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

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中國外運股份有限公司
SINOTRANS LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00598)

2024 FIRST EXTRAORDINARY GENERAL MEETING
(I) CONTINUING CONNECTED TRANSACTIONS: PROPOSED REVISION OF
ANNUAL CAPS UNDER THE SUPPLEMENTAL AGREEMENT TO THE
PURCHASE AND SALES FRAMEWORK AGREEMENT
(II) PROPOSED APPOINTMENT OF A DIRECTOR

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



A letter from the Board is set out on pages 4 to 16 of this circular.

A notice convening the EGM to be held at 1st Meeting Room, 11th Floor, China Merchants Plaza Tower B, Building 10, No. 5 Anding Road, Chaoyang District, Beijing 100029, the People's Republic of China at 10:00 a.m. on 29 October 2024, a notice of attendance and a form of proxy for use at the EGM are available on the website of the Company and the website of Hong Kong Stock Exchange.

Shareholders who intend to attend the EGM shall complete and return the notice of attendance in accordance with the instruction printed thereon on or before 25 October 2024. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

2 October 2024

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DEFINITIONS

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

“A Share(s)”	the domestic listed share(s) of the Company with nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
“Board”	the board of Directors of the Company
“China Merchants”	招商局集團有限公司 (China Merchants Group Limited), a state wholly-owned enterprise established under the laws of the PRC under direct control of the SASAC, the actual controller of the Company which holds in aggregate approximately 58.48% of the issued share capital of the Company as at the Latest Practicable Date
“Company”	中國外運股份有限公司 (Sinotrans Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H Shares are listed on the Hong Kong Stock Exchange and whose A Shares are listed on the Shanghai Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the 2024 first extraordinary general meeting of the Company to be held at 10:00 a.m. on 29 October 2024 at 1st Meeting Room, 11th Floor, China Merchants Plaza Tower B, Building 10, No. 5 Anding Road, Chaoyang District, Beijing 100029, the PRC
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed share(s) of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Independent Board Committee”	a board committee comprising all the independent non-executive Directors constituted to advise the Independent Shareholders in respect of the proposed revision of annual caps for the provision and receipt of logistics and related services between the Group and the Y2T Group under the Supplemental Agreement
“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed revision of annual caps for the provision and receipt of logistics and related services between the Group and the Y2T Group under the Supplemental Agreement
“Independent Shareholder(s)”	Shareholders other than China Merchants and its associates (including SINOTRANS & CSC)
“Latest Practicable Date”	26 September 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Purchase and Sales Framework Agreement”	the purchase and sales framework agreement entered into between the Company and Y2T on 26 October 2023 in relation to (i) the system development and operation maintenance services, logistics and related services provided by the Y2T Group to the Group, and (ii) the logistics and related services provided by the Group to the Y2T Group
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	H Share(s) and A Share(s)

DEFINITIONS

“Shareholder(s)”	holder(s) of the Shares
“SINOTRANS & CSC”	中國外運長航集團有限公司 (Sinotrans & CSC Holdings Co., Ltd.), a wholly state-owned company established under the laws of the PRC, a wholly-owned subsidiary of China Merchants, which collectively holds 35.36% of issued share capital of the Company as at the Latest Practicable Date
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supplemental Agreement”	the supplemental agreement to the Purchase and Sales Framework Agreement entered into between the Company and Y2T on 29 August 2024 in relation to revising the annual caps for the provision and receipt of the logistics and related services between the Group and the Y2T Group under the Purchase and Sales Framework Agreement
“Y2T”	運易通科技有限公司 (Y2T Technology Co., Ltd.*), a connected subsidiary of the Company as at the Latest Practicable Date
“Y2T Group”	Y2T and its subsidiaries
“%”	per cent

* For identification purpose only

LETTER FROM THE BOARD



中國外運股份有限公司 SINOTRANS LIMITED

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

(Stock Code: 00598)

Chairman:
Wang Xiufeng

Executive Director:
Song Rong

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

Independent non-executive Directors:
Wang Xiaoli
Ning Yaping
Cui Xinjian
Cui Fan

Registered Office:
1101, 11th Floor of 101, 1st to 22nd Floor,
Building 10,
No. 5 Anding Road,
Chaoyang District,
Beijing, 100029,
People's Republic of China

Headquarters:
China Merchants Plaza Tower B,
Building 10,
No. 5 Anding Road,
Chaoyang District,
Beijing, 100029,
People's Republic of China

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

2 October 2024

To the Shareholders

Dear Sir/Madam,

2024 FIRST EXTRAORDINARY GENERAL MEETING
(I) CONTINUING CONNECTED TRANSACTIONS: PROPOSED REVISION OF
ANNUAL CAPS UNDER THE SUPPLEMENTAL AGREEMENT TO THE
PURCHASE AND SALES FRAMEWORK AGREEMENT
(II) PROPOSED APPOINTMENT OF A DIRECTOR

I. INTRODUCTION

The purpose of this circular is to provide Shareholders with all the information reasonably necessary as to make informed decisions on voting in respect of the resolutions in relation to (i) the proposed revision of annual caps for the provision and receipt of logistics and related services between the Group and the Y2T Group under the Supplemental Agreement; and (ii) the proposed appointment of Mr. Yang Guofeng (“**Mr. Yang**”) as a non-executive Director.

LETTER FROM THE BOARD

II. CONTINUING CONNECTED TRANSACTIONS: PROPOSED REVISION OF ANNUAL CAPS UNDER THE SUPPLEMENTAL AGREEMENT TO THE PURCHASE AND SALES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 29 August 2024, in relation to entering into the Supplemental Agreement to revise the annual caps for the provision and receipt of the logistics and related services between the Group and the Y2T Group under the Purchase and Sales Framework Agreement.

(I) PRINCIPAL TERMS OF THE PURCHASE AND SALES FRAMEWORK AGREEMENT

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

The Purchase and Sales Framework Agreement requires that products and services provided thereunder will be at the market price charged by independent third parties and on normal commercial terms. “Market price” means the price at which the same or comparable type of services are provided by or to (as appropriate) independent third parties in the same area on normal commercial terms in the ordinary course of business. The mechanism by which the Group ensures that the services provided under the Purchase and Sales Framework Agreement are charged at market price and the internal control procedures for monitoring such continuing connected transactions to ensure compliance with the Listing Rules are described in the sub-section headed “(III) BASIS OF PRICING OF THE TRANSACTIONS CONTEMPLATED UNDER THE PURCHASE AND SALES FRAMEWORK AGREEMENT AND THE SUPPLEMENTAL AGREEMENT AND THE INTERNAL CONTROL PROCEDURES FOR MONITORING CONTINUING CONNECTED TRANSACTIONS” below.

(II) PROPOSED REVISION OF THE EXISTING ANNUAL CAPS IN RELATION TO THE PROVISION AND RECEIPT OF LOGISTICS AND RELATED SERVICES

On 29 August 2024, the Company entered into the Supplemental Agreement with Y2T, pursuant to which the Company agreed to revise the annual caps for the provision and receipt of the logistics and related services between the Group and the Y2T Group under the Purchase and Sales Framework Agreement.

LETTER FROM THE BOARD

The table below sets out the historical transaction amounts of the provision and receipt of the logistics and related services between the Group and the Y2T Group for the two financial years ended 31 December 2023 and the eight months ended 31 August 2024, respectively:

Unit: RMB million

	For the year ended 31 December 2022	For the year ended 31 December 2023	For the eight months ended 31 August 2024
<i>Provision of logistics and related services by the Y2T Group to the Group</i>			
Historical transaction amount	658.28	1,219.35	589
Historical annual cap	1,400	1,400	600 ^{Note}
Historical utilization rate	47.02%	87.10%	98.17% ^{Note}
<i>Provision of logistics and related services by the Group to the Y2T Group</i>			
Historical transaction amount	1,182.62	1,325.55	908
Historical annual cap	1,200	1,400	2,000 ^{Note}
Historical utilization rate	98.55%	94.68%	45.40% ^{Note}

Note: The relevant utilization rates are calculated by measuring those transaction amounts for the eight months ended 31 August 2024 against the annual caps of the relevant years.

The table below sets out the details of the proposed revised annual caps of the provision and receipt of the logistics and related services between the Group and the Y2T Group for the three financial years ending 31 December 2026 in accordance with the Supplemental Agreement:

Unit: RMB million

	For the year ending 31 December 2024		For the year ending 31 December 2025		For the year ending 31 December 2026	
	Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap
Provision of logistics and related services by the Y2T Group to the Group	600	2,100	720	2,700	864	3,500
Provision of logistics and related services by the Group to the Y2T Group	2,000	2,400	2,400	2,900	2,880	3,400

LETTER FROM THE BOARD

In determining the revised annual caps for the provision of logistics and related services by the Y2T Group to the Group for the three financial years ending 31 December 2026, the Company has taken into account the following key factors:

- (i) The historical transaction amounts for the provision of logistics and related services by the Y2T Group to the Group for the two financial years ended 31 December 2023 and the eight months ended 31 August 2024;
- (ii) Over recent years, the Y2T Platform has significantly enhanced its capabilities in resource allocation and integration and further improved the network freight model, with over 36,000 registered companies and more than 5,000 logistics service providers and recorded the operating revenue of approximately RMB6,188 million in 2023, representing a substantial growth of approximately 372% as compared with that of approximately RMB1,312 million in 2021. In particular, the newly initiation of non-vessel operating common carrier services under the network freight model by Y2T has led to the provision of more comprehensive types of logistics and related services. In 2024, the Group further strengthened the cooperation with the Y2T Group by gradually shifting the way of piecemeal procurement of capacity to the centralized procurement through the capacity pool of the Y2T Group. Furthermore, given the distinct seasonal trends of the logistics industry which typically experiences an increase in business activities during the final quarter, both the Y2T Group and the Group anticipate an increase in business collaboration during the last four months of 2024. Based on current orders and contracts, as well as those anticipated in the foreseeable future, the estimated transaction amounts for the logistics and related service provided by the Y2T Group to the Group are expected to be approximately RMB1,400 million in the last four months of 2024; and
- (iii) The Company has assumed an approximately 30% year-on-year increase over the annual cap of the respective previous year in determining the annual caps for the two years ending 31 December 2026, to give allowance for:
 - (a) more products to be launched through the Y2T Platform driven by the Group's digital transformation, the potential growth in the Group's revenue and operation scale and the expected rapid growth in the digitization of the whole logistics industry, including digital products and transactions, in the coming years, which will lead to an increasing demand for the services provided by the Y2T Group to the Group;
 - (b) the long-term trend of improvement of China's economy and the increasing trend of China's transportation and logistics industry. For instance, in 2023, the nation's annual gross domestic income (GDP) increased by approximately 5.2% year on year, and the total volume of cargo transport increased by approximately 8.1% year on year. For further details, please refer to the "Letter from the Independent Financial Adviser" in this circular; and

LETTER FROM THE BOARD

- (c) the volatility of business volume due to the logistics industry or economic conditions. In particular, business volumes and the market rates in the logistics and related services industry are inherently volatile and are affected by the volatility in oil price, labor costs, the general economic environment at home and abroad, the international trade flow as well as particular sectors of such economies. For example, the China Containerized Freight Index (“CCFI”) from September 2023 to August 2024 (www.sse.net.cn) had fluctuated vibrantly between around 800 points and 2,200 points.

In determining the revised annual caps for the provision of logistics and related services by the Group to the Y2T Group for the three financial years ending 31 December 2026, the Company has taken into account the following key factors:

- (i) The historical transaction amounts for the provision of logistics and related services by the Group to the Y2T Group for the two financial years ended 31 December 2023 and the eight months ended 31 August 2024;
- (ii) The estimated increase of the provision of the logistics and related services by the Group to the Y2T Group. Certain Y2T’s customers have increasing demands for the fourth-party logistics (4PL) services (i.e., providing integrated logistics services including logistics planning, consulting, logistics information system and supply chain management for first party (shipper), second party (consignee) and third party (third party logistics service provider) provided by the Group, therefore their procurement volume of the Group’s logistics services through the Y2T Platform is expected to escalate in the subsequent years. Furthermore, given the distinct seasonal trends of the logistics industry which typically experiences an increase in business activities during the final quarter, both the Y2T Group and the Group anticipate an increase in business collaboration during the last four months of 2024. Based on current orders and contracts, as well as those anticipated in the foreseeable future, the estimated transaction amounts for the logistics and related service provided by the Group to the Y2T Group are expected to be approximately RMB1,400 million in the last four months of 2024; and
- (iii) The Company has assumed an approximate 20% year-on-year increase over the annual cap of the respective previous year in determining the annual caps for the two years ending 31 December 2026, to accommodate potential fluctuations in business volume attributable to the logistics industry or the economy and the prospective expansion in the Group’s revenue in light of the double-digit growth of business volumes of the Group’s major business segments in the first half of 2024, among which, business volumes of the sea freight forwarding, air freight forwarding and railway freight forwarding all increased approximately 20% to 30% as compared with those of the corresponding period of last year.

LETTER FROM THE BOARD

Except for the above changes to the annual caps of the provision and receipt of the logistics and related services between the Group and the Y2T Group for the three financial years ending 31 December 2026, all the other existing terms and conditions under the Purchase and Sales Framework Agreement (including but not limited to the annual caps for provision of system development and operation maintenance services by the Y2T Group to the Group) remain unchanged.

The Board further confirms that, as at the Latest Practicable Date, the transaction amounts of the provision and the receipt of the logistics and related services between the Group and the Y2T Group have not yet exceeded the existing annual caps.

(III) BASIS OF PRICING OF THE TRANSACTIONS CONTEMPLATED UNDER THE PURCHASE AND SALES FRAMEWORK AGREEMENT AND THE SUPPLEMENTAL AGREEMENT AND THE INTERNAL CONTROL PROCEDURES FOR MONITORING CONTINUING CONNECTED TRANSACTIONS

Basis of pricing and settlement

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

LETTER FROM THE BOARD

Settlement and term of payment under the Purchase and Sales Framework Agreement and the Supplemental Agreement shall be determined at arm's length and subject to the terms and conditions of specific transactions, and shall be set out in each separate contract entered into by the parties in respect of a single transaction or a series of transactions based on the principles agreed under the Purchase and Sales Framework Agreement and the Supplemental Agreement.

Internal control procedures

To ensure the relevant terms provided by the Y2T Group under the Purchase and Sales Framework Agreement and the Supplemental Agreement are no less favorable than those available from independent third parties and the annual caps of the transactions under the above agreements are not exceeded, the Company's internal control system includes procedures specifically for monitoring continuing connected transactions which include the following steps:

- (i) the entering into and monitoring of continuing connected transactions are to be conducted in accordance with the Company's internal control regulations;
- (ii) the Company will collect statistics of the continuing connected transactions under the Purchase and Sales Framework Agreement and the Supplemental Agreement on a weekly basis and monitor such transactions through the Group's internal online system to ensure the annual caps approved by the Independent Shareholders are not exceeded;
- (iii) the independent non-executive Directors will review the continuing connected transactions every year and confirm the matters as requested in the Rule 14A.55 of the Listing Rules in the annual reports; and
- (iv) the auditors of the Company will review the statistics of the continuing connected transactions on an annual basis in compliance with the annual reporting and review requirements under the Listing Rules.

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

LETTER FROM THE BOARD

(IV) REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

As Y2T is a connected subsidiary of the Company, the above transactions between the Group and the Y2T Group constitute continuing connected transactions of the Company. After taking into account the actual transaction amounts and the expected demand and estimated growth in transaction amounts between the Group and the Y2T Group, the entering into of the Supplemental Agreement by the Company and Y2T will be beneficial to better control and monitor the transactions between the Group and the Y2T Group and ensure the full compliance of the requirements under the Listing Rules by the Company. In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Supplemental Agreement are fair and reasonable and on normal commercial terms, and the continuing connected transactions as contemplated under the Purchase and Sales Framework Agreement and the Supplemental Agreement are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

The Board does not consider that the entering into and conducting the abovementioned continuing connected transactions will bring any material disadvantages.

(V) LISTING RULES IMPLICATION

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

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of revised annual caps for the provision and receipt of logistics and related services between the Group and the Y2T Group under the Supplemental Agreement exceed 5%, such transactions and the revised annual caps thereof are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has set up the Independent Board Committee to advise the Independent Shareholders in respect of the revised annual caps for the provision and receipt of logistics and related services between the Group and the Y2T Group under the Supplemental Agreement. The Company has appointed VBG Capital as the Independent Financial Adviser for such continuing connected transactions and the revised annual caps thereof.

LETTER FROM THE BOARD

(VI) INFORMATION OF THE PARTIES

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

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

The Company has proposed an ordinary resolution at the EGM for the Shareholders to consider and, if thought fit, approve the proposed revision of annual caps for the provision and receipt of logistics and related services between the Group and the Y2T Group under the Supplemental Agreement.

LETTER FROM THE BOARD

III. PROPOSED APPOINTMENT OF A DIRECTOR

Reference is made to the announcement of the Company dated 29 August 2024 in relation to the proposed appointment of Mr. Yang as a non-executive Director with a term of office from the approval of the Shareholders at the EGM to the date of conclusion of the fourth session of the Board.

The biographical details of Mr. Yang are set out as follows:

Yang Guofeng, born in 1971, a senior engineer. Mr. Yang is currently the Head of Transportation and Logistics Division of China Merchants, and the General Manager and Secretary of the Communist Party Committee of SINOTRANS & CSC (Group Beijing Headquarters). Mr. Yang graduated from Xi'an Highway University with a bachelor's degree in engineering and graduated from Chang'an University with a master's degree in engineering, and then obtained a doctor's degree in engineering from Southeast University with a major in transportation engineering. From February 2006 to August 2019, Mr. Yang successively served as the Deputy Director of the Highway Construction Division and Highway Management Division of the Ministry of Transport; the Deputy Director and the Director of the Maintenance and Protection Division, and the Director of the Rural Highway Division of the Highway Bureau of the Ministry of Transport; and the Associate Counsel, a Cadre of the Highway Bureau of the Ministry of Transport. From August 2019 to August 2021, he successively served as a Cadre and the Senior Director of China Merchants Expressway Network & Technology Holdings Co., Ltd. (Stock Code: SZ001965). From June 2020 to December 2021, he served as a Director and the Vice Chairman of the board of directors of Sichuan Expressway Company Limited (Stock Code: SH601107, HK00107). From August 2021 to January 2022, he served as the Deputy Director of Transportation and Logistics Division of China Merchants (Group Beijing Headquarters) and the Deputy General Manager and a member of the Communist Party Committee of SINOTRANS & CSC. From January 2022 to April 2024, he served as the General Manager and the Deputy Secretary of the Communist Party Committee of China Merchants Chongqing Communications Technology Research & Design Institute Co., Ltd.

Mr. Yang has confirmed that, save as disclosed in this circular, as at the Latest Practicable Date (i) he did not hold any directorship in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; (ii) he is not related to any director, senior management or substantial or controlling shareholders of the Company; (iii) he does not hold any position in the Company or any of its subsidiaries; and (iv) he does not have nor is deemed to have any interest in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO). The Company will enter into a service contract with Mr. Yang, after his appointment becomes effective upon the approval at the EGM, while he will not be entitled to any emoluments as a director of the Company.

Save as disclosed in this circular, there is no other information relating to the appointment of Mr. Yang that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

The Company has proposed an ordinary resolution at the EGM for the Shareholders to consider and, if thought fit, approve the proposed appointment of Mr. Yang as a non-executive Director.

LETTER FROM THE BOARD

IV. EGM

The H Share register of members of the Company will be closed from 24 October 2024 to 29 October 2024 (both days inclusive), during which no transfer of H Shares will be registered. In order for the H Shareholders to be entitled to attend and vote at the EGM, persons holding H Shares shall lodge share transfer documents and the relevant H Share certificates with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 23 October 2024. Any Shareholders whose names appear on the H Share register of members of the Company on 29 October 2024, are entitled to attend and vote at the EGM of the Company after completing the registration procedures for attending the meeting.

The EGM will be convened and held at the 1st Meeting Room, 11th Floor, China Merchants Plaza Tower B, Building 10, No. 5 Anding Road, Chaoyang District, Beijing 100029, the PRC at 10:00 a.m. on 29 October 2024 to consider and, if thought fit, approve the resolutions as set out in the notice of the EGM.

Notice of the EGM, together with the notice of attendance and proxy form are despatched to Shareholders on 2 October 2024 and are available on the website of the Company and the website of Hong Kong Stock Exchange. Shareholders who intend to attend the EGM shall complete and return the notice of attendance in accordance with the instruction printed thereon on or before 25 October 2024. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, if you so wish.

As at the Latest Practicable Date, China Merchants and its respective associates are interested in an aggregate of 4,072,813,639 A Shares and 192,478,000 H Shares, representing a total of approximately 58.48% of the total issued Shares, among which, China Merchants directly held 1,600,597,439 A Shares, and indirectly held 2,472,216,200 A Shares and 106,683,000 H Shares through SINOTRANS & CSC and 85,795,000 H Shares through China Merchants Investment Development (Hong Kong) Limited, both being its wholly-owned subsidiaries; and SINOTRANS & CSC directly held 2,472,216,200 A Shares and indirectly held 106,683,000 H Shares through Sinotrans (Hong Kong) Holdings Ltd., being its wholly-owned subsidiary. China Merchants, SINOTRANS & CSC, China Merchants Investment Development (Hong Kong) Limited and Sinotrans (Hong Kong) Holdings Ltd. will abstain from voting on the resolution in respect of the proposed revision of annual caps for the provision and receipt of logistics and related services between the Group and the Y2T Group under the Supplemental Agreement. Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquiry, as at the Latest Practicable Date, none of the Shareholders had any material interest in the proposed resolutions and would be required to abstain from voting on the proposed resolutions at the EGM.

LETTER FROM THE BOARD

None of the Directors had any material interest in the resolutions to be proposed at the EGM and therefore they are not required under the Listing Rules to abstain from voting on the board resolutions approving these matters. Nonetheless, as Mr. Wang Xiufeng, Ms. Luo Li, Mr. Yu Zhiliang and Mr. Tao Wu, all being the Directors, are concurrently holding positions in China Merchants, they have abstained from voting on the board resolution in respect of the proposed revision of annual caps for the provision and receipt of logistics and related services between the Group and the Y2T Group under the Supplemental Agreement in accordance with the relevant PRC laws and regulations.

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

V. DIRECTORS' RECOMMENDATION

As disclosed above, two resolutions as set out in the notice of the EGM will be proposed at the EGM for Shareholders' or Independent Shareholders' approval.

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

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 17 to 18 which contains its recommendation to the Independent Shareholders in respect of the ordinary resolution set out in the notice of EGM to approve the proposed continuing connected transactions and the revised annual caps thereof.

The advice of VBG Capital to the Independent Board Committee and the Independent Shareholders as to whether the proposed continuing connected transactions and the revised caps thereof are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole is set out on pages 19 to 33 of this circular.

The Board (including independent non-executive Directors) considers that the resolutions as set out in this circular are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including independent non-executive Directors) recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

VI. GENERAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in respect of the proposed revision of annual caps for the provision and receipt of the logistics and related services between the Group and the Y2T Group under the Supplemental Agreement as set out in the Circular.



中國外運股份有限公司 SINOTRANS LIMITED

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

(Stock Code: 00598)

To the Independent Shareholders

Dear Sir and Madam,

CONTINUING CONNECTED TRANSACTIONS: PROPOSED REVISION OF ANNUAL CAPS UNDER THE SUPPLEMENTAL AGREEMENT TO THE PURCHASE AND SALES FRAMEWORK AGREEMENT

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Sinotrans Limited (the “**Company**”) in respect of the resolution to approve the proposed revision of annual caps for the provision and receipt of the logistics and related services between the Group and the Y2T Group under the Supplemental Agreement, details of which are set out in the “Letter from the Board” contained in the circular of the Company (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the “Letter from the Board”, the advice of VBG Capital in its capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of whether the proposed revision of annual caps for the provision and receipt of the logistics and related services between the Group and the Y2T Group under the Supplemental Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole, as set out in the “Letter from the Independent Financial Adviser” as well as other additional information set out in other parts of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of, and the principal factors and reasons considered by VBG Capital in relation thereto as stated in its letter, we consider that the continuing connected transactions in respect of the provision and receipt of the logistics and related services between the Group and the Y2T Group under the Purchase and Sales Framework Agreement and the Supplemental Agreement are conducted in the ordinary and usual course of business of the Group on normal commercial terms, and the proposed revised annual caps thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the aforementioned continuing connected transactions and the revised annual caps thereof to be proposed at the EGM.

Yours faithfully,

The Independent Board Committee

Wang Xiaoli <i>Independent</i> <i>non-executive Director</i>	Ning Yaping <i>Independent</i> <i>non-executive Director</i>	Cui Xinjian <i>Independent</i> <i>non-executive Director</i>	Cui Fan <i>Independent</i> <i>non-executive Director</i>
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Beijing, 2 October 2024

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement for the purpose of inclusion in this circular.



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

2 October 2024

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS: PROPOSED REVISION OF ANNUAL CAPS UNDER THE SUPPLEMENTAL AGREEMENT TO THE PURCHASE AND SALES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 2 October 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalized terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

References are made to the announcement of the Company dated 26 October 2023 and the circular of the Company dated 24 November 2023 in relation to, among other things, the Purchase and Sales Framework Agreement entered into between the Company and Y2T to govern (i) the system development and operation maintenance services, logistics and related services provided by the Y2T Group to the Group; and (ii) the logistics and related services provided by the Group to the Y2T Group, for a term of three years commencing on 1 January 2024 and ending on 31 December 2026.

On 29 August 2024, the Company entered into the Supplemental Agreement with Y2T, pursuant to which the Company agreed to revise the annual caps for provision and receipt of the logistics and related services (the “**Logistics and Related Services**”) between the Group and the Y2T Group under the Purchase and Sales Framework Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As referred to in the Letter from the Board, the transactions contemplated under the Purchase and Sales Framework Agreement (as supplemented by the Supplemental Agreement) and the revised annual caps thereof (the “**Revised Annual Caps**”) constitute continuing connected transactions for the Company, and are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Ms. Wang Xiaoli, Ms. Ning Yaping, Mr. Cui Xinjian and Mr. Cui Fan (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Supplemental Agreement (including the Revised Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into of the Supplemental Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Supplemental Agreement and the Revised Annual Caps at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from (i) having acted as the independent financial adviser of the Company relating to, among other things, the Purchase and Sales Framework Agreement of which a circular dated 24 November 2023 was issued; and (ii) the existing engagement in relation to the Supplemental Agreement, we did not have any business relationship with the Company within the past two years. Save for the normal fees paid/payable (as the case may be) to us in connection with the previous engagement as stated in point (i) above and this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the Supplemental Agreement.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Supplemental Agreement, we have (i) obtained and reviewed relevant information and documents of the Group, including but not limited to the interim report of the Company for the six months ended 30 June 2024, the annual report of the Company for the year ended 31 December 2023 (the “**Annual Report**”) and samples of the past transaction records as being detailed under the sub-section headed “Principal terms of the Purchase and Sales Framework Agreement (as supplemented by the Supplemental Agreement)” of this letter of advice; and (ii) conducted independent research regarding China’s transportation and logistics industry. We have also relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have assumed that (i) the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM; and (ii) all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

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

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

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Supplemental Agreement, we have taken into consideration the following principal factors and reasons:

1. Background of the Supplemental Agreement

Business overview of the Group

The Group is a leading integrated logistics service provider and integrator in the PRC. With more than 70 years of history and experience, the Group has established good brand recognition in the logistics industry domestically and abroad. The Group has an extensive and comprehensive domestic and overseas service network. Its domestic service network covers 32 provinces, autonomous regions, municipalities and special administrative areas in China; while its overseas network covers 43 countries and regions with 68 self-owned business outlets worldwide.

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

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

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

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

According to the Annual Report, the Group attained stable business performance with an upward momentum in 2023. The Group's total operating income was at the scale of over RMB100 billion; and its net profit attributable to the Shareholders surpassed RMB4 billion, representing a year-on-year increase of approximately 3.5% as compared to 2022, which was a new record high.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Moreover, the table below demonstrates the key operating statistics of the Group in 2023 as extracted from the Annual Report:

Volume	Operating statistics in 2023 (approximately)
Contract logistics	46.82 million tonnes (41.34 million tonnes in 2022)
Project logistics	6.28 million tonnes (5.69 million tonnes in 2022)
Chemical logistics	3.83 million tonnes (3.68 million tonnes in 2022)
Cold chain logistics	0.98 million tonnes (0.98 million tonnes in 2022)
Sea freight forwarding	13.37 million twenty-foot equivalent units (TEU) (13.02 million TEUs in 2022)
Air channel	902 thousand tonnes, including 204 thousand tons of cross-border e-commerce logistics business (781 thousand tonnes in 2022, including 134 thousand tons of cross-border e-commerce logistics business)
Rail freight forwarding	504 thousand TEUs (398 thousand TEUs in 2022)
Shipping agency	62,300 vessel calls (59,874 vessel calls in 2022)
Storage and yard operation	26.23 million tonnes (25.28 million tonnes in 2022)
Cross-border e-commerce logistics	363.40 million shipments (310.71 million shipments in 2022)
Logistics e-commerce platform	2.47 million TEUs (1.04 million TEUs in 2022)
Logistics equipment sharing platform	84 thousand TEUs/day (76 thousand TEUs/day in 2022)

Information on Y2T

As extracted from the Letter from the Board, Y2T is a company incorporated in the PRC with limited liability, and its principal businesses include logistics e-commerce (including online transactions and services of international marine, domestic marine, land transportation, customs service, railway, container consolidation, air freight forwarding and cross-border e-commerce), supply chain value-added services, logistics big data and logistics data exchange infrastructure construction.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Overview of China's transportation and logistics industry

With reference to the latest statistics released by the National Statistics Bureau of the PRC (www.stats.gov.cn), the nation's annual gross domestic income (GDP) was approximately RMB126,058 billion in 2023, representing an increase of approximately 5.2% over the previous year. The annual per capita GDP was RMB89,358, increasing by approximately 5.4% over the previous year.

On the other hand, with reference to the latest statistics released by the Ministry of Transport of the PRC (www.mot.gov.cn), in 2023, the total volume of cargo transport was approximately 56 billion tons, representing an increase of approximately 8.1% over the previous year. The turnover of cargo transportation was approximately 24,771 billion ton-kilometers, representing an increase of approximately 6.3% over the previous year. The cargo throughput of ports was approximately 17 billion tons, representing an increase of approximately 8.2% over the previous year. The annual operating freight volume was approximately 9 billion tons, representing an increase of approximately 9.5% over the previous year.

Based on our independent research, we also found a news report named "Logistics recovery is improving, quality and efficiency are improving: analysis of logistics operation in 2023" released by the China Federation of Logistics and Publishing (www.cflp.org.cn) in February 2024. This report revealed the following latest development of China's transportation and logistics industry:

(1) Steady recovery of the scale of logistics demand

The total amount of social logistics in the PRC was approximately RMB352 trillion in 2023, representing a year-on-year increase of approximately 5.2% at comparable prices. From structural point of view, logistics demand in the fields of agricultural products, industry, consumption and imports has grown steadily. The demand for agricultural product logistics maintained a good progression with total logistics volume of approximately RMB5 trillion, increasing by approximately 4.1%. The demand for industrial logistics rebounded steadily with total logistics volume of approximately RMB313 trillion, increasing by approximately 4.6%. The demand for consumption logistics was stable and improving with total logistics volume of household products of approximately RMB13 trillion, increasing by approximately 8.2%. The scale of import logistics demand demonstrated rapid expansion with total logistics volume of approximately RMB18 trillion, increasing by approximately 13%.

(2) Solid promotion of industrial transformation and upgrade

The growth momentum of logistics demand has shifted to high-end, intelligent and green logistics. From the perspective of industrial field, equipment manufacturing logistics has shown an upward trend throughout 2023. From the perspective of industrial format, new business formats such as e-commerce logistics and online services have experienced robust growth. The average value of e-commerce logistics and the annual e-commerce logistics business volume indices in 2023 were approximately 110.1 points and 120.3 points, respectively, with online retail sales of physical goods increasing by approximately 8.4% year-on-year. From the perspective of industrial circulation, the recycling, sorting, distribution and other recycling systems of renewable resources have been gradually improving, and the scale of logistics demand for related industries continued to expand by more than 17% year-on-year in 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(3) The logistics infrastructure network has become more complete and has reached the world's advanced level

The construction of logistics infrastructure has been steadily promoted, and the shortcomings have been continuously strengthened. The investment in logistics-related fixed assets such as transportation, warehousing and postal services rose by more than 10% year-on-year in 2023. 30 new national logistics hubs were built throughout the year, and a total of 125 logistics hub systems covering the whole country were formed, providing strong support for the integrated development of industry and logistics clusters.

In the latest “2023 Global Logistics Performance Index Report” released by the World Bank (www.worldbank.org), the PRC's comprehensive ranking of logistics performance had risen from 26th in 2018 to 20th in 2023. Its logistics infrastructure and international freight capacity also ranked the top 10% of the world, reaching the international advanced level. The PRC's international freight capacity had jumped the league by 4 places as compared to 2018, and the size of its fleet had reached 250 million tons, increasing by about 10% over the previous year.

(4) Continual advancement of the efficiency of logistics operation

The ratio of total social logistics costs to GDP was approximately 14.4% in 2023, down by approximately 0.3 percentage points from the previous year. From structural point of view, the ratio of logistics costs to GDP in all major aspects has declined, with the ratio of transportation costs to GDP standing at approximately 7.8%, the ratio of storage costs to GDP standing at approximately 4.8%, and the ratio of management costs to GDP standing at approximately 1.8%. This shows that the logistics operation efficiency of all major aspects has advanced in 2023.

(5) The trend of service upgrade is obvious, and the process of industrial integration is speeding up

Logistics enterprises have actively promoted the transformation of services to integrated supply chain and accelerated the process of industrial integration. The number of supply chain contract orders of key logistics enterprises increased by about 24% year-on-year, while the revenue of integrated logistics business increased by nearly 30% in 2023. The proportion of comprehensive logistics business such as supply chain logistics management and integration has expanded steadily. Logistics enterprises have also actively promoted industrial synergy and information sharing, and optimized resource allocation. In recent years, leading enterprises such as JD Logistics, Inc. and S.F. Holding Co., Ltd. have raised their investment in digitalization-related fields by more than 50%, aiming at exploring the application of big data models, intelligent algorithm analysis and other digital means.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reasons for the entering into of the Supplemental Agreement

As advised by the Directors, the Purchase and Sales Framework Agreement is beneficial to better control and monitor the transactions between the Group and the Y2T Group considering the Group may from time to time receive system development and operation maintenance services, logistics and related services from the Y2T Group and provide logistics and related services to the Y2T Group. In addition, as the resources of Y2T platform services increase, the platform products become more and more diversified and the number of active enterprises increases, the transactions between the Y2T Group and the Group will further increase, which will be beneficial for the Group to expand its customers and provide fourth Party logistics (4PL) services (i.e. providing integrated logistics services including logistics planning, consulting, logistics information system and supply chain management for first party (shipper), second party (consignee) and third party (third party logistics service provider) to achieve fast, high-quality and low-cost logistics operation and management mode) for its strategic customers.

After taking into account the actual transaction amounts and the expected demand and estimated growth in transaction amounts between the Group and the Y2T Group, the Supplemental Agreement was entered into for setting the Revised Annual Caps to ensure the full compliance of the requirements under the Listing Rules by the Company.

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

2. Principal terms of the Purchase and Sales Framework Agreement (as supplemented by the Supplemental Agreement)

The principal terms of the Purchase and Sales Framework Agreement (as supplemented by the Supplemental Agreement) are as follows:

Term:	Commencing on 1 January 2024 for a period of three years ending on 31 December 2026.
Scope of services:	<p>Pursuant to the Purchase and Sales Framework Agreement, the Y2T Group shall provide the Group with (i) system development and operation maintenance services; and (ii) sea, land, air transport and other forms of logistics and related services.</p> <p>Pursuant to the Purchase and Sales Framework Agreement, the Group shall provide sea, land, air transport and other forms of logistics and related services to the Y2T Group.</p>
Pricing mechanism:	Services provided under the Purchase and Sales Framework Agreement are required to be provided at market prices and on normal commercial terms. "Market prices" mean the prices at which the same or comparable type of services are provided by or to (as appropriate) independent third parties in the same area on normal commercial terms and in the ordinary course of business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Except for the changes to the annual caps for the provision and receipt of Logistics and Related Services between the Group and the Y2T Group for the three years ending 31 December 2026 as stipulated under the Supplemental Agreement, all the other existing terms and conditions under the Purchase and Sales Framework Agreement (including but not limited to the annual caps for provision of system development and operation maintenance services by the Y2T Group to the Group) shall remain unchanged.

From the above table, we understand that services provided under the Purchase and Sales Framework Agreement (as supplemented by the Supplemental Agreement) are required to be provided at market prices and on normal commercial terms, whereby “market prices” mean the prices at which the same or comparable type of services are provided by or to (as appropriate) independent third parties in the same area on normal commercial terms and in the ordinary course of business. We are therefore of the opinion that the pricing mechanism under the Purchase and Sales Framework Agreement (as supplemented by the Supplemental Agreement) is fair and reasonable.

For our due diligence purpose, we have further selected and reviewed (i) around 8 transaction records each (i.e. around 16 in total) for transactions regarding the receipt and provision of Logistics and Related Services by the Group from/to the Y2T Group conducted during the period from 2022 to 2024 (*Note: the transactions which took place before the Purchase and Sales Framework Agreement taking effect were governed by the former purchase and sales framework agreement entered into by the two parties on 30 December 2020 and the subsequent supplemental agreement dated 24 August 2021*); and (ii) around 8 transaction records each (i.e. around 16 in total) for transactions between the Group and independent third parties in respect of the receipt and provision of similar Logistics and Related Services during the period from 2022 to 2024. Based on our review and comparison of the said transaction records which we consider to be fair and representative from random selection, we noted that their major terms (such as pricing terms, payment terms, terms on delivery and service quality) were similar.

In light of the above, we consider that the terms of the Purchase and Sales Framework Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. The Revised Annual Caps

Set out below are (i) the historical transaction amounts for each of the two years ended 31 December 2022 and 2023 and the eight months ended 31 August 2024 with regard to the receipt/provision of Logistics and Related Services by the Group; and (ii) the Revised Annual Caps for each of the three years ending 31 December 2024, 2025 and 2026:

	Historical transaction amounts		
	For the year ended 31 December 2022 <i>(RMB million)</i>	For the year ended 31 December 2023 <i>(RMB million)</i>	For the eight months ended 31 August 2024 <i>(RMB million)</i>
Receipt of Logistics and Related Services by the Group	658.28	1,219.35	589
Provision of Logistics and Related Services by the Group	1,182.62	1,325.55	908
	The Revised Annual Caps		
	For the year ending 31 December 2024 <i>(RMB million)</i>	For the year ending 31 December 2025 <i>(RMB million)</i>	For the year ending 31 December 2026 <i>(RMB million)</i>
Receipt of Logistics and Related Services by the Group	2,100	2,700	3,500
Provision of Logistics and Related Services by the Group	2,400	2,900	3,400

To assess the fairness and reasonableness of the Revised Annual Caps, we have considered the following factors:

(i) The historical transaction amounts

As set out in the above table, the actual transaction amounts with regard to the receipt/provision of Logistics and Related Services by the Group jumped extensively from 2022 to 2023. With reference to the Letter from the Board, the existing annual cap for the receipt/provision of Logistics and Related Services by the Group had been utilized as to over 85% for the year ended 31 December 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

The table below shows the audited operating income and net profits of the Group for the recent five years as extracted from the Annual Report:

	2023	2022	2021	2020	2019
	(RMB million)	(restated) (RMB million)	(RMB million)	(RMB million)	(RMB million)
Operating income	101,704.56	109,293.50	124,348.39	84,536.84	77,655.11
Net profits attributable to the Shareholders	4,221.84	4,079.19	3,713.52	2,754.42	2,804.14

It is noted from the above table that the Group's financial performance has been satisfactory over the past five years. As further presented in the table under the sub-section headed "Business overview of the Group" of this letter of advice, the key operating statistics of the Group in 2023 were also impressive. Moreover, we noted that the maximum Revised Annual Cap of RMB3,500 million with regard to the receipt of Logistics and Related Services by the Group represents approximately 3.5% of the Group's total costs of operation for the year ended 31 December 2023; whereas the maximum Revised Annual Cap of RMB3,400 million with regard to the provision of Logistics and Related Services by the Group represents approximately 3.3% of the Group's total operating income for the year ended 31 December 2023. Judging from the historical growth of the Group's operating income and net profits, we consider the Revised Annual Caps (the maximum of which being less than 4% of the Group's existing operation) to be acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Potential expansion in business and operation scale of the Group and the Y2T Group

As represented by the Directors, over recent years, the logistics e-commerce platform operated by Y2T (the “**Y2T Platform**”) has significantly enhanced its capabilities in resource allocation and integration and further improved the network freight model, with over 36,000 registered companies and more than 5,000 logistics service providers and recorded operating revenue of approximately RMB6,188 million in 2023, representing a substantial growth of approximately 371.6% as compared with that of approximately RMB1,312 million in 2021. In particular, the newly initiation of non-vessel operating common carrier services under the network freight model by Y2T has led to the provision of more comprehensive types of Logistics and Related Services. In 2024, the Group further strengthened the cooperation with the Y2T Group by gradually shifting the way of piecemeal procurement of capacity to centralized procurement through the capacity pool of the Y2T Group. It is also expected that more products will be launched through the Y2T Platform driven by the Group’s digital transformation, the potential growth in the Group’s revenue and operation scale and the expected rapid growth in the digitization of the whole transportation and logistics industry, including digital products and transactions, in the coming years, which will lead to an increasing demand for the services provided by the Y2T Group to the Group.

At the same time, the actual and potential demand for the provision of Logistics and Related Services by the Group to the Y2T Group is expected to further increase. Certain Y2T’s customers have increasing demand for the 4PL services empowered by the offline logistics services of the Group; therefore, their procurement volume of the Group’s extensive national and regional logistics services through the Y2T Platform is expected to escalate in the subsequent years.

In relation to the above, we are further advised by the Directors that based on current orders and contracts, as well as those anticipated in the foreseeable future, the estimated fees payable for Logistics and Related Services by the Group to the Y2T Group (and vice versa) are expected to be around RMB1,400 million in the last four months of 2024, thereby utilizing a majority of the Revised Annual Caps for the year ending 31 December 2024. For our due diligence purpose, we have requested the Company to provide us with breakdown of the aforesaid fees forecasts. We noted from the breakdown that over 50% of the estimated fees payable either by the Group or the Y2T Group are based on orders and contracts that have already been entered into (the “**Confirmed Contracts and Orders**”); while the remaining are estimated based on the anticipated upsurge of business collaboration between the two parties taking into account the distinct seasonal trends of the transportation and logistics industry. We have also requested for the lists of Confirmed Contracts and Orders from the Company, from which we randomly selected 3 contracts each (i.e. 6 contracts in total) for transactions regarding the receipt and provision of Logistics and Related Services by the Group from/to the Y2T Group as sample check. We consider those 6 contracts to be fair and reasonable and we performed the sample check to substantiate the validity of the lists of Confirmed Contracts and Orders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

As illustrated under the sub-section headed "Overview of China's transportation and logistics industry" of this letter of advice, China's transportation and logistics industry has been witnessing considerable progression from 2022 to 2023. In addition, the industry is expected to further advance in the near future, especially in new business formats such as e-commerce logistics and online services. Logistics enterprises have also been actively promoting industrial synergy and information sharing, as well as optimizing resource allocation. It would hence be beneficial for the Company to set higher Revised Annual Caps so as to allow ample room and flexibility for the future business cooperation between the Group and the Y2T Group making use of the Y2T Platform, coupled with integrated logistics and digital transformation.

(v) Volatility of the transportation and logistics industry

The Company has assumed an approximate 30% and 20% year-on-year increase over the annual cap of the previous year in determining the Revised Annual Caps in respect of the receipt and provision of Logistics and Related Services by the Group, respectively, for the two years ending 31 December 2026.

In this relation, the Directors advised us that the business volumes and market rates in the transportation and logistics industry are inherently volatile and will be affected by, amongst others, the volatility of oil price, labour costs, and the general economic environment in China and overseas. As such, the Revised Annual Caps have taken into account the potential fluctuation of the transportation and logistics industry due to its volatile nature. Based on our study of the movement of the China Containerized Freight Index ("CCFI") from September 2023 to August 2024 (<https://www.sse.net.cn>), we noted that the CCFI had fluctuated vibrantly between around 800 points and 2,200 points. The CCFI was first compiled and released by the Shanghai Shipping Exchange in 1998. 12 routes are selected as representatives among the many export container shipping routes, and the freight index is calculated based on the freight rate and container volume of these routes. The data is published weekly and can instantly reflect the price trend of container shipping exports from ports of China. Thus, considering the vibrant movement of the CCFI over the past year, we are of the view that it is justifiable for the Revised Annual Caps to take into account the potential fluctuation of the transportation and logistics industry due to its volatile nature.

Given all of the factors (i) to (v) above, we are of the view that the Revised Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

4. Internal control and compliance with the Listing Rules

As referred to in the Letter from the Board, the Group has adopted a series of internal control procedures in relation to the transactions contemplated under the Purchase and Sales Framework Agreement (as supplemented by the Supplemental Agreement).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

To assess whether the internal control procedures of the Group are in place, we have reviewed (i) the guidance on continuing connected transactions maintained by the Group; (ii) samples of past transaction records as detailed under the sub-section headed "Principal terms of the Purchase and Sales Framework Agreement (as supplemented by the Supplemental Agreement)" of this letter of advice; (iii) disclosures in relation to the review of continuing connected transactions by the independent non-executive Directors and auditors of the Company in the annual reports of the Company for the three years ended 31 December 2023; and (iv) reports issued by the auditors of the Company regarding their review of the continuing connected transactions for the three years ended 31 December 2023. Having performed the above reviews which show that the transactions contemplated under the Purchase and Sales Framework Agreement have been conducted in a fair and reasonable way under independent supervision, we consider that the internal control procedures of the Group are in place for the purpose of monitoring the transactions contemplated under the Purchase and Sales Framework Agreement (as supplemented by the Supplemental Agreement).

With the internal control procedures of the Group and the stipulated requirements for continuing connected transaction of the Listing Rules in place, the transactions contemplated under the Purchase and Sales Framework Agreement (as supplemented by the Supplemental Agreement) would be monitored and hence the interest of the Independent Shareholders may be safeguarded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

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

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

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 19 years of experience in corporate finance industry.

I. RESPONSIBILITY STATEMENT

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

II. DISCLOSURE OF INTERESTS**(I) Interests of Directors**

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

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

*Note: (L) Long Position

Note 1: On 25 January 2022, Mr. Song Rong was granted 1,286,800 share options pursuant to share option incentive scheme of the Company. Among them, 100,000 share options have completed the exercise registration on 27 March 2024.

Saved as disclosed in the sections headed “(II) Interests of Shareholders discloseable pursuant to the SFO” and “(III) Directors’ interests in competing business” below, as at the Latest Practicable Date, there is no other company in which any Director, proposed Director (i.e. Mr. Yang) or Supervisor is a director or employee, and such company has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(II) Interests of Shareholders discloseable pursuant to the SFO

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

Name	Corporate interests	Type of Shares	Percentage in total issued Share capital	Percentage in issued H Share capital
China Merchants (Note 1)	4,072,813,639 (L)	A Share	55.84%	–
	192,478,000 (L)	H Share	2.64%	9.44%
Pandanus Associates Inc. (Note 2)	203,342,000 (L)	H Share	2.79%	9.98%
LSV ASSET MANAGEMENT (Note 3)	171,317,800 (L)	H Share	2.35%	8.40%
Brown Brothers Harriman & Co. (Note 4)	102,625,476 (L)	H Share	1.41%	5.03%
	102,625,476 (P)	H Share	1.41%	5.03%

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

Notes:

- As at the Latest Practicable Date, China Merchants held 58.48% of the Company's total issued shares. China Merchants directly held 1,600,597,439 A Shares (long position), indirectly held 2,472,216,200 A Shares (long position) and 106,683,000 H Shares (long position) through SINOTRANS & CSC, its wholly-owned subsidiary, and indirectly held 85,795,000 H Shares (long position) through China Merchants Investment Development (Hong Kong) Limited, its wholly-owned subsidiary. SINOTRANS & CSC indirectly held 106,683,000 H Shares (long position) through Sinotrans (Hong Kong) Holdings Ltd., being its wholly-owned subsidiary.
- According to the Disclosure of Interests Form submitted by Pandanus Associates Inc. on the website of Hong Kong Stock Exchange on 7 February 2024, 203,342,000 H Shares (long position) are interests of corporations controlled by substantial shareholders, of which 27,670,000 H Shares (long position) are reported as unlisted derivatives settled in cash.
- According to the Disclosure of Interests Form submitted by LSV ASSET MANAGEMENT on the website of Hong Kong Stock Exchange on 19 July 2022, LSV ASSET MANAGEMENT held 128,648,800 H Shares (long position) in the capacity of investment manager. 42,669,000 H Shares (long position) are deemed interest through its general partnership interest in certain limited partnerships.

4. According to the Disclosure of Interests Form submitted by Brown Brothers Harriman & Co. on the website of Hong Kong Stock Exchange on 13 September 2024, Brown Brothers Harriman & Co. held 102,625,476 H Shares (long position) in the capacity of agent, all of which were lending pool.

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

(III) Directors' interests in competing business

The non-executive Director, namely Mr. Wang Xiufeng, is the Vice President of China Merchants; the proposed non-executive Director, namely Mr. Yang, is the Head of Transportation and Logistics Division of China Merchants and the General Manager and Secretary of the Communist Party Committee of SINOTRANS & CSC (Group Beijing Headquarters); the non-executive Director, namely Ms. Luo Li, is the Deputy Head of Finance Department (Property Department) of China Merchants; and the non-executive Directors, namely Mr. Yu Zhiliang and Mr. Tao Wu, are professional external directors appointed by China Merchants. China Merchants is the ultimate controlling shareholder of the Company. Certain subsidiaries of China Merchants engage in the Group's principal businesses (namely freight forwarding operations) in certain regions in the PRC which have only nominal operations which are the same as or similar to the principal businesses of the Group.

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

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

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

III. DIRECTORS' SERVICE CONTRACTS

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

IV. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed there has been no material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

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

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested, directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors, proposed Director (i.e. Mr. Yang) or Supervisors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which had been proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2023 (the date to which the latest published audited consolidated financial statements of the Group were made up).

VI. EXPERTS AND CONSENTS

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

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

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

- (i) any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up; and
- (ii) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

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

VII. MISCELLANEOUS

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

VIII. DOCUMENTS ON DISPLAY

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

- (I) the Purchase and Sales Framework Agreement;
- (II) the Supplemental Agreement;
- (III) the letter from the Independent Board Committee to the Independent Shareholders dated 2 October 2024, the text of which is set out on pages 17 to 18 of this circular;
- (IV) the letter from VBG Capital to the Independent Board Committee and the Independent Shareholders dated 2 October 2024, the text of which is set out on pages 19 to 33 of this circular; and
- (V) the written consent referred to in the section headed “VI. Expert and Consents” in this appendix.

NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING



中國外運股份有限公司 SINOTRANS LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00598)

NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2024 first extraordinary general meeting (the “EGM”) of Sinotrans Limited (the “Company”) will be held at 1st Meeting Room, 11th Floor, China Merchants Plaza Tower B, Building 10, No. 5 Anding Road, Chaoyang District, Beijing 100029, the People's Republic of China at 10:00 a.m. on 29 October 2024 for the purpose of considering and, if thought fit, approving, with or without modifications, the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the resolution in relation to the proposed revision of annual caps for the provision and receipt of logistics and related services between the Group and the Y2T Group under the Supplemental Agreement.
2. To consider and approve the resolution in relation to the proposed appointment of Mr. Yang Guofeng as a non-executive Director with a term of office from the approval of the Shareholders at the EGM to the date of conclusion of the fourth session of the Board.

By order of the Board
Sinotrans Limited
Li Shichu
Company Secretary

Beijing, China

2 October 2024

As at the date of this notice, the board of directors of the Company comprises Wang Xiufeng (Chairman), Song Rong (executive director), Luo Li (non-executive director), Yu Zhiliang (non-executive director), Tao Wu (non-executive director), Jerry Hsu (non-executive director), and four independent non-executive directors, namely Wang Xiaoli, Ning Yaping, Cui Xinjian and Cui Fan.

NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

Notes:

1. Unless otherwise specified, details of the resolutions are set out in the circular of the Company in relation to the EGM dated 2 October 2024 (the “**Circular**”). Terms defined in the Circular shall have the same meanings when used in this notice unless the context otherwise requires.
2. The H Share register of members of the Company will be closed from 24 October 2024 to 29 October 2024 (both days inclusive), during which no transfer of H Shares will be registered. In order for the H Shareholders to be entitled to attend and vote at the EGM, persons holding H Shares shall lodge share transfer documents accompanied by the relevant H Share certificates with the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 23 October 2024, for registration. Any Shareholders whose names appear on the H Share register of members of the Company on 29 October 2024, are entitled to attend and vote at the EGM of the Company after completing the registration procedures for attending the meeting.
3. Shareholders intending to attend the EGM shall give written notices to the Company, which shall be lodged at the office of the Company, at 10th Floor, China Merchants Plaza Tower B, Building 10, No. 5 Anding Road, Chaoyang District, Beijing (Tel: (8610) 5229 5720) (for A Shareholders), or Computershare Hong Kong Investor Services Limited, the Company’s H Share registrar, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for H Shareholders), on or before 25 October 2024.
4. Shareholders entitled to attend and vote at the EGM are entitled to appoint one or more persons (whether or not a Shareholder of the Company) as their proxy to attend and vote on behalf of themselves.
5. In order to be valid, the form of proxy, together with a duly notarised power of attorney or other document of authority, if any, under which the form is signed must be deposited at the office of the Company, at 10th Floor, China Merchants Plaza Tower B, Building 10, No. 5 Anding Road, Chaoyang District, Beijing (Tel: (8610) 5229 5720) (for A Shareholders), or Computershare Hong Kong Investor Services Limited, the Company’s H Share registrar, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for H Shareholders), not later than 24 hours before the time for holding the EGM or any adjournment thereof.
6. If a proxy attends the EGM on behalf of a Shareholder, he/she should produce his/her ID card and the instrument signed by the appointer or his/her legal representative, and specifying the date of its issuance. If a legal person Shareholder appoints its corporate representative to attend the EGM, such representative should produce his/her ID card and the notarised copy of the resolution passed by the board or other authorities or other notarised copy of the authorisation issued by such legal person Shareholder.
7. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.