

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(Stock Code: 0598)

AMENDMENTS TO THE OVERALL SHARE OPTION SCHEME AND THE PHASE I GRANT PROPOSAL

This announcement is made by Sinotrans Limited (the “**Company**”) in accordance with Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) of the Part XIVA of the Securities and Futures Ordinance of the Chapter 571 of the Laws of Hong Kong.

Reference is made to the announcement of the Company dated 27 December 2019 (the “**Previous Announcement**”) in respect of, among others, the proposed adoption of the Overall Share Option Scheme and the Phase I Grant Proposal based thereupon. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Previous Announcement.

In order to further optimize the Overall Share Option Scheme and the Phase I Grant Proposal and taking into account the review opinion from relevant regulatory authorities and the actual situation of the Company, On 31 March 2020, the Board considered and approved the resolutions in respect of, among others, the proposed amendments to the Overall Share Option Scheme and the Phase I Grant Proposal (the “**Amendments**”).

DETAILS OF THE AMENDMENTS

The details of the Amendments are set out as follows with the relevant amendments underlined, for the reference by the shareholders of the Company and the potential investors.

1. Arrangements for special occasions of the Company under the Overall Share Option Scheme and the Phase I Grant Proposal (as disclosed on pages 19 to 20 of the Previous Announcement)

“(a) In case of any of the following circumstances of the Company, the state-owned controlling shareholders shall exercise shareholder’s rights in accordance with the laws by proposing to cancel the exercisable Options for the current year and terminate the implementation of the Overall Share Option Scheme. Upon consideration and approval by the Board, no new Options shall be granted to the Participants nor can the Participants exercise Options or receive incentive income in accordance with the Overall Share Option Scheme within one year after the resolution of the Board takes effect:

- a. failure to engage the auditors to conduct auditing work in accordance with the relevant regulations and requirement;

- b. issuance of the auditors' report containing an adverse opinion or disclaimer of opinion by a certified public accountant with respect to the annual financial report;
- c. the organisation discharging the responsibilities of contributor, the supervisory committee or the audit department raising significant objections to the business performance or the annual financial report of the Company;
- d. imposition of administrative penalties by securities regulatory or other relevant authorities due to material non-compliance.

(b) In case of change in control, merger or spin-off of the Company, the exercisable Share Options having been granted to Participants shall remain unchanged and the exercise of the exercisable Share Options having been granted shall not be accelerated. ~~However, in case of any changes of the underlying Shares of the Overall Share Option Scheme as a result of merger, spin-off or change in control, the Share Options shall be adjusted to ensure the Expected Returns of the Participants remain unchanged.~~

(c) Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for the Exercise of Options, the Participants concerned shall return to the Company all interests gained through the Overall Share Option Scheme from the date when it is confirmed that the relevant information disclosure documents of the Company contain false statements or misleading statements or material omissions.”

2. Fair value of the Share Options and its basis of determination under the Phase I Grant Proposal (as disclosed on pages 31 to 32 of the Previous Announcement)

“The Company will select the International Black-Scholes Option Pricing Model (the "B-S Model") to evaluate the fair value of Share Options in accordance with Accounting Standards for Business Enterprises No.11 – Share-based Payments and Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments issued by the Ministry of Finance and the requirements of the SASAC.

The fair value of each Share Option amounted to ~~RMB 0.84-1.45~~ by preliminarily calculating the pricing model and each data on ~~23 March 2020 27 December 2019~~. Parameters were as follows:

- a. fair market price: ~~RMB 3.36-4.23~~ (being the closing price of A Shares on 23 March 2020 ~~being the higher of the average trading price of the A Shares of the Company for the last trading day or the average trading price of the A Shares of the Company for the last 20 trading days preceding the date of the announcement of the draft and summary of the Phase I Grant Proposal published on the website of the Shanghai Stock Exchange~~)
- b. the Exercise Price: RMB4.23 (being the Exercise Price determined by the Board based on the regulations of the CSRC and the SASAC ~~being the higher of the fair market value and the nominal unit par value of the A Shares of the Company~~)
- c. expected period: 3.5 years (expected period=(weighted expected period + total validity period)/2, which means expected period= $1/3 * [(2+3)+(3+4)+(4+5)]/2=3.5$ years)
- d. expected volatility: ~~41.55-42.53~~% (being the historical volatility of price of the A Shares since the listing of the A Shares)

- e. risk-free interest rate: ~~2.18-2.79%~~ (being the interest rate of the national debt with same expected period as the Share Options)
- f. expected dividend rate: 0% (according to valuation principles and the regulatory requirements of the SASAC, if a share option scheme has stipulated the principle for adjustment to the exercise price after distribution of dividends, the expected dividend rate will no longer be considered in the fair value valuation and 0% will be used as an input)

As the valuation results on the value of the Share Options herein are obtained based on assumptions of the above parameters and are subject to the valuation model adopted, the results may involve subjective views and uncertainties and therefore, such valuation results shall not be referred to as basis of accounting treatments. The fair value of the Share Options to be used in cost calculation needs to be calculated afresh by collecting the instant market data on the Grant Date upon the actual completion of the Grant.”

3. Amortization of Expenses for the Share Options and impact on the operating results of the Company under the Phase I Grant Proposal (as disclosed on page 33 of the Previous Announcement)

“According to the Accounting Standards for Business Enterprises No.11 — Share-based Payments, during the Lock-up Period of the Share Options, costs of the Share Options to be granted under the Phase I Grant Proposal shall be accounted for as costs or expenses and capital reserves based on the optimally estimated number of the Share Options exercised according to the fair value as at the Grant Date. Thus, the amortization of the costs of Share Options will affect the operating results of the Company.

According to the preliminary estimates of data on ~~23 March 2020~~ ~~27 December 2019~~, the total value of 73,930,100 Share Options proposed to be granted under the Phase I Grant Proposal represents total incentive costs of ~~RMB62.101-107.20 million~~, which is supposed to be borne by the Company. The costs are not the actual costs arising from the grant of the Share Options. Such costs will be fully amortized within 48 months from the Grant Date, and amortization amount for each period is as follows assuming that ~~the Share Options will be granted in June 2020~~ ~~31 March 2020 is the Grant Date~~:

Unit: RMB0'000

Year	2020	2021	2022	2023	2024	Total
Cost to be amortised	<u>1,308.7</u>	<u>2,242.5</u>	<u>1,638.5</u>	<u>804.9</u>	<u>215.5</u>	<u>6,210.1</u>
	3,235	3,871	2,378	1,089	147	10,720

Considering the estimation of number of the Share Options to be exercised and the prediction of fair value of the Share Options as at the Grant Date, there may be difference between the total costs of the Share Options currently estimated and those after the actual Grant. The actual costs will be re-evaluated based on the actual share price, fluctuation range and other parameters at the Grant Date determined by the Board, and then confirmed by the auditors.

The incentive costs incurred under the Phase I Grant Proposal will be itemized in recurring gains and losses. Based on the current situation, without considering the stimulating effect of the Phase I Grant Proposal on the Company's performance, the amortization of costs incurred under the Phase I Grant Proposal is expected to affect the Company's net profits for each year during the validity period of the Share Options, but such impact will not be significant.”

Save for the Amendments as set out above, other terms of the Overall Share Option Scheme and the Phase I Grant Proposal remain unchanged.

As advised by the Company's PRC legal adviser, the Amendments are formulated in accordance with the relevant requirements under the Company Law, the Securities Law, the Administrative Measures, other relevant laws and regulations, and the Articles of Association.

SHAREHOLDERS' MEETINGS AND CIRCULAR

An extraordinary general meeting and class meetings of the Company will be held to consider and approve, among other things, the adoption of the Overall Share Option Scheme and the Phase I Grant Proposal. A circular containing, among other things, details of the Overall Share Option Scheme and the Phase I Grant Proposal will be despatched to the Shareholders as soon as practicable.

By Order of the Board
Sinotrans Limited
Li Shichu
Company Secretary

Beijing, 31 March 2020

As at the date of this announcement, the board of directors of the Company comprises Li Guanpeng (Chairman), Song Dexing (Vice Chairman), Song Rong (executive director), Su Jian (non-executive director), Xiong Xianliang (non-executive director), Jiang Jian (non-executive director), Jerry Hsu (non-executive director), and four independent non-executive directors, namely Wang Taiwen, Meng Yan, Song Haiqing and Li Qian.