2) Fully utilising the support from the capital market and giving full play to the advantages of the listing platform of subsidiaries*

The Company hopes to make full use of the favorable opportunity of the capital market reform and the strong support of policies to spin off CIMC Wetrans for it to be listed independently on the A-share market, so as to promote the expansion of CIMC Wetrans’s business scale and further improve its operating efficiency and level. Through the Spin-off and Listing, CIMC Wetrans will get direct connection with the capital market and give full play to the supportive role of the capital market in the real economy. In the future, CIMC Wetrans will use the capital market platform to carry out various capital operations so as to provide sufficient funds and resources guarantees for its sustainable development, and also generate stable investment return for the shareholders of the Company and CIMC Wetrans.

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## LETTER FROM THE BOARD

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- (3) *Promoting the improvement in governance of the subsidiary and providing an operating platform for the realisation of strategic goals*

The Spin-off and Listing will further promote the standardisation and modernisation of the governance of CIMC Wetrans, and improve the transparency and standardisation level of its governance, which will lay a solid governance mechanism to safeguard the high-quality development of CIMC Wetrans in the future. The Spin-off and Listing is an important measure of the Company to respond to the domestic capital market policy, foster the development of real economy through the capital market and promote excellence and strength as well as high quality development of the listed company.

- (4) *Achieve Reasonable Valuation and Maximize Interests of All Shareholders*

The Spin-off and Listing is beneficial to CIMC Wetrans's operation and financial transparency and corporate governance. Providing shareholders and other institutional investors with clearer information of business and financial position of the Company and CIMC Wetrans can facilitate the capital market to reasonably value the Group's businesses and fully reflect the value of high quality assets of the Group in the capital market, hence boosting the Company's overall market value and maximizing the interests of all Shareholders.

### **2. *Feasibility of the Spin-off and Listing***

The Spin-off and Listing complies with the relevant requirements of the Provisions on Spin-off for the listing of the Company's spin-off controlling subsidiaries on the domestic market, and is feasible.

### **X. *Resolution Regarding the Proposed Authorisation of General Meeting to the Board and its Authorised Persons to Handle Matters Relating to the Spin-off and Listing***

After review, the Board agrees to propose to the general meeting to grant authorisation to the Board and its authorised persons to handle matters relating to the Spin-off and Listing at their full discretion, which is detailed below:

1. The Board and its authorised persons are authorised to exercise, at their full discretion, shareholders' rights in CIMC Wetrans on behalf of the Company to make the resolutions in relation to the matters concerning the Spin-off and Listing, which shall be resolved by the general meeting of the Company (other than those for which resolutions must be resolved by the general meeting as required by the laws and regulations).

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## LETTER FROM THE BOARD

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2. The Board and its authorised persons are authorised to amend, adjust and supplement the plan, proposal and other matters relating to the Spin-off and Listing based on the specific conditions.
3. The Board and its authorised persons are authorised to deal with, at their full discretion, the matters concerning submission of relevant applications to relevant authorities including the CSRC and the stock exchange in respect of the Spin-off and Listing, communicate with securities regulatory authorities in respect of the matters relating to application of the Spin-off and Listing, and adjust and modify the matters relating to the Spin-off and Listing in accordance with the requirements of securities regulatory authorities.
4. The Board and its authorised persons are authorised to decide on other specific matters in connection with the Spin-off and Listing, including but not limited to the engagement of relevant intermediaries, execution, delivery and receipt of necessary agreements and legal documents, and relevant information disclosure in accordance with applicable regulatory rules.

### **XI. Resolution Regarding the Shareholding of Directors, Senior Management and Their Related Parties of the Company in the Proposed Spin-off Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd.**

According to the provisions of paragraph 3 of Article 9 under the Spin-off Rules, if the directors and senior management of a listed company arrange a shareholding plan in the proposed spin-off controlling subsidiary, the independent directors shall issue an independent opinion on the matter and submit the same to the general meeting for voting as a separate resolution, which shall be passed by more than half of the voting rights held by minority shareholders present at the meeting.

After review, as of the date of this resolution being considered, the shares of CIMC Wetrans held by the directors, senior management and their related parties of the Company (excluding the shares of CIMC Wetrans held indirectly by such persons through the Company) in aggregate did not exceed 10% of the total share capital of CIMC Wetrans, which is in compliance with relevant provisions under the Spin-off Rules.

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## LETTER FROM THE BOARD

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### VOTING BY POLL AT THE EGM

A notice convening the EGM to be held at 2:40 p.m. on 3 August 2022 for the purpose of considering, and if thought fit, the passing of the ordinary resolution and special resolutions has been despatched to the Shareholders on 15 July 2022. CIMC Investment and its related parties shall abstain from voting on the relevant resolutions at the EGM.

A form of proxy for use at the EGM has been sent together with a notice convening the EGM dated 15 July 2022. Whether or not the Shareholders intend to be present at the Extraordinary General Meeting, they are requested to complete the form of proxy and return it to the office of the branch registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding of the EGM or any adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not prevent the Shareholders from attending and voting at the EGM or adjourned meeting (as the case may be) if they so wish.

In accordance with the requirements of the Hong Kong Listing Rules, the resolutions to be put forward at the EGM will be voted on by the independent Shareholders by way of poll.

### RECOMMENDATIONS

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Hong Kong Listing Rules to advise the Independent Shareholders on the New Framework Agreement and the transactions contemplated thereunder and the proposed annual caps.

In addition, the Company has appointed Innovax Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Having considered the advice from the Independent Financial Adviser in relation to the New Framework Agreement and the transactions contemplated thereunder, which is set out on pages 43 to 63 of this circular, the Independent Board Committee is of the opinion that the New Framework Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM.



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## LETTER FROM THE BOARD

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Having considered the reasons set out herein, the Directors (excluding directors who had abstained from voting on the resolutions) are of the opinion that the New Framework Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM. In addition, the Directors (including the independent non-executive Directors) is of the view that (1) Resolution Regarding the Compliance of the Spin-off and Listing of the Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. on the Shenzhen Stock Exchange with Relevant Laws and Regulations; (2) Resolution Regarding the Plan on the Spin-off and Listing of the Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. on the Shenzhen Stock Exchange; (3) Resolution Regarding the Proposal on the Spin-off and Listing of the Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. on the Shenzhen Stock Exchange; (4) Resolution Regarding the Compliance of the Spin-off and Listing of the Controlling Subsidiary with the Rules on the Spin-off of Listed Companies (Trial); (5) Resolution Regarding the Spin-off and Listing of the Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. on the Shenzhen Stock Exchange which Benefits the Safeguarding of Legal Rights and Interests of Shareholders and Creditors; (6) Resolution Regarding the Ability to Maintain Independence and Sustainable Operation of the Company; (7) Resolution Regarding the Capability of CIMC Wetrans Logistics Technology (Group) Co., Ltd. to Implement Regulated Operation; (8) Resolution Regarding the Explanation on the Completeness of and Compliance with Statutory Procedures of the Spin-off and Listing of the Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. on Shenzhen Stock Exchange and the Validity of Legal Documents Submitted; (9) Resolution Regarding the Analysis on the Objectives, Commercial Reasonableness, Necessity and Feasibility of the Spin-off and Listing of the Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. on the Shenzhen Stock Exchange; (10) Resolution Regarding the Proposed Authorisation of General Meeting to the Board and its Authorised Persons to Handle Matters Relating to the Spin-off and Listing; (11) Resolution Regarding the Shareholding of Directors, Senior Management and Their Related Parties of the Company in the Proposed Spin-off Controlling Subsidiary CIMC Wetrans Logistics Technology (Group) Co., Ltd. are in the interest of the Company and the Shareholders as a whole. None of the Directors abstained from voting on these Board resolutions. The Board recommends the Shareholders to vote in favour of the special resolutions to be proposed at the forthcoming EGM.

### **RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of providing 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 this circular or any statement herein misleading.

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## LETTER FROM THE BOARD

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### RISK WARNING

The Company has proposed to spin-off and list CIMC Wetrans on the Shenzhen Stock Exchange that is still in the preliminary planning stage. The advancement of the proposed spin-off and listing must satisfy a number of conditions, including but not limited to obtaining the approval of the specific listing plan by the general meeting of the Company and the board of directors and general meeting of CIMC Wetrans, approval of proposed spin-off and listing by the Hong Kong Stock Exchange in accordance with the Practice Note 15 of the Hong Kong Listing Rules and completing the relevant procedures of the Hong Kong Stock Exchange, the Shenzhen Stock Exchange and the CSRC. There are uncertainties as to whether the abovementioned approval or registration of the proposed spin-off and listing can be obtained and the time when the relevant approval or registration is finally obtained. Investors are advised to pay attention to relevant risks. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. The Company will make further announcements on major updates and progress of the proposed spin-off and listing in accordance with the Shenzhen Listing Rules, the Hong Kong Listing Rules and other applicable laws and regulations in due time.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information included in the appendix to this circular.

By order of the Board  
**China International Marine Containers (Group) Co., Ltd.**  
**WU Sanqiang**  
*Joint Company Secretary*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the independent Shareholders in connection with the Continuing Connected Transactions for inclusion in this circular.*



中國國際海運集裝箱(集團)股份有限公司  
**CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.**  
*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 2039)**

*To the independent Shareholders*

15 July 2022

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 15 July 2022, of which this letter forms a part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in this circular.

In respect of the Continuing Connected Transactions, we have been appointed to form the Independent Board Committee to consider and advise the independent Shareholders as to our opinion on, whether the Continuing Connected Transactions and the proposed annual caps are in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole and the terms of the Continuing Connected Transactions and the proposed annual caps are on normal commercial terms and are fair and reasonable.

In addition, Innovax Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in this regard. We wish to draw your attention to (i) the letter from the Independent Financial Adviser as set out on pages 43 to 63 of this circular; (ii) the “Letter from the Board” on pages 6 to 40 of this circular; and (iii) the additional information set out in the appendix to this circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account, among other things, the information set out in the letter from the Board, and the principal factors, reasons and recommendations set out in the letter from the Independent Financial Adviser in this circular, we are of the opinion that the Continuing Connected Transactions and the proposed annual caps are in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole and the terms of the Continuing Connected Transactions and the proposed annual caps are on normal commercial terms and are fair and reasonable.

Accordingly, we recommend the independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM so as to approve New Framework Agreement and the transactions contemplated thereunder and the proposed caps for the three years ending 31 December 2024.

Yours faithfully,

For and on behalf of

The Independent Board Committee

**China International Marine Containers (Group) Co., Ltd.**

**Mr. YANG Xiong**  
*Independent non-executive  
Director*

**Mr. ZHANG Guanghua**  
*Independent non-executive  
Director*

**Ms. LUI FUNG Mei Yee,  
Mabel**  
*Independent non-executive  
Director*

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## LETTER FROM INNOVAX CAPITAL LIMITED

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*The following is the full text of a letter of advice from Innovax Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*



15 July 2022

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Framework Agreement and the proposed revision of annual caps of continuing connected transactions contemplated under the New Framework Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in this circular (the “**Circular**”) dated 15 July 2022 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcements of the Company dated 9 December 2021 and 17 June 2022 in relation to the Original Framework Agreement and the New Framework Agreement. As disclosed in the Board Letter, based on the factors such as the historical transaction amounts, the increasing international trade and development in shipping industry and the business development plans of the Group, the Company and Sinotrans & CSC anticipate that the original 2022 annual cap and 2023 annual cap under the Original Framework Agreement will not be able to meet the future transaction needs of the parties. To this end, on 17 June 2022, the Board of the Company approved the entering into of the New Framework Agreement between the Company and Sinotrans & CSC, in which the Proposed Caps were agreed. The Original Framework Agreement will be lapsed on when day when the New Framework Agreement becomes effective.

As at the Latest Practicable Date, as Sinotrans & CSC is a subsidiary of China Merchants, which in turn is a substantial Shareholder of the Company, Sinotrans & CSC and its subsidiaries are also the connected persons of the Company. Accordingly, the transactions between the Group and Sinotrans & CSC Group under the New Framework Agreement would constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

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## LETTER FROM INNOVAX CAPITAL LIMITED

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Given that (1) on 9 December 2021, the Company entered into the Original Framework Agreement with Sinotrans & CSC, which will be lapsed on the day when the New Framework Agreement becomes effective, and (2) on 11 May 2022, the Company entered into relevant agreements (collectively, the “**China Merchants Framework Agreements**”) with China Merchants Port, Liaoning Port, China Merchants RORO and Sinotrans, respectively, which agreed on the caps in respect of the transaction amounts for the three years ending 31 December 2022, 2023 and 2024 between the parties, and Sinotrans & CSC, China Merchants Port, Liaoning Port, China Merchants RORO and Sinotrans are all subsidiaries of China Merchants, the Transaction under the New Framework Agreement shall be aggregated with the proposed caps under the China Merchants Framework Agreements. As one or more applicable percentage ratios (within the meaning of the Hong Kong Listing Rules) in respect thereof are more than 5% but less than 25%, the Transaction, after aggregated, constitutes the continuing connected transaction of the Company which shall be subject to the reporting, annual review and announcement requirements, as well as the Independent Shareholders’ approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As both Mr. Hu Xianfu, the Vice-chairman of the Company, and Mr. Deng Weidong, a Director, hold positions in China Merchants or its subsidiaries, they are considered to have material interests in the Continuing Connected Transactions. As such, Mr. Hu Xianfu and Mr. Deng Weidong have abstained from voting on the resolutions in relation to the Continuing Connected Transactions contemplated proposed to the Board. Save as disclosed above, none of the Directors of the Board has a material interest in the Continuing Connected Transactions.

The EGM will be convened by the Company at which resolutions will be proposed to seek approval from the Independent Shareholders for the New Framework Agreement and the Proposed Caps. Each of China Merchants and its associates is required to abstain from voting at the EGM on the relevant resolutions to be proposed to approve the New Framework Agreement and the Proposed Caps.

An independent board committee, comprising Mr. YANG Xiong, Mr. ZHANG Guanghua and Ms. LUI FUNG Mei Yee, Mabel, all of whom are independent non-executive Directors, has been formed to advise the Independent Shareholders as to the New Framework Agreement and the Proposed Caps.

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## LETTER FROM INNOVAX CAPITAL LIMITED

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We, Innovax Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the New Framework Agreement and the Proposed Caps and the transaction contemplated thereunder. As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial Shareholders of the Company or Sinotrans & CSC Group or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were engaged as an independent financial adviser to Company in respect of (1) the discloseable and connected transaction (details can be referred to in the announcement of the Company dated 6 August 2020 and the circular of the Company dated 16 September 2020); and (2) the discloseable and connected transaction in relation to the disposal of equity interests in target company and capital increase and deemed disposal of target company (details can be referred to in the announcement of the Company dated 23 November 2021 and the circular of the Company dated 7 December 2021). Under these engagements, we were required to express our opinion on and to give recommendations to the independent board committee and the independent shareholders of the Company in respect of the relevant transactions.

During the last two years, we were engaged as an independent financial adviser to the CIMC Vehicles (Group) Co., Ltd. (Stock Code: 1839) (“**CIMC Vehicles**”), a non-wholly owned subsidiary of the Company, in respect of (1) the deposit service framework agreement, the procurement framework agreements, the provision of products and services framework agreement, the financial guarantee framework agreement and the Jiansu Wanjing Procurement Framework Agreement and the transactions contemplated thereunder and the proposed annual caps (details can be referred to in the announcement of the CIMC Vehicles dated 25 August 2021), under which we were required to express our opinion on and to give recommendations to the independent non-executive directors of CIMC Vehicles in respect of the relevant transactions; and (2) the revision of annual caps for continuing connected transaction (details can be referred to in the announcement of CIMC Vehicles dated 1 June 2022 and circular of CIMC Vehicles dated 24 June 2022), under which we were required to express our opinion on and to give recommendations to the independent non-executive directors and independent shareholders of CIMC Vehicles in respect of the relevant transactions.

During the last two years, we were also engaged as an independent financial adviser to CIMC Enric Holdings Limited (stock code: 3899) (“**CIMC Enric**”), a subsidiary of the Company, in respect of the revision of annual caps for existing continuing connected transactions under the master sales agreement and the master procurement agreement (details can be referred to in the announcement of CIMC Enric dated 4 November 2021), under which we were required to express our opinion on and to give recommendations to the independent non-executive directors of CIMC Enric in respect of relevant transactions.

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## LETTER FROM INNOVAX CAPITAL LIMITED

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On the bases that (1) apart from the normal professional fees payable to us by the Company, CIMC Vehicles and CIMC Enric in connection with these appointments, no arrangement exists whereby we have received or will receive any fees or benefits from the Company or the Directors, chief executive and substantial Shareholders of the Company, CIMC Vehicles, CIMC Enric and Sinotrans & CSC Group or any of their respective subsidiaries or associates or any other parties that could reasonably be regarded as relevant to our independence; (2) all of the abovementioned previous engagements with the Company, CIMC Vehicles and CIMC Enric were limited to providing independent financial advisory services to respective independent non-executive directors or the independent board committee pursuant to the Hong Kong Listing Rules which had not impaired our independence; and (3) our appointments under all of the abovementioned previous engagements were independent and separate to each other, including our current appointment in relation to the New Framework Agreement, we consider that we are independent pursuant to Rule 13.84 of Listing Rules of the Hong Kong Stock Exchange.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true, accurate and complete in all material respects at the time they were made and continue to be true, accurate and complete in all material respects at the date of this Circular and continue to be so up to the date of the EGM, and Independent Shareholders will be informed of any material change of information in the Circular as soon as possible up to the date of the General Meeting. We have also relied on our discussion with the management of the Company (the “**Management**”) and its representatives regarding the New Framework Agreement and the transactions contemplated thereunder, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Management and its representatives respectively in the Circular were reasonably made after due enquiry.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management and its representatives. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, or their respective associates, nor have we carried out any independent verification of the information supplied.



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## LETTER FROM INNOVAX CAPITAL LIMITED

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the fairness and reasonableness in respect of the New Framework Agreement and the transactions contemplated thereunder and the Proposed Caps, we have taken into consideration the following principal factors and reasons:

#### A. Background information

##### 1. Information on the Group

With reference to the Board Letter, the Company is a joint stock company with limited liability established in the PRC, the H Shares and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, respectively. The Group is principally engaged in the manufacture of containers, road transportation vehicles, airport facilities and logistics equipment/fire and rescue equipment, energy/chemical and liquid food equipment, offshore engineering, logistics service and recycled load business, etc. In addition, the Group is also engaged in finance and asset management and other businesses.

Set forth below are the summary of the financial performance of the Group for the years ended 31 December 2019, 2020 and 2021 and the financial position of the Group as at 31 December 2019, 2020 and 2021, as extracted from the Company's annual reports for the year ended 31 December 2020 (the "FY2020 Annual Report") and 31 December 2021 (the "FY2021 Annual Report").

	For the year ended/As at 31 December		
	2019	2020	2021
	RMB'million	RMB'million	RMB'million
	(audited)	(audited)	(audited)
Revenue	85,815.3	94,159.1	163,696.0
– Container manufacturing service	19,716.7	21,462.5	63,563.5
– Road transportation vehicles service	23,318.8	26,295.3	27,382.9
– Logistics services	9,109.9	10,568.7	29,225.1
– Energy, chemical and liquid food equipment business	14,885.7	13,198.2	19,156.4
– Others	18,784.2	22,634.4	24,368.1
Net profit for the year	2,510.1	6,011.7	8,360.8
Cash at bank and on hand	9,714.8	12,181.4	16,442.7
Net assets	55,038.0	53,853.8	56,980.1

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## LETTER FROM INNOVAX CAPITAL LIMITED

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According to the 2020 Annual Report, the Group's revenue and net profit increased by approximately 9.7% and 139.5%, respectively, from 2019 to 2020, which were primarily attributable to the Group's container manufacturing services and road transportation vehicles services. The Group's container manufacturing services recorded an increase in revenue of approximately 8.9% from approximately RMB19,716.7 million for 2019 to approximately RMB21,462.5 million for 2020. The Group's road transportation vehicle services recorded an increase in revenue of approximately 12.8% from approximately RMB23,318.8 million for 2019 to approximately RMB26,295.3 million for 2020. Such increases were mainly driven by (i) the boosted overseas demand of containers as a result of resurgence of COVID-19 in other countries around the globe and the recovering productivity in the PRC; (ii) the hike in container price resulted from increasing commodity prices, and (iii) the proposal of the Chinese government of "a new development pattern in which domestic economic cycle plays a leading role while international economic cycle remains its extension and supplement", which encouraged the development of the domestic market of logistics and transportation.

According to the 2021 Annual Report, the Group's revenue and net profit increased by approximately 73.9% and 39.1%, respectively, from 2020 to 2021, which were primarily attributable to the Group's container manufacturing services and logistics services. The Group's container manufacturing services recorded an increase in revenue of approximately 196.2% from approximately RMB21,462.5 million for 2020 to approximately RMB63,563.5 million for 2021. Such increase was mainly driven by the strong recovery in global economy and merchandise trade showed a strong recovery, leading to faster than expected growth in China's foreign trade exports despite the continuing disruptions caused by the COVID-19 epidemic. The Group's revenue from logistics services increased by approximately 176.5% from approximately RMB10,568.7 million for 2020 to approximately RMB29,225.1 million for 2021. Such increase was mainly attributable to (i) a comprehensive coverage of routes in North America, Latin America, Europe, Australia and New Zealand, South Asia, Southeast Asia and Africa achieved by the Group through a combination of strategic investment and organic development; (ii) a big breakthrough made by the Group in railway-related businesses, including international and domestic trains, river-rail combined transport and sea-rail combined transport; and (iii) the achievement of certain results in professional logistics business including cold chain logistics and steel logistics, etc.

The Group's net assets were relatively stable at approximately RMB55,038.0 million, RMB53,853.8 million and RMB56,980.1 million as at 31 December 2019, 2020 and 2021 respectively.

### 2. *Business development of the Group*

As extracted from the 2021 Annual Report, the Group would focus on their advantageous businesses and consolidate their position as an industry leader. In respect of the Group's container manufacturing business, while the demand in containers reached historical high in 2021, it is expected that the container shipping market will remain in tight supply situation in 2022 with a slight correction as compared to 2021, and the container shipping industry is expected to maintain a high level of profitability, which will strongly promote customers' willingness to purchase containers. As affected by the limited supply of containers from 2020 to 2021, there is a large amount of old containers beyond service duration in the market, it is expected that the demand for container replacement and update will remain high in 2022. The Group strove to increase its production when containers were in short supply around the globe, as an effort to help the Chinese government to "stabilise foreign trade" by accommodating the demand of container export and guarantee the stable operation of the global supply chain.

In respect of the Group's logistics business, with their focus placed on multimodal transport, the Group's logistics service business achieved a new high in revenue in 2021. During 2021, the Group expanded its business territory by strategically investing various high-quality enterprises in PRC and abroad, achieving a full coverage of the global routes, and growing into a leading integrated logistics service provider covering all modes of transportation in China. On 1 January 2022, the Regional Comprehensive Economic Partnership (RCEP) officially came into force, bringing an important boost to stabilise foreign trade and promote the development of the new business model. The country has successively introduced the 14th Five-Year Plan for the Quality Development of Foreign Trade, the 14th Five-Year Plan for the Development of Cold Chain Logistics, and the Work Plan for Promoting the Development of Multimodal Transport and Optimising and Adjusting the Transport Structure (2021–2025). In 2022, the Group's will further cultivate major global shipping routes, extend its service chain, strengthen the deployment of local service capacity in international ports of destination, and increase joint venture cooperation with railways.

**3. *Information on Sinotrans & CSC***

Sinotrans & CSC is a wholly state-owned company established under the laws of the PRC and a wholly-owned subsidiary of China Merchants. It is principally engaged in non-vessel operating business; international ship agency; organization, investment and management of integrated logistics; ship manufacture and maintenance; ocean engineering; investment, establishment and operation of the relevant infrastructures; import and export business; technical services, etc. The revenue and net profit attributable to the parent company of Sinotrans & CSC were approximately RMB80,334.3 million and RMB3,556.8 million for the year ended 31 December 2021, respectively. The net assets of Sinotrans & CSC amounted to approximately RMB42,244.2 million as at 31 December 2021.

**B. *The New Framework Agreement, the continuing connected transactions contemplated thereunder and the Proposed Caps***

**1. *Background and reasons for and benefits of the Original Framework Agreement and the New Framework Agreement***

As disclosed in the Board Letter, the Group has maintained a long-term and reliable business relationship with Sinotrans & CSC Group, the entering into of the New Framework Agreement and the conducting of related continuing connected transactions are in line with the actual needs for the operation and development of the Group's principal businesses, and will not prejudice the interests of the Company and the Shareholders, especially the minority Shareholders, nor adversely affect the independence of the Company. As advised by the Management, the historical and anticipated transactions between the Group and the Sinotrans & CSC Group were/are primarily related to the Group logistics segment and container manufacturing segment. The conducting of such transactions will not give rise to reliance of the principal businesses of the Company on connected persons/parties. The determining of the prices and terms of sale of goods and provision/receiving of services between the Group and Sinotrans & CSC Group under the New Framework Agreement shall comply with the principles of fairness and reasonableness and shall not deviate from the prices and terms offered by the Group or Sinotrans & CSC Group to independent third parties for provision or receiving of similar goods and/or services.

Based on the factors such as the recent actual transactions, economic environment of the market and expected prices to remain high, the Company and Sinotrans & CSC anticipate that the original 2022 annual cap and 2023 annual cap under the Original Framework Agreement will not be able to meet the future transaction needs of the parties and hence, both parties decided to enter into the New Framework Agreement to revise the relevant annual caps for continuing the relevant transactions.

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## LETTER FROM INNOVAX CAPITAL LIMITED

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Based on the above, we are of the view that entering into the New Framework Agreement is commercially reasonable and is part of the Company's ordinary course of business, and is in the interest of the Company and its Shareholder as a whole.

### ***2. Principal terms of the New Framework Agreement***

Below are the principal terms of the New Framework Agreement:

- Date: 17 June 2022
- Parties: (i) The Company (for itself and on behalf of its subsidiaries); and
- (ii) Sinotrans & CSC (for itself and on behalf of its subsidiaries and other associates)
- Nature of the transaction: Pursuant to the New Framework Agreement, the Group agreed to supply goods (such as containers) and provide services (such as logistics service) to Sinotrans & CSC Group; and receive services (such as logistics service) from Sinotrans & CSC Group. According to the terms of the New Framework Agreement, Sinotrans & CSC Group and the relevant members of the Group shall enter into specific contracts for subsequent goods or services to agree on specific transaction terms respectively.
- Payment method: Payments will be made in accordance with the terms in the specific contracts to be entered into between Sinotrans & CSC Group and the relevant members of the Group under the New Framework Agreement.

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## LETTER FROM INNOVAX CAPITAL LIMITED

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Term and termination:	The New Framework Agreement shall be valid upon signing by the parties and the Company's compliance with the relevant approval procedures under the Shenzhen Listing Rules and the Hong Kong Listing Rules. The Original Framework Agreement will be lapsed on the day when the New Framework Agreement becomes effective. The terms of the New Framework Agreement will be 3 years commencing from 1 January 2022 to 31 December 2024.
Pricing policy:	The pricing policies of the Continuing Connected Transactions under the New Framework Agreement shall be determined on arm's length basis and on normal commercial terms, and the price of goods or services to be provided between the parties shall be the market price. For details, please refer to the section headed "Pricing Policies" in the Board Letter.
Proposed Caps:	Please refer to the section headed "3. Proposed Caps" below.

In respect of the pricing policies as set out in the New Framework Agreement, we were advised by the Management that bidding process has not been adopted under the effective period of the Original Framework Agreement, for details, please refer to the Board Letter. Nevertheless, we have obtained and reviewed the policy of the Company for participating in or conducting the bidding process. Based on such policy, we noted that, when the Company is required to prepare a tender document as required by Sinotrans & CSC Group for a proposed sales transaction, the transaction terms, including but not limited to types of goods or scope of services provided, delivery date and unit price, if applicable, as set out in the tender document would be determined with reference to those of the similar transactions between the Company and independent third parties. In respect of the bidding process conducted for a proposed purchase from Sinotrans & CSC Group, the Company would require at least two other tender documents from independent suppliers. The Company will then assess the transaction terms offered by different suppliers as set out in the tender document, such as the scope of services provided and unit price. After an overall evaluation, the most suitable supplier will be selected, including but not limited to the supplier who offers the most favourable price. Such bidding process could help to ensure that the transaction terms between the Group and Sinotrans & CSC Group are at normal commercials or no less favourable than those with independent third parties. Further, we have obtained and reviewed sample transaction documents (five samples for sales transactions and five samples for purchase transactions, based on random sampling) in respect of the transactions contemplated under the Original Framework Agreement between the Group and Sinotrans & CSC Group for both the year ended 31 December 2021 and the four months ended 30 April 2022,

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## LETTER FROM INNOVAX CAPITAL LIMITED

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including the documents showing that the transaction prices were determined with reference to the price of similar goods or services received from independent third parties or with reference to the market price. We have also obtained and reviewed sample transaction documents (five samples for sales transactions and five samples for purchase transactions, based on random sampling) in respect of the sales and purchase transactions between the Group and independent third parties and compared the transaction prices against the sales and purchase transactions of similar goods or services between the Group and Sinotrans & CSC Group. Based on our observations, we noted that the relevant transactions between the Group and Sinotrans & CSC Group were conducted at normal commercial terms and/or no less favourable to the transaction terms with independent third parties.

Given that (1) the objective of our review on transaction samples is to obtain an understanding on the transaction process between the Group and Sinotrans & CSC Group or independent third parties; (2) the said samples covered the Group's recent sales and purchase transactions with Sinotrans & CSC Group and independent third parties in 2022 and 2021, being the current financial year and the latest full financial year of the Group, which better illustrate the Group's current transaction practice and more relevant for us to understand the Group's transaction process; (3) the transactions contemplated under the Original Framework Agreement and the New Framework Agreement are recurring in nature with large transaction volume and hence, the transactions processes of which are standardized and are reasonably expected to be represented by the said samples; and (4) our review of samples is to be satisfied that there are comparable transactions available for determining the fairness and reasonableness of the transaction terms and prices with Sinotrans & CSC Group and hence, the pricing policy can be implemented, we consider the said sample documents reviewed are fair and representative that suffice for us to gain the relevant understanding.

Based on the above, we are of the view that the principal terms of the New Framework Agreement are of normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Company and Shareholders as a whole. In particular, on the bases that (1) the pricing policy (including the bidding process) facilitates that the pricing of relevant transactions is determined at normal commercial terms (including comparing the price to that between the Company and independent third parties in a similar transaction) or based on market price so that the benefits of the Company would not be jeopardized; and (2) the transaction prices in respect of the transactions between the Company and Sinotrans & CSC Group were at normal commercial terms and/or no less favorable to that with independent third parties pursuant to our review on transactions documents as mentioned above, we are of the view that the pricing policy is fair and reasonable and in the interest of the Company and its Shareholders.

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**LETTER FROM INNOVAX CAPITAL LIMITED**

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**3. Proposed Caps**

The following table sets out the respective original annual caps (the “**Existing Caps**”) contemplated under the Original Framework Agreement and the Proposed Caps for each of the three years ending 31 December 2024 as set out in the New Framework Agreement, respectively:

	<b>For the year ending 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Existing Caps</b>			
Sales of goods and provision of services by the Group to Sinotrans & CSC Group	220,000	240,000	N/A
Receiving of services by the Group from Sinotrans & CSC Group	720,000	830,000	N/A
<b>Proposed Caps</b>			
Sales of goods and provision of services by the Group to Sinotrans & CSC Group	520,000	550,000	580,000
Receiving of services by the Group from Sinotrans & CSC Group	4,200,000	4,400,000	4,600,000

In assessing whether the Proposed Caps are reasonable, we have discussed with the Management regarding the underlying bases and assumptions. According to the Management, the Proposed Caps are estimated based on the following factors: (1) for the four months ended 30 April 2022, the actual transaction amounts between the Group and Sinotrans & CSC Group have reached 60% of the agreed annual cap for 2022 under the Original Framework Agreement, significantly exceeding expectation, and as the first quarter was a traditional off-season in the logistics and shipping market and the third and fourth quarters were traditional peak seasons in the logistics and shipping market, it was expected that the annual cap for 2022 under the Original Framework Agreement could not meet the transaction needs of the Group and Sinotrans & CSC Group; (2) it was expected that global economy, international trade and development of shipping industry would further promote the transaction amounts of commodities and services between the Group and Sinotrans & CSC Group; (3) the business



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## LETTER FROM INNOVAX CAPITAL LIMITED

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development plan of the Group, including merged businesses, continuous expansion of logistics business teams and increased acquisitions of services provided by Sinotrans & CSC Group in response to its competitive advantages which would increase the transaction amounts between the Group and Sinotrans & CSC Group in different degrees; and (4) price fluctuations of related logistics services and products. Details are as follows:

- (i) *Historical transaction amounts under the Original Framework Agreement and respective utilisation rate of Existing Caps*

The table below sets forth the Existing Caps, historical transaction amounts and utilisation rate for the year ending 31 December 2022, in respect of the Continuing Connected Transactions contemplated under the Original Framework Agreement:

	<b>For the year ending 2022</b>
<b>Sales of goods and provision of services by the Group to Sinotrans &amp; CSC Group</b>	
Existing Caps ( <i>RMB'000</i> )	220,000
Historical transaction amounts ( <i>RMB'000</i> )	52,033 <sup>(Note 1)</sup>
Utilisation Rates	23.7%
Annualised transaction amounts ( <i>RMB'000</i> )	156,099
Utilisation Rates (based on annualised amount)	71.0%
<b>Receiving of services by the Group from Sinotrans &amp; CSC Group</b>	
Existing Caps ( <i>RMB'000</i> )	720,000
Historical transaction amounts ( <i>RMB'000</i> )	521,525 <sup>(Note 1)</sup>
Utilisation Rates	72.4%
Annualised transaction amounts ( <i>RMB'000</i> )	1,564,575
Utilisation Rates (based on annualised amount)	217.3%

*Note 1:* Represents the transaction amounts for the four months ended 30 April 2022.

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## LETTER FROM INNOVAX CAPITAL LIMITED

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As set out in the table above, the utilisation rate of Existing Cap for the four months ended 30 April 2022 for sales of goods and services to Sinotrans & CSC Group and receiving of services from Sinotrans & CSC Group were 23.7% and 72.4% respectively. If the utilisation rates were calculated using the annualised transaction amount, they are expected to be approximately 71.0% and 217.3% respectively. In respect of receiving of services from Sinotrans & CSC Group, the annualised transaction amount has exceeded the Existing Cap. As advised by the Management, this is mainly attributable to the business growth of the Group, which drove the Group's demand of purchase of services from Sinotrans & CSC Group and also the increase in the proportional purchase from Sinotrans & CSC Group due to its competitive advantages as compared to other suppliers of the Group. As further advised by the Management, although the annualised transaction amounts for the sales of goods and services to Sinotrans & CSC Group has not exceeded the Existing Cap, the Management expects that the Existing Cap is not sufficient for the Group during the remaining period of 2022 taking into account its business growth.

The anticipated transactions between the Group and Sinotrans & CSC Group are primarily related to the Group's logistics segment and container manufacturing segment. As represented by the Management, the first quarter of each year was a traditional off-season in the logistics and shipping market and the third and fourth quarters were traditional peak seasons in the logistics and shipping market. As advised by the Management, the business of the Group in the logistics and shipping market is positively related to the amount of goods or services sales to or purchased from Sinotrans & CSC Group. We have analysed the Group's proportion of revenue contributed by January to April (covering the first quarter) and May to December (covering the third and fourth quarter) for 2019 to 2021 in its logistics segment, results as follow:

	<b>% of revenue contributed from January to April</b>	<b>% of revenue contributed from May to December</b>	<b>Ratio between the two periods</b>
2019	30.2%	69.8%	2.31
2020	27.5%	72.5%	2.64
2021	17.6%	82.4%	4.68

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## LETTER FROM INNOVAX CAPITAL LIMITED

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Based on the above, it is noted that the percentage of revenue contributed from May to December for 2019 to 2021 is more than 66.7%, being the percentage that assumed there was no seasonal effect in revenue (i.e. eight months divided by 12 months), and such percentage has been increasing since 2019. We have further calculated the annualised transaction amounts with Sinotrans & CSC Group for the year ending 31 December 2022, taking into account the aforementioned seasonal effect for 2019 to 2021 by adopting the relevant ratios as analysed above:

### Sales of goods and provision of services by the Group to Sinotrans & CSC Group

Historical transaction amounts for Jan to Apr 2022 <i>(RMB million)</i>	Ratio adopted for projection pursuant to seasonal effect analysis	Transaction amounts projected for May to Dec 2022 <i>(RMB million)</i>	Total amounts projected for 2022 <i>(RMB million)</i>	% of Existing Cap for 2022	% of Proposed Cap for 2022
52.0	2.31	120.1	172.1	78.2%	33.1%
	2.64	137.3	189.3	86.0%	36.4%
	4.68	243.4	295.4	134.3%	56.8%

### Receiving of services by the Group from Sinotrans & CSC Group

Historical transaction amounts for Jan to Apr 2022 <i>(RMB million)</i>	Ratio adopted for projection pursuant to seasonal effect analysis	Transaction amounts projected for May to Dec 2022 <i>(RMB million)</i>	Total amounts projected for 2022 <i>(RMB million)</i>	% of Existing Cap for 2022	% of Proposed Cap for 2022
521.5	2.31	1,204.7	1,726.2	332.0%	41.1%
	2.64	1,376.8	1,898.3	365.1%	45.2%
	4.68	2,440.6	2,962.1	569.6%	70.5%

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## LETTER FROM INNOVAX CAPITAL LIMITED

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Based on the above analysis, it is noted that, by taking into account the seasonal effect, it is possible for the annualised amounts of both sales to and purchases from Sinotrans & CSC Group to exceed the Existing Cap for 2022. For the Proposed Cap for 2022, it can accommodate up to 56.8% of transactions in respect of the Group's sales of good and services Sinotrans & CSC Group and up to 70.5% of transactions in respect of the Group's receipt of services from Sinotrans & CSC Group. As such, it is not unreasonable for the Company to propose to increase the Existing Caps.

*(ii) The increasing demand in ocean exporting of China and expansion plan of the Group's business*

As advised by the Management, the logistics and container manufacturing businesses of the Group are related to the ocean exporting business of China and the growth of which would drive the Group's sales to and purchases from the Sinotrans & CSC Group.

The ocean exporting business of the PRC could be reflected by China Containerised Freight Index ("CCFI"). The CCFI reflects the fluctuations of spot freight rates on nationwide export container transport market. The CCFI has been demonstrating a rising trend since 2020, which increased from 897.53 on 3 January 2020 to 1,658.58 on 31 December 2020, representing an increase of 84.8%. It continued to climb during 2021. Notwithstanding the two corrections during early and late 2021, the CCFI reached 3,344.24 on 31 December 2021, representing an increase of 101.6% as compared to 31 December 2020. The CCFI reached its historical high of 3,587.91 on 11 February 2022 and then experienced a correction down to a low of 3,056.98 on 6 May 2022. Afterwards, it rose again and reached 3,229.53 on 10 June 2022. Pursuant to our discussion with Management, in addition to the trend of CCFI in recent years as mentioned above, the demand on ocean exporting and its freight costs may also be boosted by other factors such as the recovery of business activities in Shanghai after the lockdown caused by COVID-19 pandemic and the risk of labour strike of dockworkers in the United States, Canada and Europe. Based on the above, it is not unreasonable for the Management to expect there would be increases in the Group's logistics and container manufacturing business and hence, the Group's sales to and purchases from Sinotrans & CSC Group.

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## LETTER FROM INNOVAX CAPITAL LIMITED

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In particular, in respect of the Company's expectation on the significant increase in purchase of services from Sinotrans & CSC Group, as advised by the Management, the Company has expanded the scale of its logistics business to ride on the growing trend in the ocean exporting business in China. In May 2022, one of the Company's subsidiary, CIMC Wetrans Logistics Technology (Group) Co., Ltd. ("CIMC Wetrans"), expanded its cargo-controlling sales team by 350 personnel, representing an increase of more than 150% of the original size of the team during January to April 2022. During January to April 2022, CIMC Wetrans and its subsidiaries contributed the most in respect of the Group's purchase from Sinotrans & CSC Group. The cargo-controlling sales team is primarily responsible for marketing and managing the Group's logistics services to customers and the expansion of which is expected to enhance the Group's market share in Qingdao and Ningbo districts, further boost the growth of the Group's logistics business and at the same time drive the Group's purchase with Sinotrans & CSC Group. Based on the historical purchase amount from Sinotrans & CSC Group as contributed by the original logistics management team, the Company expects that the expanded logistics management team would contribute additional purchase from Sinotrans & CSC Group of approximately RMB420.0 million in 2022.

In respect of the Company's expectation on the increase in sales of goods and services to Sinotrans & CSC Group, as advised by the Management, they have taken into account the significant growth in the Group's container manufacturing business and logistics business in 2021. In 2021, the revenue of the Group container manufacturing business and logistics business increased significantly by 196.2% and 176.5%, respectively. Such increase was mainly driven by the strong recovery of China's foreign trade exports and the quality of the Group's products and services, which may also drive Sinotrans & CSC Group's demand on the Group's products and services.

Based on the aforementioned seasonal effect, the continued and expected growth in ocean exporting business in China and the expansion plan of the Group as mentioned above, the Group's sales of goods and services to and purchases of services from Sinotrans & CSC Group are expected to be approximately RMB452.2 million and RMB2,506.0 million, respectively, for 2022 before considering the Group's plan to shift part of its purchase from other suppliers to Sinotrans & CSC Group due to its competitive advantages as discussed below.

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## LETTER FROM INNOVAX CAPITAL LIMITED

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*(iii) The Group's plan to shift part of its purchase from other suppliers to Sinotrans & CSC Group due to its competitive advantages*

As advised by Management, the Group plans to shift part of its purchase from other suppliers to Sinotrans & CSC Group due to its competitive advantages. According to Transport Topics, Sinotrans & CSC Group is currently the second largest freight forwarder in the globe and the largest China-based freight forwarder in terms of container volume<sup>1</sup>. As further advised by Management, as a result of the capital strength of Sinotrans & CSC Group, being the leader in the freight forwarding industry, and the long-term relationship between the Group and Sinotrans & CSC Group, the credit limit provided by Sinotrans & CSC Group was significantly greater than other logistics suppliers of the Group. For any transactions that exceed the credit limit amount, the suppliers would require the Group to pay in advance which negatively affect the Group's working capital management and also the Group's competitiveness towards its downstream customers. As such, the large credit limit provided by Sinotrans & CSC Group is one of its primary competitive strengths for being a freight forwarder. We have obtained a summary of credit limits provided by certain largest logistics suppliers of the Group and sample checked to the relevant credit agreements. We note that the credit limits provided by these largest logistics suppliers ranged from tens of thousands of RMB to one million US dollars, which were significantly lower than the average trade payables of tens of millions of RMB maintained between a single entity of the Group and Sinotrans & CSC Group. As such, the Management is of the view that shifting part of the purchase to Sinotrans & CSC Group would in practice better satisfy the needs of the Group in terms of working capital management and competitiveness in downstream customers. We have also obtained and reviewed the transaction samples between the Group and Sinotrans & CSC Group (five samples, based on random sampling), and compared against those with independent suppliers (five samples, based on random sampling). We have compared the transaction terms, including but not limited to the types of logistics services transacted, modes of shipment, dates of shipment and freight rates of those transaction samples. For details, please refer to further elaborations as set out in the paragraphs headed "2. Principal terms of the New Framework Agreement" above. Based on our observations, the Group's purchases from Sinotrans & CSC Group were transacted at comparable transaction terms as compared to the Group's purchase from independent suppliers, in particular, the transaction price with Sinotrans & CSC Group were comparable or no less favorable than those with independent suppliers when the types of logistics services, mode of shipment and dates of shipment were similar and hence, the transaction terms with Sinotrans & CSC Group were normal commercial terms or no less favourable than those with independent suppliers.

<sup>1</sup> <https://www.ttnews.com/logistics/oceanfreight/2022>

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## LETTER FROM INNOVAX CAPITAL LIMITED

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Based on the above, the Management expects that the percentage of purchase from Sinotrans & CSC Group to total purchase under the logistics segment will increase from 3.9% in 2021 and 4.7% in January to April 2022 to approximately 8.0% in 2022. Such increase is expected to contribute additional purchase of services amounting to RMB1.15 billion from Sinotrans & CSC Group in 2022.

*(iv) Amount of buffer considered and the expected increase in the Proposed Caps*

We discussed with the Management and understood that a buffer of 15% was incorporated in Proposed Caps, mainly for the potential fluctuations in freight charges and logistics demand. Further, we noted that the Proposed Caps are expected to increase by 4% to 6% in 2023 and 2024. Based on the volatility of CCFI and the historical increase in consumer price index in the transport and communications section of 4.1% for 2021, we are of the view that it is not unreasonable for the Company to incorporate a buffer of 15% in the Proposed Caps and anticipate an increase of 4% to 6% in the Proposed Caps in 2023 and 2024.

Taking into account of the fact that (i) the Existing Caps could not satisfy the business needs of the Group; (ii) the Group have considered the trend of the shipping industry, the actual and business situation and future development of the Group when estimating the transaction amounts with Sinotrans & CSC Group, we are of the view that the Proposed Caps for the three years ending 31 December 2024 are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

#### **4. Internal control policies**

With reference to the announcement of the Company dated 9 December 2021, the Group has established certain internal control policies to ensure the continuing connected transactions contemplated under the Original Framework Agreement would be in compliance with the Hong Kong Listing Rules. As advised by the Management, the same internal control policies would be applied for the transaction contemplated under the New Framework Agreement. We consider that the effective implementation of the internal control procedures would help to ensure fair pricing of the transactions. We discussed with the finance staff of the Company and understood that the financial department's staffs are aware of the internal control procedures and would comply with internal control procedures measures when conducting continuing connected transactions contemplated under the Original Framework Agreement and the New Framework Agreement. We have also reviewed the sample documents demonstrating the implementation of such internal control procedures.

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## LETTER FROM INNOVAX CAPITAL LIMITED

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### 5. *Ongoing compliance of Listing Rules*

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which:

- (i) the Proposed Caps for the Continuing Connected Transactions contemplated under the New Framework Agreement will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with the Listing Rules, review annually the Continuing Connected Transactions contemplated under the New Framework Agreement and confirm in the Company's annual report whether such Continuing Connected Transactions have been entered into (a) in the ordinary usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole;
- (iii) the Company must engage the auditor of the Company, in accordance with the Listing Rules, to report on the Continuing Connected Transactions annually and the auditor must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions: (a) have not been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (c) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing such Continuing Connected Transactions; and (d) have exceeded the Proposed Caps;
- (iv) the Company must promptly notify the Hong Kong Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters set out in the points (ii) and/or (iii) above respectively;
- (v) the Company must allow, and ensure that Sinotrans & CSC Group allows, the auditors of the Company sufficient access to their records for the purpose of the auditors' reporting on the Continuing Connected Transactions contemplated under the New Framework Agreement;
- (vi) the Company must state in the annual report whether the auditors of the Company have confirmed the matters stated in Rule 14A.56 of the Listing Rules; and



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## LETTER FROM INNOVAX CAPITAL LIMITED

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- (vii) the Company must comply with the applicable provisions of the Listing Rule governing Continuing Connected Transactions in the event that the total amount of the Continuing Connected Transactions contemplated under the New Framework Agreement exceeds the Proposed Caps, or that there is any material amendment to the terms of the New Framework Agreement.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Continuing Connected Transactions with Sinotrans & CSC Group and hence the interest of the Independent Shareholders would be safeguarded.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the terms of the continuing connected transactions contemplated thereunder the New Framework Agreement are in ordinary course of business of the Group, on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and 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 favor of the resolutions to be proposed at the EGM to approve the New Framework Agreement and the transactions contemplated thereunder and the Proposed Caps and we recommend the Independent Shareholders to vote in favor of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Innovax Capital Limited**  
**Richard Chu      Peter Ng**  
*Managing Director      Director*

*Note:* Richard Chu and Peter Ng are licensed persons under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and regarded as responsible officers of Innovax Capital Limited. Richard Chu and Peter Ng have over 15 years and 10 years of experience in corporate finance industry, respectively.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, include particulars given in compliance with the Hong Kong 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.

## 2. SHARE CAPITAL

As at the Latest Practicable Date, the total number of issued shares of the Company was 3,595,013,590 Shares comprising, 1,535,121,660 A Shares listed on the Shenzhen Stock Exchange and 2,059,891,930 H Shares listed on the Hong Kong Stock Exchange.

## 3. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, apart from Mr. Mai Boliang who hold interest in the Company as disclosed below, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or was a director or employee of a company which 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 or which were required, pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Hong Kong Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as applied to the Supervisors.

### (1) Interest in the Shares:

Name	Nature of interest	Type of Shares	Number of Shares
Mr. Mai Boliang	Beneficial interest	A Shares	593,643

**(2) Interest in the underlying shares of the Company:**

As at the Latest Practicable Date, none of any Director, Supervisor and chief executive of the Company held the interest in the underlying Shares of the Company.

**(3) Interests in the Shares of associated corporations of the Company:**

<b>Name</b>	<b>Associated corporation</b>	<b>Nature of interest</b>	<b>Number of Shares</b>
Mr. Mai Boliang	CIMC Enric Holdings Limited	Beneficial interest	7,260,000

**4. SUBSTANTIAL SHAREHOLDERS**

So far as the Directors are aware, as at the Latest Practicable Date, the persons other than a Director, Supervisor or senior management of the Company who had interests or short positions in the Shares or underlying Shares which are disclosable under Divisions 2 and 3 of Part XV of the SFO are as follows:

<b>Name of Shareholder</b>	<b>Nature of Shares</b>	<b>Number of Shares</b>	<b>Capacity</b>	<b>Percentage of such shares in the same class of the issued shares (%)</b>	<b>Percentage of such shares in the total issued shares (%)</b>
Shenzhen Capital Operation Group Co., Ltd. (“ <b>Shenzhen Capital Group</b> ”) <i>(Note 1)</i>	A Shares	350,000,000 (L)	Interest of corporation controlled by the substantial Shareholder	22.80%	9.74%
	H Shares	719,089,532 (L)	Interest of corporation controlled by the substantial Shareholder	34.91%	20.00%
China Merchants Group <i>(Note 2)</i>	H Shares	880,429,220 (L)	Interest of corporation controlled by the substantial Shareholder	42.74%	24.49%

Name of Shareholder	Nature of Shares	Number of Shares Capacity		Percentage	Percentage
				of such shares in the same class of the issued shares (%)	of such shares in the total issued shares (%)
CITIC – Prudential Life Insurance Co., Ltd.	A Shares	19,733,298 (L)	Beneficial holder	1.29%	0.55%
	H Shares	177,327,180 (L)	Beneficial holder	8.61%	4.93%

(L) Long Position

*Note 1:* Shenzhen Capital Group has an interest in A shares of the Company, being 350,000,000 A shares (L), and holds an interest in H shares of the Company, being 719,089,532 H shares (L) through its subsidiary Shenzhen Capital (Hong Kong), both of which are held in the capacity as interest of corporation controlled by the substantial shareholder.

*Note 2:* As at the Latest Practicable Date, China Merchants Group Limited (招商局集團有限公司), through its subsidiaries (including China Merchants (CIMC) Investment Limited etc.), holds an interest in the H shares of the Company, and all the 880,429,220 H shares long position (L) are held in the capacity as interest of corporation controlled by the substantial shareholder.

As at the Latest Practicable Date, Mr. Zhu Zhiqiang is a director, the general manager and the deputy secretary of the Party Committee of Shenzhen Capital Group. Mr. HU Xianfu served as the general manager of China Merchants Industry Holdings Co., Ltd. Mr. Kong Guoliang is the director of the investment and development department II of Shenzhen Capital Group and the general manager of Shenzhen Pingwen Development & Investment Co., Ltd. (深圳市平穩發展投資有限公司) as well as a director of Shenzhen Zhenye (Group) Co., Ltd. Mr. DENG Weidong is serving as the director of strategy and development department/technological innovation department of China Merchants Group. Ms. SHI Lan is currently the deputy general manager of Shenzhen Capital Holdings Co., Ltd. (深圳市資本運營集團有限公司). Save as disclosed above, none of the Directors or Supervisors had served as the directors or employees of Shenzhen Capital Group, China Merchants Group or their respective associates.

As at the Latest Practicable Date, so far as the Directors are aware, save as disclosed above, no person (other than a Director, Supervisor or senior management of the Company) had an interest or short position in the Shares of the Company according to the register of interests in shares and short positions kept by the Company pursuant to Section 336 of the SFO.

**5. INTEREST OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS**

Mr. HU Xianfu, the non-executive Director, served as the general manager of China Merchants Industry Holdings Co., Ltd. Mr. DENG Weidong is serving as the director of strategy and development department/technological innovation department of China Merchants Group. China Merchants Industry Holdings Co., Ltd. and its controlling shareholder China Merchants Group are the second largest Shareholder of the Company. The offshore engineering business of China Merchants Group competes with that of the Group.

**6. DIRECTORS AND SUPERVISORS' INTEREST IN ASSET**

As at the Latest Practicable Date, none of the Directors and Supervisors had: (i) any direct or indirect interests in any asset which had been, since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or lease to any member of the Group; and (ii) any subsisting material interest in any contract or arrangement as at the Latest Practicable Date which is significant in relation to the business of the Group.

**7. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS**

Each of the Directors has entered into a service contract with the Company, among which, Mr. MAI Boliang has entered into a service contract on 5 December 2012; Mr. HU Xianfu has entered into a service contract on 26 September 2017; Ms. LUI FUNG Mei Yee, Mabel have entered into service contract on 3 June 2019; Mr. Deng Weidong signed service contracts with the Company on 9 October 2020; Mr. ZHU Zhiqiang and Mr. KONG Guoliang signed service contracts with the Company on 7 April 2021; and Mr. YANG Xiong and Mr. ZHANG Guanghua have entered into service contracts with the Company on 28 June 2022. The principal particulars of these service contracts are (a) effective from their appointment as a Director of the Company to the expiration of the term of the tenth session of the Board and can be renewed for a term of three years upon expiry; and (b) subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Each of the Supervisors has entered into a service contract with the Company, among which, Mr. LOU Dongyang has entered into a service contract with the Company on 3 June 2019; Ms. SHI Lan has entered into a service contract with the Company on 7 April 2021 and Mr. MA Tianfei has entered into a service contract with the Company on 28 June 2022, in respect of, among others, compliance with relevant laws and regulations, the Articles of Association and arbitration provisions. The principal particulars of these service contracts are (a) effective from the appointments of Mr. LOU Dongyang, Ms. SHI Lan and Mr. MA Tianfei as Supervisors of the Company to the expiration of the terms of the tenth session of the Supervisory Committee and can be renewed for a term of three years upon expiry; and (b) subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

#### 8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors and Supervisors were not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

#### 9. EXPERT'S QUALIFICATIONS AND CONSENTS

The followings are the qualifications of the experts who have given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Innovax Capital Limited	a licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

Innovax Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its respective letter or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Innovax Capital Limited did not have 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.

As at the Latest Practicable Date, Innovax Capital Limited had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2021 (the date to which the latest published audited combined financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to.

#### 10. GENERAL

- a. The secretary to the Board is Mr. Wu Sanqiang.
- b. The legal address, registered address and address of head office of the Company is at 8th Floor, CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong 518067, the PRC.

- c. The address of the H Share Registrar is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- d. In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

## **11. DOCUMENTS FOR INSPECTION**

Copies of the following documents are published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cimc.com>) during the period of 14 days from the date of this circular:

- (a) this circular;
- (b) the New Framework Agreement;
- (c) the letter of recommendation from the Independent Board Committee to the independent Shareholders as set out in this circular;
- (d) the letter issued by Innovax Capital Limited as set out in this circular; and
- (e) the written consent letters from Innovax Capital Limited.