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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)**

# ANNOUNCEMENT ON PROVISION FOR ASSET IMPAIRMENT

This announcement is made by Sinotrans Limited (the "**Company**") pursuant to Rule 13.09(2) and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

On 30 March 2026, the board of directors (the "**Board**") of the Company held the meeting, at which the Resolution on the Provision for Asset Impairment of the Company was considered and approved. The relevant information is hereby announced as follows:

## I. OVERVIEW OF THE PROVISION FOR ASSET IMPAIRMENT

According to the relevant provisions of the *Accounting Standards for Business Enterprises No. 8 – Asset Impairment* and the Company's accounting policies, based on the principle of prudence, in order to more truly and accurately reflect the asset and financial position of the Company, the Company conducted a comprehensive inventory and analysis of all types of assets within the scope of its consolidated statements, conducted impairment tests by category, and made corresponding impairment provisions for assets with indications of impairment based on the results of the impairment tests. For the year 2025, the Company made a provision for asset impairment losses of RMB1,054.6759 million. The specific details are as follows:

*Unit: RMB10,000*

| **Item** | **Provision for 2025** |
|---|---|
| I. Credit impairment losses | 37,820.96 |
| Including: Accounts receivable | 24,743.52 |
| Other receivables | 13,077.44 |
| II. Asset impairment losses | 67,646.63 |
| Including: Goodwill impairment | 56,121.30 |
| Fixed asset impairment | 8,236.51 |
| Investment property impairment | 2,222.68 |
| Long-term equity investment impairment | 1,066.14 |
| **Total** | **105,467.59** |

## II. EXPLANATION ON THE PROVISION FOR IMPAIRMENT

### (I) Credit impairment losses

According to the method stipulated in the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, based on the credit risk characteristics of accounts receivable and other receivables, expected credit losses are calculated on an individual or portfolio basis.

Accrual on an individual basis: When there is evidence that an individual receivable has been impaired, an impairment test is conducted separately, and an impairment loss is accrued based on the difference between the present value of its future cash flows and its book value.

Accrual by portfolio: Based on historical credit losses, the Company evaluates the expected credit losses of receivables on a portfolio basis by applying the adjustment for specific forward-looking factors of debtors and the economic environment to establish a credit loss matrix and considering the credit risk characteristics of different customers.

Specific recognition criteria and accrual method for credit losses on major receivables of the Company and its subsidiaries (the "**Group**"):

| Item | Accrual method | Types of portfolio | Basis/criteria for portfolio determination | Criteria/explanations for accrual |
|---|---|---|---|---|
| Accounts receivable | Accrual on an individual basis | – | When accounts receivables are involved in disputes or litigations, or when the debtor is in operating difficulties, reorganisation, or bankruptcy, the Group accrues credit losses on an individual basis. | Individual recognition |
| | Accrual by portfolio | Low-risk portfolio | The receivables in the Group's low-risk portfolio are mainly receivables from related parties, joint ventures, associates, and their subsidiaries, etc. of China Merchants Group Limited, which have similar credit risk characteristics. | 0%. The above organisations have low credit risk and the Group has not accrued for credit losses based on materiality considerations. If the credit risk of the above organisations deteriorates, the Group adjusts them to the aging portfolio or accounts receivable with credit losses accrued on an individual basis |

| Item | Accrual method | Types of portfolio | Basis/criteria for portfolio determination | Criteria/explanations for accrual |
|---|---|---|---|---|
| | | Aging portfolio | The Group's aging portfolio consists of receivables other than low-risk portfolio items and items with credit losses accrued on an individual basis, the aging of which reflects their credit risk characteristics. | 1.45 % within 1 year; 41.68 % for 1 to 2 years; 88.26 % for 2 to 3 years; and 100 % over 3 years. The aging is based on transaction dates and the expected credit loss rates determined by the forward-looking adjustments to the age-based migration rates and historical loss rates represent a reasonable estimate of the expected credit losses. The Group evaluates the expected credit loss rate of the aging portfolio of receivables annually and does not adjust the rate when the evaluation result is lower than the accrued rate of the previous year, and increases the rate when the evaluation result is higher than the accrued rate of the previous year |
| Other receivables | Accrual on an individual basis (phase III) | – | When other receivables are involved in disputes or litigations, or when the debtor is in operating difficulties, reorganisation, or bankruptcy, the Group accrues credit losses on an individual basis. | Individual recognition |
| | Accrual by portfolio | Low-risk portfolio (phase I) | Other receivables in the Group's low-risk portfolio are mainly receivables from government entities, related parties, joint ventures, associates and their subsidiaries, etc. of China Merchants Group Limited, as well as deposits, guarantees, reserves, and advances, which have similar credit risk characteristics. | 0%. The above categories of payments have low credit risk and the Group has not accrued for credit losses based on materiality considerations. If the credit risk of the debtors involved in the above receivable categories deteriorates, the Group adjusts them to other receivables with credit loss provisions, either in the aging portfolio or individually. |

| Item | Accrual method | Types of portfolio | Basis/criteria for portfolio determination | Criteria/explanations for accrual |
|---|---|---|---|---|
| | (Phase I and phase II) | Aging portfolio within 1 year (phase I) | The Group's aging portfolio of other receivables is other receivables except for low-risk portfolio items and items with credit loss accrued on an individual basis, the aging of which reflects their credit risk characteristics. | 3.90%. Aging is determined on the basis of the date of incurrence, and the Group evaluates the expected credit loss rate of other receivables in the aging portfolio annually, with no adjustment when the evaluation result is lower than the previous year's accrual criteria, and increases the accrual rate when the evaluation result is higher than the previous year's accrual criteria. |
| | | Aging portfolios more than 1 year (phase II) | | 32.51 % for 1 to 2 years; 57.40 % for 2 to 3 years; 100 % for over 3 years. Aging is determined on the basis of the date of incurrence, and the Group evaluates the expected credit loss rate of other receivables in the aging portfolio annually, with no adjustment when the evaluation result is lower than the previous year's accrual criteria, and increases the accrual rate when the evaluation result is higher than the previous year's accrual criteria. |

At the end of the reporting period, in accordance with the accounting policy for the provision for credit losses on receivables, the Company made accumulated provision for credit impairment losses of RMB378.2096 million, of which: provision for impairment losses on accounts receivable was RMB247.4352 million, and provision for impairment losses on other receivables was RMB130.7744 million.

## (II) Asset impairment losses

### *1. Goodwill impairment*

At the end of the reporting period, in accordance with the *Accounting Standards for Business Enterprises No. 8 – Asset Impairment* and the Company's relevant accounting policies, impairment tests were conducted on goodwill asset groups with indications of impairment.

*(1) Assumptions and key parameters of material goodwill impairment tests for the year*

The profitability and EBIT indicators of 7 companies including KLG EUROPE EERSEL B.V., being subsidiaries of the Company, fell short of expectations, and the Company expects that the main factors leading to the decline in profitability will be difficult to improve in the short term and will increase the uncertainty of revenue growth. For this year, the profitability for the forecast period was reduced by 2.38-2.69 percentage points (compared to the corresponding forecast year in the previous goodwill impairment test), and the revenue growth rate for the forecast period was reduced by 0.00-1.00 percentage points (compared to the corresponding forecast year in the previous goodwill impairment test); the EBIT indicators of Sinotrans Logistics Nanjing China Ltd.* (中外運物流南京有限公司), being a subsidiary of the Company, fell short of expectations due to the impact of the market environment, and the Company expects that the main factors leading to the decline in profitability will be difficult to improve in the short term and will increase the uncertainty of revenue growth. For this year, the profitability for the forecast period was reduced to 3.29%-3.78%, and the revenue growth rate for the forecast period was reduced to 0%-2.68%.

| Name of asset group or portfolio of asset groups | | Operating income growth rate for the forecast period | Forecast period profitability | Stabilisation period | Operating income growth rate for the stabilisation period | Stabilisation period profitability | Discount rate |
|---|---|---|---|---|---|---|---|
| 7 companies including KLG EUROPE EERSEL B.V. | Current | 5.50%-2.50% | 7.48%-7.76% | 2031 and beyond | 2.56% | 7.72% | 12.92% |
| | Previous | 7.00%-3.50% | 9.76%-10.41% | 2031 and beyond | 2.54% | 10.41% | 13.00% |
| Sinotrans Logistics Nanjing China Ltd.* (中外運物流南京有限公司) | Current | 0.00%-2.68% | 3.29%-3.78% | 2031 and beyond | 0.00% | 4.88% | 13.60% |
| | Previous | 2.34%-7.16% | 3.64%-6.10% | 2030 and beyond | 0.00% | 6.15% | 13.40% |

*(2) Method and basis for determining key parameters*

| Parameters | Basis/methodology for determination of key parameters for 7 companies including KLG EUROPE EERSEL B.V. | Basis/methodology for determination of key parameters for Sinotrans Logistics Nanjing China Ltd.* (中外運物流南京有限公司) | Whether the basis/ methodology for determination has changed from the previous goodwill impairment test |
|---|---|---|---|
| Operating income growth rate for the forecast period | Determined based on the management's forecasts for the future and by reference to average growth rates of historical revenue and EBITDA | Determined based on the management's forecasts for the future and by reference to average growth rates of historical revenue and EBITDA | No |
| Forecast period profitability | Determined based on the management's forecasts for the future and by reference to historical average profitability | Determined based on the management's forecasts for the future and by reference to historical average profitability | No |
| Operating income growth rate for the stabilisation period | Average inflation rate for the Eurozone over the next five years, published by the International Monetary Fund (IMF) | Based on management's expectation, zero growth in the stabilisation period | No |
| Stabilisation period profitability | Determined using the profitability for the last year of the forecast period | Determined using the profitability for the last year of the forecast period | No |
| Discount rate | Determine using the WACC model, with the main parameters sourced from publicly available market data | Determine using the WACC model, with the main parameters sourced from publicly available market data | No |

*(3) Results of goodwill impairment tests*

The recoverable amount of the goodwill asset group of 7 companies including KLG EUROPE EERSEL B.V., being subsidiaries of the Company, was lower than the book value of the asset group, and a provision for goodwill impairment of EUR60.9016 million was made, with an impact on total profit equivalent to RMB-490.7449 million.

The recoverable amount of the goodwill asset group of Sinotrans Logistics Nanjing China Ltd.* (中外運物流南京有限公司) under the Company was lower than the book value of the asset group, and a provision for goodwill impairment of RMB70.4681 million was made, with an impact on total profit of RMB-70.4681 million.

### *2. Other asset impairment losses*

According to the provisions of *Accounting Standards for Business Enterprises No. 8 – Asset Impairment*, the Company assesses whether there is any indication that an asset may be impaired at the balance sheet date. For assets with indications of impairment, the Company estimates their recoverable amounts. If the measurement of the recoverable amount indicates that the recoverable amount of an asset is lower than its book value, the Company writes down the book value of the asset to its recoverable amount, and the written-down amount is recognized as an asset impairment loss in the profit or loss for the current period, while a corresponding provision for asset impairment is made.

At the end of the reporting period, the Company engaged external valuation agencies to evaluate assets with obvious indications of impairment, and made provisions for asset impairment based on the evaluation results, including a provision for fixed asset impairment of RMB82.3651 million, a provision for investment property impairment of RMB22.2268 million, and a provision for long-term equity investment impairment of RMB10.6614 million.

## III. CONSIDERATION PROCEDURES FOR THE PROVISION FOR IMPAIRMENT

On 27 March 2026, the Company held the third meeting of the Audit Committee in 2026, at which the Resolution on the Provision for Asset Impairment of the Company was considered and approved. The Audit Committee considered that the provision for asset impairment was made in accordance with the requirements of accounting standards, with sufficient basis, and truly and objectively reflected the asset position and operating results of the Company. Accordingly, it agreed to the provision for asset impairment and consented to submit such resolution for the consideration of the Board of the Company.

On 30 March 2026, the twenty-third meeting of the fourth session of the Board of the Company considered and approved the Resolution on the Provision for Asset Impairment of the Company. The Board of the Company considered that the provision for asset impairment was made in accordance with the requirements of accounting standards, with sufficient basis, and truly and objectively reflected the asset position and operating results of the Company. Accordingly, it agreed to the provision for asset impairment.

By Order of the Board
**Sinotrans Limited**
**Li Shichu**
*Company Secretary*

Beijing, 30 March 2026

*As at the date of this announcement, the board of directors of the Company comprises Zhang Yi (Chairman), Gao Xiang, Yang Guofeng, Luo Li, Yu Zhiliang, Huang Chuanjing, Jerry Hsu, Gong Weiguo, and four independent non-executive directors, namely Wang Xiaoli, Ning Yaping, Cui Xinjian and Cui Fan.*