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重慶長安民生物流股份有限公司

**Changan Minsheng APLL Logistics Co., Ltd.\***

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
(Stock Code : 01292)

**(I) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2021 AND MAJOR TRANSACTION; AND  
(II) CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS FOR 2021**

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

On 4 November 2020, the Company entered into the following framework agreements, each for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023:

- (1) the framework agreement with Changan Automobile, pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for car raw materials, components and parts) to Changan Automobile and its associates;
- (2) the framework agreement with China Changan, pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for car raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) to China Changan and its associates;
- (3) the framework agreement with Minsheng Industrial, pursuant to which the Group shall purchase logistics services from Minsheng Industrial and its associates; and
- (4) the framework agreement with Zhuangbei Finance, pursuant to which Zhuangbei Finance shall provide the Group with settlements, deposit and loans, note discounting services.

As at the date of the announcement, China Changan holds approximately 25.44% of the issued share capital of the Company and 19.05% of equity interests of Changan Automobile. In addition, CSG holds 100% equity interests in China Changan and 18.72% equity interests in Changan Automobile. Zhuangbei Finance is a member company of CSG in that CSG holds a 22.9% equity interest in Zhuangbei Finance and China Changan holds 12.46% equity interests in Zhuangbei Finance. As at the date of the announcement, the Company holds approximately 0.81% equity interests in Zhuangbei Finance. Therefore, according to the Listing Rules, the transactions between the Group and each of China Changan, Changan Automobile, Zhuangbei Finance and their respective associates become connected transactions of the Company.

In addition, Minsheng Industrial is a substantial shareholder of the Company, holding approximately 15.90% of the total issued share capital of the Company, thus Minsheng Industrial and its associates are also connected persons of the Company.

The Framework Agreements for the Non-Exempt Continuing Connected Transactions are not inter-conditional with each other.

## **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2021 AND MAJOR TRANSACTION**

In order to provide a more appropriate level of the annual cap for each of 2021, 2022 and 2023 in relation to each of the Non-Exempt Continuing Connected Transactions contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the Company has estimated and will seek for approval by Independent Shareholders at the 2020 First EGM the annual cap in relation to the Non-Exempt Continuing Connected Transactions for 2021. With respect to the annual cap for each of 2022 and 2023 in relation to the Non-Exempt Continuing Connected Transactions for 2022 and 2023 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the Company will re-comply with the relevant Listing Rule requirements (including setting the annual caps, issuing announcement(s) and obtaining Independent Shareholders' approval).

Since one or more of the applicable percentage ratios of the Non-Exempt Continuing Connected Transactions for 2021 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions as calculated under Rule 14.07 of the Listing Rules are above 5%, the Non-Exempt Continuing Connected Transactions for 2021 are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements.

Since the highest applicable percentage ratio in relation to the maximum outstanding daily balance on the Deposit for 2021 under the framework agreement with Zhuangbei Finance in relation to the settlement, deposit and loans, note discounting services as calculated under Rule 14.07 of the Listing Rules exceeds 25% but less than 75%, the deposit transaction contemplated under such framework agreement with Zhuangbei Finance also constitutes a major transaction of the Company and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements.

Under Rule 14A.90 of the Listing Rules, the transactions relating to the provision of loans and note discounting services to the Group by Zhuangbei Finance contemplated under the framework agreement with Zhuangbei Finance in relation to the settlement, deposit and loans, note discounting services are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirement as these constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial services.

Under the Listing Rules, the transactions relating to the provision of settlement service to the Group by Zhuangbei Finance contemplated under the framework agreement with Zhuangbei Finance in relation to the settlement, deposit and loans, note discounting services are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements as the annual amount for the settlement services is expected to be less than HK\$3,000,000.

The Independent Board Committee comprising of all the independent non-executive Directors will be formed to advise the Independent Shareholders in connection with the terms of the Non-Exempt Continuing Connected Transactions for 2021 and major transaction (including the Proposed Cap and the maximum outstanding daily balance on the Deposit for 2021), and Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Non-Exempt Continuing Connected Transactions for 2021 and major transaction (including the Proposed Cap and the maximum outstanding daily balance

on the Deposit for 2021), and whether such transactions are in the interests of the Company and its Shareholders as a whole.

According to the requirements of Rules 14A.46(1) and 19A.39A of the Listing Rules and the PRC Company Law, the Company shall deliver a circular containing, among other things, details of the Non-Exempt Continuing Connected Transactions for 2021 and the major transaction (including the Proposed Cap and the maximum outstanding daily balance on the Deposit for 2021) with the letter from the Independent Board Committee and an opinion from Gram Capital to Shareholders as soon as possible.

### **CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS**

On 4 November 2020, the Company entered into the following framework agreements, each for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023:

- (1) the framework agreement with China Changan, pursuant to which the Group shall purchase security and cleaning services, property leasing services and logistics services from China Changan and its associates;
- (2) the framework agreement with APLL, pursuant to which the Group shall (i) provide logistics services to APLL and its associates and (ii) purchase logistics services from APLL and its associates; and
- (3) the framework agreement with Minsheng Industrial, pursuant to which the Group shall provide logistics services to Minsheng Industrial and its associates.

On 4 November 2020, Nanjing CMSC entered into the framework agreement with Baogang Zhushang, pursuant to which Nanjing CMSC will provide logistics services to Baogang Zhushang and its associates for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023 (both days inclusive).

The Framework Agreements for the Continuing Connected Transaction Exempt from Independent Shareholders' Approval Requirements are not inter-conditional with each other.

As at the date of the announcement, APLL is also a substantial shareholder of the Company, holding approximately 20.74% of the total issued share capital of the Company. Therefore, according to the Listing Rules, the transactions between the Company and each of China Changan, APLL, Minsheng Industrial and their respective associates become connected transactions of the Company.

As the Company and Sumitomo hold 67% and 33% of the registered capital of Nanjing CMSC respectively, and Sumitomo holds 49% of the registered capital of Baogang Zhushang. Therefore, according to the Listing Rules, Baogang Zhushang is a connected person of the Company at the subsidiary level and the transactions between Nanjing CMSC and Baogang Zhushang contemplated under such framework agreement constitute continuing connected transactions of the Company.

### **CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS FOR 2021**

In order to provide a more appropriate level of the annual cap for each of 2021, 2022 and 2023 in relation to each of the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements contemplated under each of the Framework Agreements for the Continuing Connected Transaction Exempt from Independent Shareholders' Approval Requirements, the Company has estimated the annual cap in relation to the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021. With respect to the annual cap for each of 2022 and 2023 in relation to the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements contemplated under the Framework Agreements for the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements,

the Company will re-comply with the relevant Listing Rule requirements (including issuing announcement(s) and, if required, obtaining Independent Shareholders' approval).

*With respect to the provision of the security and cleaning services, and logistics services provided by China Changan and its associates to the Group, the provision of the logistics services provided by the Group to APLL and its associates, the logistics services purchased by the Group from APLL and its associates and the provision of the logistics services provided by the Group to Minsheng Industrial and its associates*

Since the applicable percentage ratios in respect of each of the provision of the security and cleaning services, and logistics services provided by China Changan and its associates to the Group under the relevant framework agreement with China Changan, the provision of the logistics services by the Group to APLL and its associates and the provision of logistics services by APLL and its associates to the Group under the relevant framework agreement with APLL and the provision of logistics services provided by the Group to Minsheng Industrial and its associates under the relevant framework agreement with Minsheng Industrial as calculated under Rule 14.07 of the Listing Rules are all less than 5%, the above transactions are subject to reporting, annual review and announcement requirements, but exempt from Independent Shareholders' approval requirements.

*With respect to the purchase of property leasing services from China Changan and its associates by the Group*

As the relevant percentage ratio in respect of the right-of-use assets with respect to property leasing services from China Changan and its associates by the Group is less than 5% and the total consideration is less than HK\$3,000,000, the transactions contemplated under the framework agreement with China Changan in relation to the purchase of property leasing services from China Changan and its associates by the Group fall to be de minimis transactions under Rule 14A.76 of the Listing Rules and are therefore exempt from reporting, annual review, announcement and the Independent Shareholders' approval requirements.

*With respect to the logistics services provided by Nanjing CMSC to Baogang Zhushang*

Baogang Zhushang is a connected person of the Company at the subsidiary level. Since the applicable percentage ratios of the transaction on the provision of logistics services by Nanjing CMSC to Baogang Zhushang and its associates under the relevant framework agreement between Nanjing CMSC and Baogang Zhushang as calculated under Rule 14.07 of the Listing Rules are less than 5%, the above transactions are subject to reporting, annual review and announcement requirements, but exempt from Independent Shareholders' approval requirements.

## **I. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

### **1. Introduction**

Reference is made to the announcement of the Company dated 30 October 2017 and the circular of the Company dated 29 November 2017 in relation to, among other things, the framework agreements for non-exempt continuing connected transactions entered into between the Company and each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance on 30 October 2017, which shall expire on 31 December 2020. In order to continue relevant business with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance and their respective associates after 31 December 2020, the Company renewed framework agreements with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance on 4 November 2020.

Same as the internal control measures adopted by the Company in the past three years, in order to provide a more appropriate level of the annual cap for each of the three financial years ending 31

December 2023 in relation to each of the Non-Exempt Continuing Connected Transactions contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the Company has estimated and will seek for approval by Independent Shareholders at the 2020 First EGM the annual cap in relation to the Non-Exempt Continuing Connected Transactions for 2021. With respect to the annual cap for each of 2022 and 2023 in relation to the Non-Exempt Continuing Connected Transactions for 2022 and 2023 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the Company will re-comply with the relevant Listing Rule requirements (including setting the annual caps for 2022 and 2023, issuing announcement(s) and obtaining Independent Shareholders' approval).

As at the date of the announcement, China Changan holds approximately 25.44% of the issued share capital of the Company and 19.05% of equity interests of Changan Automobile. In addition, CSG holds 100% equity interests in China Changan and 18.72% equity interests in Changan Automobile. Zhuangbei Finance is a member company of CSG in that CSG holds a 22.9% equity interest in Zhuangbei Finance and China Changan holds 12.46% equity interests in Zhuangbei Finance. As at the date of the announcement, the Company holds approximately 0.81% equity interests in Zhuangbei Finance. Therefore, according to the Listing Rules, the transactions between the Group and each of China Changan, Changan Automobile, Zhuangbei Finance and their respective associates become connected transactions of the Company.

In addition, Minsheng Industrial is a substantial shareholder of the Company, holding approximately 15.90% of the total issued share capital of the Company, thus Minsheng Industrial and its associates are also connected persons of the Company.

## 2. Changan Group CCT

Historically, China Changan and its associates have been the Group's major customers. The Non-exempt Continuing Connected Transactions with Changan Automobile and China Changan (the "**Changan Group CCT**") include:

- (i) provision of logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for car raw materials, components and parts) to Changan Automobile and its associates; and
- (ii) provision of logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for car raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) to China Changan and its associates.

With respect to the Changan Group CCT, the Group mainly provides inbound logistics, outbound logistics, after-sales logistics, international logistics and distribution processing (mainly tire assembly) to Changan Group.

For logistics industry, the alliance between automobile manufacturers and logistics services providers are common in the PRC market. It is typical that a substantial part of the logistics services will be provided by related entity(ies) within the group of companies. The Group is no exception and Changan Group has been the Group's long-term client. As the Group is primarily engaged in automobile logistics and relies on the automobile production and sales of Changan Group, the fluctuation of Changan Group's automobile production and sales would undoubtedly impact on the business performance of the Group. The Company is fully aware that if Changan Group ceases to use or substantially reduces the use of the Group's logistics services and if the Group is not able to secure new customers with similar sales volume on terms acceptable to the Group, the business scale of the Group will be substantially reduced and the financial performance of the Group will be adversely affected. To mitigate potential risk that may cause to the Group, the Group has adopted the following measures:

- maintain the flexibility in switching the use of distribution centres and/or storage facilities for other independent customers;
- explore full range automobile industry chain businesses by developing wider after-sales logistics and automobile aftermarket logistics. The after-sales logistics and automobile aftermarket logistics services can be provided independently and will not be affected by the business fluctuation of Changan Group; and
- explore emerging businesses in new energy vehicles and used cars in order to reduce the reliance on the business from Changan Group.

In addition, for the past few years, the Group has adopted the general development strategy of “beyond Changan Group and beyond Automobile Industry” which in brief indicates that the Group shall (i) consolidate traditional businesses (i.e. automobile logistics businesses with Changan Group): traditional business is the foothold of the Group’s substantiable development. As the revenue derived from transactions with Changan Group still accounts for a substantial portion of the revenue of the Group, the Group would need to first consolidate traditional business to stabilize our primary sources of revenue of the Group; (ii) explore automobile logistics business from non-connected parties: in addition to traditional business, the Group leverages on its automobile logistics strength and extensive network nationwide to explore automobile logistics business from non-connected parties to mitigate sales fluctuation of Changan Automobile; and (iii) explore non-automobile logistics businesses: given the inherent volatility of the automobile industry, the Company considers it would be in the best interest of the Company and its shareholders as a whole to diversify and explore revenue stream from other source and from non-connected parties so as to mitigate the uncertainties and risks of having business sources concentrated in a single industry.

Additionally, to maintain a balanced customer portfolio and to mobilize employee enthusiasm in market expansion, the Company has set up a special fund to incentivize and reward those market development personnel. The reward will vary in percentage based on the nature and profit of the developed business with Independent Third Parties. The Company shall from time to time evaluate the achievement of the special working group and the effectiveness of the reward scheme.

With all the efforts, for the years ended 31 December 2017, 31 December 2018 and 31 December 2019, the transaction amount with business partners who are Independent Third Parties amounted to RMB1,034 million, RMB846 million and RMB768 million, representing approximately 15.6%, 16.5% and 17.69% of the total revenue of the Group, respectively. As shown by those figures, the Group has been making progress in reducing heavy reliance on the business transactions with Changan Group during the past few years.

For the financial year ended 31 December 2019 and the nine months ended 30 September 2020, the transaction amount with business partners who are Independent Third Parties amounted to approximately RMB768 million (audited) and RMB662 million (unaudited) respectively, representing approximately 17.69% and 19.47% of the Group’s revenue for the financial year ended 31 December 2019 and the nine months ended 30 September 2020. As indicated above, the revenue derived from Independent Third Parties increased by approximately 1.78%.

The Group will remain committed to the “beyond Changan Group and beyond Automobile Industry” development strategy to continue to explore automobile business with non-connected parties and non-automobile business to reduce reliance on Changan Group.

### **3. The Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions**

On 4 November 2020, the Company entered into the following framework agreements, each for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023:

- (1) the framework agreement with Changan Automobile, pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for car raw materials, components and parts) to Changan Automobile and its associates;
- (2) the framework agreement with China Changan, pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for car raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) to China Changan and its associates;
- (3) the framework agreement with Minsheng Industrial, pursuant to which the Group shall purchase logistics services from Minsheng Industrial and its associates; and
- (4) the framework agreement with Zhuangbei Finance, pursuant to which Zhuangbei Finance shall provide the Group with settlements, deposit and loans, note discounting services.

The transactions contemplated under each of the Framework Agreements for the Non-Exempt Continuing Connected Transactions shall be conducted on a non-exclusive basis. Separate written agreement(s) setting out the detailed terms shall be, if required, entered into between the relevant parties for each Non-Exempt Continuing Connected Transaction. Payment of each Non-Exempt Continuing Connected Transaction will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contract(s) to be entered into pursuant to the relevant framework agreements. The Framework Agreements for the Non-Exempt Continuing Connected Transactions, including the related proposed annual caps for each of 2021, 2022 and 2023, are conditional upon the obtaining of approval from the Independent Shareholders in accordance with the provisions of the Listing Rules.

The Framework Agreements for the Non-Exempt Continuing Connected Transactions are not inter-conditional with each other.

### **4. Internal Control Measures to ensure the Continuing Connected Transactions be conducted in accordance with the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions**

The Company has established a series of internal control measures in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favorable than the terms provided by any independent third party so as to ensure that they serve the interest of the Company and the Shareholders as a whole. Such internal control measures mainly include:

- (1) The pricing in relation to the provision of logistics services to our customers is largely market driven. The price for outsourced logistics business is primarily determined by internal comparison method, whereas the price for newly outsourced business is primarily determined by bidding process.
- (2) If the pricing in relation to the provision of logistic services to our customers is to be determined by bidding, the Company will adhere to the following key procedures under the Company's Bidding Quotation Process and Bidding Quote Management Procedure:

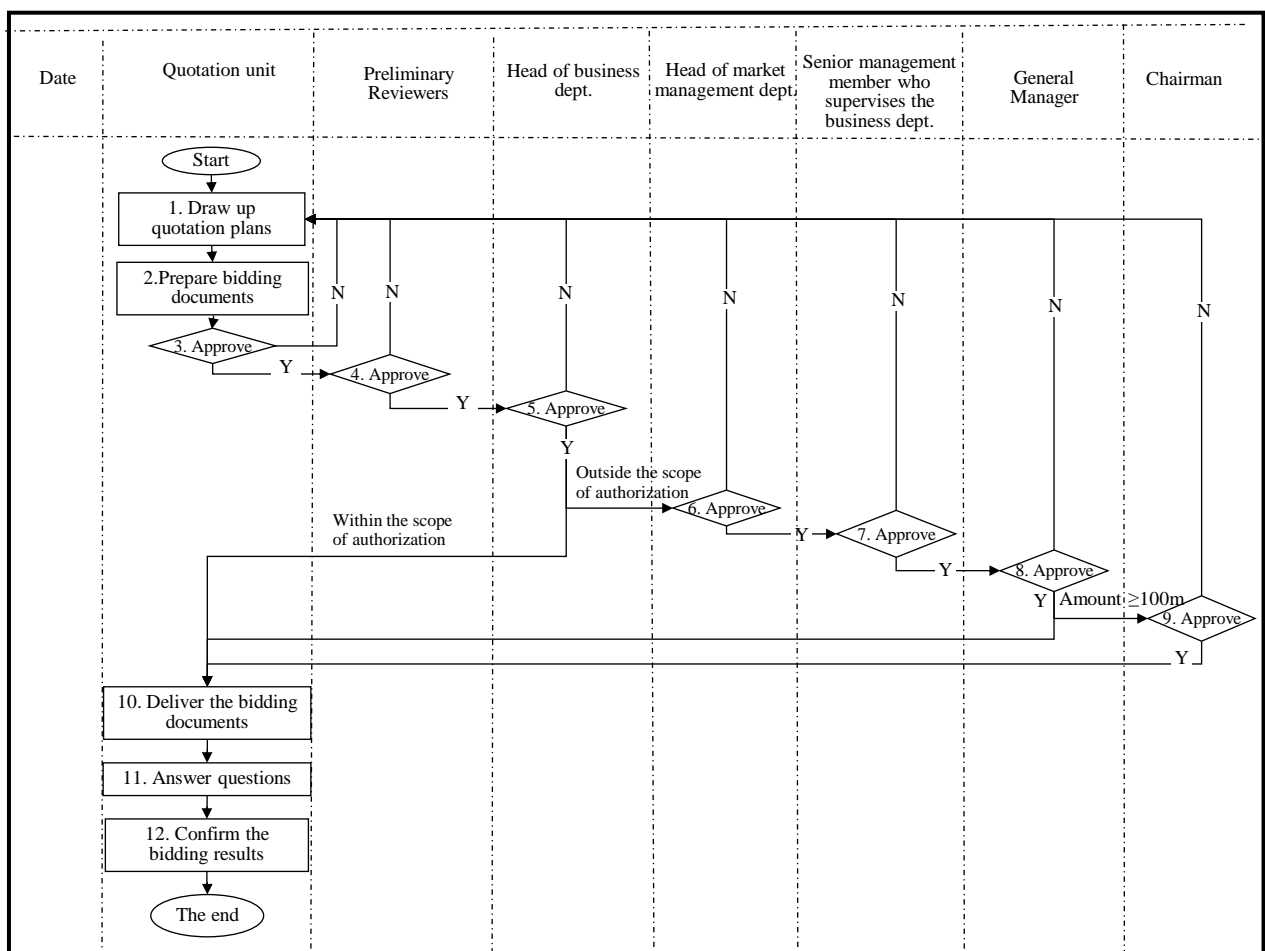
(i) *Parties responsible for preparing the bidding documents:*

<b>Role</b>	<b>Responsibility</b>	<b>Participants</b>
Bidding representative of the quotation unit (at all levels)	<p>Upon obtaining the solicitation documents or expressions of interest by a customer, bidding representative shall be responsible for:</p> <p>(a) attributing the project to a specific business unit according to customer classification principle (significant customers will be handled by the marketing and customer service department of the Company; others will be handled by relevant business unit) and clarifying any further information regarding bidding requirements in the process of quotation by maintaining communication with the customer;</p> <p>(b) gathering up the technical and operation plans and business plan as reviewed and approved, submit those documents in the manner as required by the customer, follows up the bidding process and responds to any inquiries may be proposed by the customer.</p>	Business development managers/commercial attaches/ marketing specialists/ marketing officers
Preliminary Reviewers	The reviewers shall be responsible for reviewing business plan as part of the quotation documents to be submitted to the customer and assessing relevant operational risk and cost control.	Marketing Managers, commercial managers
Head of business department (at all levels)	<p>Head of the business operation unit shall be responsible for</p> <p>(a) drafting and reviewing the operational plan and responding to customer's enquiries regarding the proposed operation of the project;</p> <p>(b) if any, approving bidding quotation within authorization and report relevant bidding process to the marketing and customer service department of the Company.</p>	Head of the business department, deputy head of the department, commercial manager
Head of the market management department (at all levels)	<p>Head of the market department shall be responsible for reviewing,</p> <p>(a) projects with potential profit margin of less than 5%;</p> <p>(b) finished vehicle related projects with an estimated revenue of over RMB50 million; and</p> <p>(c) reports on potential market risks and feasibility assessment of other projects with an estimated revenue of over RMB30 million.</p>	Head of the marketing department
Senior management member who supervises the business department	<p>Senior management member who supervises the business department shall be responsible for further reviewing,</p> <p>(a) projects with potential profit margin of less than 5%;</p> <p>(b) finished vehicle related projects with an estimated revenue of over RMB50 million; and</p> <p>(c) reports on potential market risks and feasibility assessment of other projects with an estimated revenue of over RMB30 million.</p>	Senior management member



General Manager	<p>General manager of the Company will be responsible for approving,</p> <p>(a) projects with potential profit margin of less than 5%;</p> <p>(b) finished vehicle related projects with an estimated revenue of over RMB50 million; and</p> <p>(c) reports on potential market risks and feasibility assessment of other projects with an estimated revenue of over RMB30 million.</p>	General Manager
Chairman	Chairman of the Company will be responsible for approving all projects with an estimated revenue of over RMB100 million.	Chairman

(ii) Work flowchart regarding the bidding



- (3) In respect of purchasing logistics services by the Group, the Group has to adhere to the process of procurement set out in the Group's Procurement Management Procedure of Bidding and Compared Pricing. The Company will sign the implementation contract(s) governed by the relevant framework agreement(s).
- (4) When bidding or compared pricing method is adopted, all the specification documents will be made public to potential bidders, with all primary terms of relevant contracts clearly set out therein, so as to ensure that the terms obtained are no less favourable than the terms offered to or by independent third parties.

- (5) When adopting the cost-plus approach to arrive at the price for provision of logistic services, the Group will initially gather necessary information including the technical specification and operational requirements, etc. regarding the logistic services from potential customers. Based on the customers' requirements, the Group will devise the prices after having taken into account all the direct fixed and variable costs (cost of materials, labour cost and other overhead expenses) associated with the services, with a mark-up to the cost. The mark-up represents the gross profit of the Group. Please refer to paragraph (2)(i) above regarding the parties responsible for reviewing the pricing using the cost-plus approach.
- (6) The external auditors of the Company will conduct an interim review and year-end audit for each financial year, and will issue their opinion and letter to the Board in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the preceding financial year pursuant to the Listing Rules. In addition, according to the Listing Rules, the independent non-executive Directors of the Company will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm on the transactional amounts and terms of the transactions in the annual report of the Company.
- (7) The Supervisory Committee are also responsible for, among others, supervising on the continuing connected transactions of the Company and reviewing the fairness of the transactions and whether the pricing of the transactions is fair and reasonable.
- (8) The Company's Audit and Legal Affairs Center established protocols including *Internal Control Assessment Workflow* and *Internal Control Assessment Manual*, assessing and monitoring the internal control work of the Group from the top down. All units of the Group shall update their internal control manual on a regular basis to ensure its effectiveness, and to identify and remedy the deficiencies in a prompt manner.
- (9) The Company's Audit and Legal Affairs Center established *Regulation on Connected Transactions of Changan Minsheng APLL Logistics Co., Ltd.*, joining efforts of relevant departments to control connected transactions of the Group collectively. Primary measures include (i) the Audit and Legal Affairs Center, operational units and Financial Operation Center shall pay extra attention to and conduct prudent review of the separate written agreements governed by relevant framework agreements entered into by the Group and connected persons to ensure the terms of the agreements conform to the corresponding framework agreement and are on normal commercial terms; (ii) the Financial Operation Center updates the aggregated amount of each of the connected transactions under the framework agreements based on the monthly financial data and submits a report on the connected transactions of the Group to the Audit and Legal Affairs Center; (iii) the Audit and Legal Affairs Center compares the report(s) with the approved annual caps of the connected transactions under each of the framework agreements and report to or warn the officers of the Company and relevant departments and advise the management of the Company to consider whether or not to re-adjust the relevant annual caps according to the Listing Rules.
- (10) The Company's Audit and Legal Affairs Center, the Audit Committee of the Company and the Supervisory Committee shall each conduct random internal assessments on the internal control measures and the financial information of the Company, in order to ensure that the internal control measures in respect of the connected transactions remain complete and effective. Furthermore, they convene meetings at least twice a year to discuss and assess the implementation status of connected transactions. Meanwhile, the Audit and Legal Affairs Center shall conduct prudent review and

appraisal of the contracts entered into by the Company, the operational departments shall monitor the transactional amounts in a timely manner and manage the compliance during the process of business operations.

The Company shall strictly follow the relevant protocols of internal control to ensure the pricing mechanism is transparent and the implementation of such pricing mechanism is subject to strict scrutiny by the Group and that connected transactions are conducted in fair and reasonable manner and in all respect in the best interests of the Company and its shareholders as a whole.

**5. Pricing Policy, Historical Figures, Historical Caps, Proposed Caps for each of the Non-Exempt Continuing Connected Transactions for 2021 and Rationale**

The caps in respect of each of the Non-Exempt Continuing Connected Transactions for 2021 are set out as follows:

<b>1. Logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for car raw materials, components and parts) provided by the Group to Changan Automobile and its associates</b>				
<b>Pricing policy</b>	<p>Generally, the pricing of the logistics services to be provided by the Group is market driven. As the transactions contemplated under the framework agreement shall be conducted on a non-exclusive basis, the Group has specified marketing and client servicing teams to liaise with and ascertain whether any particular logistic service will be conducted by public tender. The pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order of this section:</p>			
	<p>(1) Bidding Price: the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. The Company has established Bidding Quotation Process and Bidding Quote Management Procedures. Briefly, the Company’s enterprise technical department will draw up the technical and operation plans whereas the marketing and customer service department will provide business plan and the two departments will collaborate in preparing the bidding document in accordance with the specific requirements of our customers. Bidding representative of the Company will deliver the bidding offer and follow up on the bidding process. The Company will set up a working group to assist the bidding representative in the response to the bidding before the bidding representative will finally be informed of the bidding results.</p> <p>(2) Internal Compared Price: in determining the quote to be offered by the Group in internal compared pricing method, whenever practical and appropriate, the Company will comprehensively consider the feasibility of the project, and the Company’s knowledge on at least two competing third parties to ascertain whether and at what price the Group should participate in the project.</p> <p>(3) Cost-plus Price: to be determined with reference to a reasonable cost plus a reasonable profit margin. The Company will consider the labor cost, equipment operation cost, material inputs and etc. to comprehensively measure the cost. The profit margin for each project varies depending on the different technical requirements, staffing, resources commitment and location.</p> <p>If the Group does not have a choice in the pricing policy, the Group will endeavor to determine the price(s) based on cost-plus basis to ensure that the Group can achieve a reasonable profit in participating in the project(s).</p>			
<b>Proposed cap and basis</b>	<b>Historical figures</b>	<b>Historical caps (for 2018~2020)</b>	<b>Proposed Cap for 2021</b>	<b>Basis of determination of the Proposed Cap for 2021</b>
	For the two years ended 31 December 2019, and 9 months ended 30 September 2020, RMB4,187,495,000,	For the three years ending 31 December 2020, RMB8,500,000,000, RMB7,500,000,000 and	For the year ending 31 December 2021, RMB4,100,000,000	China is counted the largest automobile markets in worldwide, both in terms of sales and production. Unfortunately, car sales dipped nearly 3% in 2018 in the first

	RMB3,482,580,000 and RMB2,686,210,000 respectively	RMB4,060,000,000 respectively		<p>contraction since the 1990s and witnessed further decline by approximately 8.2% in 2019 according to China Association of Automobile Manufactures. Under such circumstances, Changan Automobile (the Group's major customer) and its associates fared worse than the industry average in 2019, especially so for Changan Ford, a joint venture of Changan Automobile and Ford Motor Company. Due in part to the automaker's failure to churn out new product in the highly competitive domestic automobile market, Changan Ford recorded approximately 51.3% year-on-year decrease in sales in 2019. Fortunately, the domestic automobile market bounced back in 2020 despite the outbreak of the coronavirus. The domestic automobile market cratered in February 2020 but is showing signs of recovery. Changan Automobile is recovering at a faster speed compared to the industry average. As a major logistics supplier of Changan Automobile, the Group expects to seize the opportunity and continue to provide logistics services for Changan Automobile and its associates in 2021 to maximize revenue of the Group. The proposed annual cap for the year ending 31 December 2021 for provision of logistics services by the Group to Changan Automobile and its associates in 2021 was determined having considered (i) the projected level of transaction amount with the Changan Automobile and its associates for the year ending 31 December 2020; (ii) the projected level of the incremental transaction amount with Changan Automobile and its associates for the year ending 31 December 2021; and (iii) a moderate buffer added to describe the inherent volatility of the automobile market and to accommodate any potential momentum increase in sales of Changan Automobile and its associates following the possible launch of new car models in 2021. With reference to the</p>
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above factors, the Board is of the view that the proposed annual cap for the year ending 31 December 2021 is fair and reasonable.

**2. Logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for car raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) provided by the Group to China Changan and its associates**

Generally, the pricing of the logistics services to be provided by the Group is market driven. As the transactions contemplated under the framework agreement shall be conducted on a non-exclusive basis, the Group has specified marketing and client servicing teams to liaise with and ascertain whether any particular logistic service will be conducted by public tender. The pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order of this section:

- Pricing policy**
- (1) **Bidding Price:** the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. The Company has established Bidding Quotation Process and Bidding Quote Management Procedures. Briefly, the Company’s enterprise technical department will draw up the technical and operation plans whereas the marketing and customer service department will provide business plan and the two departments will collaborate in preparing the bidding document in accordance with the specific requirements of our customers. Bidding representative of the Company will deliver the bidding offer and follow up on the bidding process. The Company will set up a working group to assist the bidding representative in the response to the bidding before the bidding representative will finally be informed of the bidding results.
  - (2) **Internal Compared Price:** in determining the quote to be offered by the Group in internal compared pricing method, whenever practical and appropriate, the Company will comprehensively consider the feasibility of the project, and the Company’s knowledge on at least two competing third parties to ascertain whether and at what price the Group should participate in the project.
  - (3) **Cost-plus Price:** to be determined with reference to a reasonable cost plus a reasonable profit margin. The Company will consider the labor cost, equipment operation cost, material inputs and etc. to comprehensively measure the cost. The profit margin for each project varies depending on the different technical requirements, staffing, resources commitment and location.

If the Group does not have a choice in the pricing policy, the Group will endeavor to determine the price(s) based on cost-plus basis to ensure that the Group can achieve a reasonable profit in participating in the project(s).

<b>Proposed cap and basis</b>	<b>Historical figures</b>	<b>Historical caps (for 2018~2020)</b>	<b>Proposed Cap for 2021</b>	<b>Basis of determination of the Proposed Cap for 2021</b>
	For the two years ended 31 December 2019, and 9 months ended 30 September 2020, RMB61,691,000, RMB69,517,000 and RMB52,760,000 respectively	For the three years ending 31 December 2020, RMB300,000,000, RMB250,000,000 and RMB95,000,000 respectively	For the year ending 31 December 2021, RMB120,000,000	The Company has established steady business contact with China Changan and its associates. Member companies of China Changan are mainly engaged in automobile parts production. Having considered the recovering domestic automobile market, the Company expects to continue to conduct business with China Changan and its associates for the upcoming year to maximize the revenue of the Group. The proposed annual cap for the year ending 31 December 2021 for the continuing connected transactions with China Changan and its associates is

				<p>derived with reference to (i) the projected level of transaction amount with the China Changan and its associates for the year ending 31 December 2020; (ii) the estimated level of the incremental transaction amount expected to be generated in 2021 from the newly developed inbound logistics business with Chongqing Tsingshan Industry Limited Liability Company* (“Tsingshan Industry”), an associate of China Changan; and (3) an estimated amount for the finished product transport within Chongqing and long-distance transport business which the Company intends to develop with Tsingshan Industry in 2021 based on the strategic cooperation agreement recently entered into between the Company and Tsingshan Industry. Having considered the above factors, the Board is of the view that the proposed annual cap for 2021 for the provision of logistics services by the Group to China Changan and its associates in 2021 is fair and reasonable.</p>
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**3. Logistics services provided to the Group by Minsheng Industrial and its associates**

<b>Pricing policy</b>	<p>The pricing of the services provided under the agreement shall be determined in accordance with the principles and order of this section:</p> <p>(1) <b>Bidding Price:</b> the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. According to the Bidding Quote Management Procedures, in terms of procurement through bidding, the Company shall publish announcements at such public media as China Bidding to invite bidders. The Group will screen and select bidders whom the Group considers can undertake the procurement with relevant qualification and capability.</p> <p>(2) <b>Internal Compared Price:</b> the price will be determined by the Company or its subsidiaries (as the case may be) by comparing internally the quote offered by Minsheng Industrial or its associate (as the case may be) and the quote offered by at least two independent third parties or the price of services of similar nature purchased by independent third parties. In terms of internal compared pricing, the Group will choose the lowest quotes offered among the eligible participants as its procurement price. Pursuant to the Compared Pricing Management Procedures, in terms of internal compared pricing, the Group shall compare quotes provided by or the price of services of similar nature purchased by at least two independent third parties.</p> <p>At present, there are only a few suppliers who have the qualification and capability to provide Yangtze River automobile related transportation services. To increase procurement efficiency and ensure the reasonableness of prices, the Company usually adopts the internal compared pricing policy for selection of its water transportation supplier. Other than Minsheng Industrial, the Group entered into waterway transportation contracts with Independent Third Parties. The price for waterway transportation varies depending on the number of route(s) and other factors. The Company will obtain fee quotes from at least three suppliers including Minsheng Industrial and its associates and compared pricing and the service to be rendered for each route.</p>			
	<b>Proposed cap and basis</b>	<b>Historical figures</b>	<b>Historical caps (for 2018-2020)</b>	<b>Proposed Cap for 2021</b>
	For the two years ended 31 December	For the three years ending 31 December	For the year ending 31 December 2021,	Minsheng Industrial and its associates have been providing

	2019, and 9 months ended 30 September 2020, RMB202,450,000, RMB216,470,000 and RMB158,910,000 respectively	2020, RMB1,000,000,000, RMB700,000,000 and RMB265,000,000 respectively	RMB250,000,000	waterway transportation services to the Group for years. Minsheng Industrial and its associates are equipped with ro-ro ships of various capacity and extensive shipping lines covering major ports along the Yangtze River, which can make up for the lack of direct resources of the Company along the Yangtze River to assist the Group in providing better services for our customers. As such, the Group intends to continue to purchase logistics services from Minsheng Industrial and its associates in 2021. The proposed annual cap for the year ending 31 December 2021 was arrived at after having regard to (i) the transaction amount and the corresponding utilization rate of the annual cap for the year ended 31 December 2019; (ii) the projected transaction amount with Minsheng Industrial and its associates for the year ending 31 December 2020 and (iii) the estimated incremental purchase amount due to the potential increase in logistics demand from Changan Automobile. With reference to the above factors, the Board is of the view that the proposed annual cap for the year ending 31 December 2021 is fair and reasonable.
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#### 4. Settlement, deposits and loans, note discounting services to be provided by Zhuangbei Finance to the Group

<b>Pricing policy</b>	<p>The fees and charges payable by the Group to Zhuangbei Finance under the framework agreement will be on terms not less favourable than the benchmark rates set by PBOC (if applicable) as well as those available from other independent commercial banks in the PRC and are determined on the following bases:</p> <ul style="list-style-type: none"> <li>● Settlement services – the fees charged for the settlement services must not be higher than (i) the relevant benchmark charging rates set by PBOC (if applicable); and (ii) the fees charged by other independent commercial banks in the PRC for providing services of similar nature.</li> <li>● Deposit services – the interest rates for Deposits placed by the Group must not be lower than (i) the relevant benchmark interest set by PBOC; and (ii) the interest rates provided by other independent commercial banks in the PRC for deposits of similar nature and under similar terms.</li> <li>● Provision of loans – the interest rates for borrowings by the Group must not be higher than (i) the relevant benchmark interest rates set by PBOC; and (ii) the interest rates charged by other independent commercial banks in the PRC for borrowings of similar nature and under similar terms.</li> <li>● Note discounting services – the fees charged for the services and the interest rates for the note discounting services must not be higher than (i) the relevant benchmark charging rates (if applicable) and interest rates set by PBOC; and (ii) the fees and interest rates charged by other independent commercial banks in the PRC for providing note discounting services of similar nature and under similar terms.</li> </ul> <p>When Zhuangbei Finance provides note discounting and loan services to the Group, the conditions for providing such services by Zhuangbei Finance to the Group shall be on normal commercial terms and no</p>
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	less favorable than those to be provided by independent third parties, where no security over assets of the Group is granted in respect of such services.			
	<b>Historical figures</b>	<b>Historical caps (for 2018-2020)</b>	<b>Proposed Cap for 2021</b>	<b>Basis of determination of the Proposed Cap for 2021</b>
	For the two years ended 31 December 2019, and 9 months ended 30 September 2020, RMB442,985,000, RMB348,630,000 and RMB198,530,000 respectively	For the three years ending 31 December 2020, RMB450,000,000, RMB350,000,000 and RMB200,000,000, respectively	For the year ending 31 December 2021, RMB190,000,000	Zhuangbei Finance is a non-banking financial company with a sound capital base and renowned credibility among the member companies of CSG. As Zhuangbei Finance provides the Group with free settling services, the Group maintains a deposits account in Zhuangbei Finance to settle transaction fees with major suppliers. The proposed annual cap for the year ending 31 December 2021 are determined after considering (i) the historical maximum daily outstanding balance of deposits placed by the Group with Zhuangbei Finance for the nine months ended 30 September 2020 and the utilization rate of the 2020 annual cap; and (ii) the total deposits of the Group as at 30 September 2020. As at 30 September 2020, the Group had a total deposit of approximately RMB810 million. The proposed annual cap of the deposit (on a daily basis) with Zhuangbei Finance represents less than 25% of the total deposits of the Group as at 30 September 2020. The Company is of the view that by allocating the Group's cash among Zhuangbei Finance and other licensed banking institutions in the PRC such as China Merchants Bank, China Construction Bank and Industrial and Commercial Bank of China, the Group is able to reasonably reduce the financial risks of capital overconcentration while retaining the benefit of financial settlement through Zhuangbei Finance. As such, the Directors are of the view that the proposed annual cap for the year ending 31 December 2021 for the deposit transaction with Zhuangbei Finance is fair and reasonable.
The maximum amount of Deposit (including interests) on a daily basis				

## 6. Reasons for and Benefits of the Non-Exempt Continuing Connected Transactions for 2021 and Major Transaction

*With respect to the logistics services provided by the Group to Changan Automobile and its associates*

The Group has been in business contact with Changan Automobile from the establishment of the



Company and has maintained a good relationship with Changan Automobile ever since. The Group is a major logistics services supplier of Changan Automobile and its associates. The Group's logistics services have been highly recognized by Changan Automobile and its associates. Provision of logistics services to Changan Automobile and its associates by the Group continues to occupy a major portion of the Group's business, thus contributing significantly to the overall revenue of the Group. As such, the Company believes that it is essential to maintain the provision of logistics services by the Group to Changan Automobile and its associates to ensure source of revenue. In addition, according to China Association of Automobile Manufacturers, China auto sales rose 12.8% to approximately 2.57million vehicles in September 2020 and it was the sixth consecutive month of growth and an uptick from 11.6% gain in August 2020. In conclusion, the domestic automobile market is showing signs of recovery. Furthermore, sales of Changan Automobile witnessed an average monthly year-on-year growth rate of approximately 13.35% for the nine months ended 30 September 2020. Having regard to the fact that both domestic automobile market and the Company's major customer is bouncing back from a low point in 2019, the Board is of the view that it is in the interests of the Company and its shareholders as a whole that the Group seize the momentum and maximize the revenue to be generated from providing logistics services for Changan Automobile and its associates.

*With respect to the logistic services provided by the Group to China Changan and its associates*

The principal businesses of the Group are supply chain management services for the automobiles and automobile raw materials, components and parts. Such services include finished vehicle transportation and related logistics services, automobile raw materials and components and parts supply chain management services, tires assembly and after-sales logistics service. The Group's development strategies included: (i) take root in automobile logistics: automobile logistics is the foundation of the Group. The logistics demand of Changan Group is substantial and is the traditional business of the Group. The Group will continuously consolidate the existing traditional business and further explore the rest of the logistics demand of Changan Group by improving our logistics technology, service quality and logistics network; (ii) take advantage of the comparatively strong service capacity of the Group in the domestic automobile logistics market to explore automobile logistics business with non-related parties; (iii) explore non-automobile logistics business: on top of the automobile logistics business, the Group will gradually explore non-automobile logistics business to diversify the revenue portfolio of the Group.

China Changan is essentially a large enterprise with businesses mainly ranging from parts and components to automobile retail. It has roughly 15 member companies engaging in parts production such as automobile engines, transmissions, power components, chassis, shock absorbers, supercharges, pistons and so on. The Group stepped up efforts in exploring the parts business of China Changan and its associates ever since China Changan became one of the substantial shareholders of the Company. Currently, the Group has established steady business contact with several member companies of China Changan. The Group anticipates that by leveraging on the current business relationship, the Group can establish more business contact with Changan Group and can tap into the market potentials presented by China Changan and its associates, thereby increasing business sources and maximizing revenue of the Group.

*With respect to the logistic services provided to the Group by Minsheng Industrial and its associates*

The Group is a third-party automobile logistics service provider for providing comprehensive logistics solution for our customers. However, the Group currently does not have any vessel or enough freight carriers to ensure an independent operation of business. Therefore, the Group needs to purchase logistics services from suppliers with sufficient transportation capacity and logistics facilities and equipment. Minsheng Industrial is fully equipped with ro-ro ships of various volumes and car transporters that is

compliant with the current regulation of GB1589 and has extensive, well-established logistics network across the country. Therefore, Minsheng Industrial and its associates are competent in providing logistics services to the Group. In addition, Minsheng Industrial and its associates have been a credible and reliable business partner of the Group, and have been providing various logistics services such as waterway transportation of cars and car components and parts, finished vehicles transportation by road, customs clearance, container transportation, etc. for many years. As such, the Directors are of the view that the Group should continue to purchase logistics services from Minsheng Industrial and its associates to support the smooth running of the Group's primary business and tap on the strength of Minsheng Industrial's various resources to our advantage and provide our customers with quality services and maximize the revenue of the Group. The Directors are of the view that the transaction is in the interest of the Company and its Shareholders as a whole.

*With respect to the deposit transaction between the Group and Zhuangbei Finance*

Zhuangbei Finance is a non-banking financial institution in the PRC as approved by CBIRC and is established with capital contribution from member companies of CSG for purpose of centralizing capital management and optimizing capital efficiency within the CSG. Zhuangbei Finance has been providing financial services for member companies of CSG for years and is highly recognized for its financial management services. In addition, the major customers of the Group are member companies within CSG and they all have maintained accounts with Zhuangbei Finance. It would reduce the time costs and finance cost if the Company deposits and conducts note discounting services with, and/or to obtain loan advancement from, Zhuangbei Finance. Moreover, Zhuangbei Finance offers more favourable terms and comparatively less finance fees and charges than those payable to external banks in the PRC.

In addition, the Board has taken into consideration the following factors with respect to the deposit transaction under the framework agreement:

- (i) As a non-banking financial institution, Zhuangbei Finance is regulated by the PBOC and the CBIRC and provides its services in accordance with and in compliance of the rules and operational requirements of these regulatory authorities including capital risk guidelines and requisite capital adequacy ratios. The regulations imposed on non-banking institutions regarding the capital adequacy ratios is more stringent than those imposed on commercial banks in the PRC;
- (ii) The pricing policies of Zhuangbei Finance are subject to guidelines set by PBOC. The interest rates for Deposit of similar nature and under similar terms will be at least be equal to or more favorable than those available from other independent commercial banks in the PRC. Moreover, currently, the fees payable to normal commercial banks for settlement services, including account management, online banking system management, confirmation, etc. are free of charge to Zhuangbei Finance, which would reduce the finance costs of the Group;
- (iii) The risk of the Deposit transaction with Zhuangbei Finance is further reduced by (1) the undertakings provided by Zhuangbei Finance, (2) various internal control and risk management awareness of and measures took by Zhuangbei Finance in respect of credit risk, liquidity risk, market risk, operational risk, information technology risk and etc;
- (iv) Zhuangbei Finance has advanced information security protection system, the security protection of which is no less than the protection level of head office of commercial banks and Zhuangbei Finance established data security backup center in Chongqing and was granted technical security certification by CFCA, all of which proves that Zhuangbei Finance was competent enough to protect the information and the fund security of the Group; and

- (v) In addition, as a fellow member of the CSG, Zhuangbei Finance has a better understanding of the operations and financial requirements of the Group which give Zhuangbei Finance a built-in advantage to allow it to provide the Group with more expedient and efficient services.

In arriving at the above proposed caps, the Directors have considered, in addition to specific factors mentioned above, the market condition of logistics industry as well as the current and projected level of the relevant transactions.

The Directors (excluding the independent non-executive Directors who will provide their view after taking into consideration the recommendation from the Independent Financial Advisor) are of the view that the Non-exempt Continuing Connected Transactions for 2021 and major transaction will be conducted on normal commercial terms or on terms no less favorable than those available from independent third parties under prevailing local market conditions, and that the Non-exempt Continuing Connected Transactions for 2021 and major transaction were entered in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **7. Financial Effects of the Deposit Transaction on the Group**

As at 30 June 2020, the total deposit amount of the Group was approximately RMB850,590,000 and the deposit amount with Zhuangbei Finance was approximately RMB194,070,000, representing approximately 22.82% of the total deposit amount of the Group.

For the six months period ended 30 June 2020, the deposit interest income from Zhuangbei Finance was approximately RMB503,900, representing approximately 12.5% of the total deposit interest income of the Group and approximately 0.015% of the Group's unaudited revenue during the corresponding period.

Therefore, the Company anticipates that the deposit interest income to be earned from Zhuangbei Finance for the year ending 31 December 2021 will not have any material impact to the Group's revenue, assets and liabilities.

## **8. Risks Control Relating to the Deposits Transaction under the Framework Agreement with Zhuangbei Finance**

In order to control the potential risks relating to the Deposits transactions, ensure the safety of the Deposit and protect the interests of the Company and its shareholders regarding the Deposit placed or to be placed from time to time, Zhuangbei Finance provided an undertaking as a part of the framework agreement to the Company. Pursuant to the framework agreement, Zhuangbei Finance undertakes to the Company that it will:

- (i) provide to the Company, at any time, financial services with terms which are no less favourable than for comparable financial services provided to members of the CSG Group; and those of the comparable financial services the Company may obtain from other financial institutions;
- (ii) ensure that the Financial Operation Licence (金融許可證) and other business permits, approvals and filings, etc. have been lawfully obtained by Zhuangbei Finance and will remain valid and effective;
- (iii) ensure the safe operations of its fund settlement and clearance network, assure the safety of funds, control the risk exposure and safety of the Deposit and will satisfy the requirements for the payment of the Deposit;

- (iv) ensure the strict compliance with the risk monitoring indicators for financial institutions promulgated by the CBIRC and that the major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC and other relevant laws and regulations;
- (v) report its business and financial positions to the Company regularly, co-ordinate with the auditors of the Company in the course of their audit work to enable the Company to fulfill the requirements of the Listing Rules; and
- (vi) on happening of new, or special event that may possibly affect the Company, Zhuangbei Finance shall proactively inform the Company on a timely basis.

In order to further safeguard the interests of the Shareholders, the Group will adopt certain guidelines and principles in monitoring, amongst other things, the Deposit arrangements. These include an assessment of the fund operation and control of risk exposure of Zhuangbei Finance and evaluation of its services provided through its reports to be obtained regularly as mentioned above. In particular, the Company will (i) conduct stricter monitoring on the deposit transactions with Zhuangbei Finance than with other independent banks/financial institutions by assigning designated employee(s) to conduct weekly special checking on the maximum amount of Deposit (including interests) on a daily basis to ensure that the amount deposited is within the approved annual cap; and (ii) obtain the credit rating report of Zhuangbei Finance from time to time to check its long-term credit standing and default risk.

Given the undertakings provided by Zhuangbei Finance on risk control of the financial services (including the Deposit) to be provided to the Group and given that the Deposit will be subject to annual review conducted by the independent non-executive Directors, the auditors of the Company and strict compliance with the risk monitoring by the CBIRC on Zhuangbei Finance, the Directors (including the independent non-executive Directors) are of the view that the arrangements for, amongst other things, the Deposit are in the interests of the Company and the Shareholders as a whole.

## **9. Implication under the Listing Rules**

Since one or more of the applicable percentage ratios of the Non-Exempt Continuing Connected Transactions for 2021 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions (notwithstanding the fact that the annual caps for the continuing connected transactions under the framework agreement with Changan Automobile and the framework agreement with China Changan are subject to aggregation for purpose of Rule 14A.82 of the Listing Rules) as calculated under Rule 14.07 of the Listing Rules are above 5%, each of the Non-Exempt Continuing Connected Transactions for 2021 are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements.

Since the highest applicable percentage ratio in relation to the maximum outstanding daily balance on the Deposit for 2021 under the framework agreement with Zhuangbei Finance as calculated under Rule 14.07 of the Listing Rules exceeds 25% but less than 75%, the deposit transaction contemplated under such framework agreement with Zhuangbei Finance also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, annual review, announcement, and Independent Shareholders' approval requirements.

Under Rule 14A.90 of the Listing Rules, the transactions relating to the provision of loans and note discounting services to the Group by Zhuangbei Finance contemplated under the framework agreement with Zhuangbei Finance are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirement as these financial assistance provided by a connected person for the benefit of the Group are conducted on normal commercial terms where no security over the assets of the Group will be granted in respect of the financial services.

Under the Listing Rules, the transactions relating to the provision of settlement service to the Group by Zhuangbei Finance contemplated under the framework agreement with Zhuangbei Finance is fully exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements as the annual amount for the settlement services is expected to be less than HK\$3,000,000.

The Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan, Minsheng Industrial and their respective associates, and the major transaction regarding the deposit transactions with Zhuangbei Finance are subject to approval by the Independent Shareholders in accordance with the Listing Rules. China Changan and its associates will abstain from voting in relation to the resolutions for approving the framework agreements entered into between the Company and each of Changan Automobile, China Changan, Zhuangbei Finance and the non-exempt continuing connected transactions for 2021 contemplated under such agreements. Minsheng Industrial, Ming Sung (HK) and their respective associates will abstain from voting in relation to the resolutions approving the framework agreement entered into between the Company and Minsheng Industrial and the non-exempt continuing connected transactions for 2021 contemplated under such agreement. The voting at the 2020 First EGM will be taken by a poll and the Company will make an announcement of the poll results.

The Independent Board Committee comprising of all the independent non-executive Directors will be formed to advise the Independent Shareholders in connection with the terms of the Non-Exempt Continuing Connected Transactions for 2021 and the major transaction (including the Proposed Cap and the maximum outstanding daily balance on the Deposit for 2021), and Gram Capital has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Non-Exempt Continuing Connected Transactions for 2021 and major transaction (including the Proposed Cap and the maximum outstanding daily balance on the Deposit for 2021), and whether such transactions are in the interests of the Company and its Shareholders as a whole.

According to the requirements of Rules 14A.46(1) and 19A.39A of the Listing Rules and the PRC Company Law, the Company shall despatch a circular containing, among other things, details of the Non-Exempt Continuing Connected Transactions for 2021 and major transaction (including the Proposed Cap and the maximum outstanding daily balance on the Deposit for 2021) with the letter from each of the Independent Board Committee and Gram Capital to Shareholders as soon as possible.

## **II. CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS**

### **1. Introduction**

Reference is made to the announcement of the Company dated 30 October 2017 in relation to, among other things, the framework agreements for continuing connected transactions exempt from independent shareholders' approval requirements entered into between the Company and each of China Changan, APLL and Minsheng Industrial and the framework agreement entered into between Nanjing CMSC and Baogang Zhushang, which shall expire on 31 December 2020. In order to continue relevant business with each of China Changan, APLL, Minsheng Industrial and their respective associates after 31 December 2020, the Company renewed framework agreements with each of China Changan, APLL and Minsheng Industrial on 4 November 2020. In addition, in order to continue business with Baogang Zhushang after 31 December 2020, Nanjing CMSC renewed framework agreement with Baogang Zhushang on 4 November 2020.

Same as the internal control measures adopted by the Company in the past three years, in order to provide a more appropriate level of the annual cap for each of 2021, 2022 and 2023 in relation to each of the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements contemplated under each of the Framework Agreements for the Continuing Connected

Transaction Exempt from Independent Shareholders' Approval Requirements, the Company has estimated the annual cap in relation to the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021. With respect to the annual cap for each of 2022 and 2023 in relation to the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements contemplated under the Framework Agreements for the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements, the Company will re-comply with the relevant Listing Rule requirements (including issuing announcement(s) and, if required, obtaining Independent Shareholders' approval).

## **2. The Framework Agreement(s) for the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements**

On 4 November 2020, the Company entered into the following framework agreements, each for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023:

- (1) the framework agreement with China Changan, pursuant to which the Group shall purchase security and cleaning services, property leasing services and logistics from China Changan and its associates;
- (2) the framework agreement with APLL, pursuant to which the Group shall (i) provide logistics services to APLL and its associates and (ii) purchase logistics services from APLL and its associates; and
- (3) the framework agreement with Minsheng Industrial, pursuant to which the Group shall provide logistics services to Minsheng Industrial and its associates.

On 4 November 2020, Nanjing CMSC entered into the framework agreement with Baogang Zhushang, pursuant to which Nanjing CMSC shall provide logistics services to Baogang Zhushang and its associates for a further term of three years commencing on 1 January 2021 and expiring on 31 December 2023 (both days inclusive).

The Framework Agreements for the Continuing Connected Transaction Exempt from Independent Shareholders' Approval Requirements are not inter-conditional with each other.

As at the date of the announcement, APLL is also a substantial shareholder of the Company, holding approximately 20.74% of the total issued share capital of the Company. Therefore, according to the Listing Rules, the transactions between the Company and each of China Changan, APLL, Minsheng Industrial and their respective associates become connected transactions of the Company.

As the Company and Sumitomo hold 67% and 33% of the registered capital of Nanjing CMSC respectively, and Sumitomo holds 49% of the registered capital of Baogang Zhushang. Therefore, according to the Listing Rules, Baogang Zhushang is a connected person of the Company at the subsidiary level and the transactions between Nanjing CMSC and Baogang Zhushang contemplated under such framework agreement constitute continuing connected transactions of the Company.

The transactions contemplated under each of the Framework Agreements for the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements shall be conducted on a non-exclusive basis. Separate written agreement(s) setting out the detailed terms shall be, if required, entered into between the relevant parties for each Continuing Connected Transaction Exempt from Independent Shareholders' Approval Requirements. Payment of each Continuing Connected Transaction Exempt from Independent Shareholders' Approval Requirements will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contract(s) to be entered into pursuant to the relevant framework agreements.

**3. Internal Control Measures to ensure the Continuing Connected Transactions be conducted in accordance with the Framework Agreements for the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements**

Please refer to the section as set out in the Internal Control Measures to ensure the Continuing Connected Transactions be conducted in accordance with the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions.

**4. Pricing Policy, Historical Figures, Historical Caps, Proposed Cap for each of the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021 and Rationale**

The cap in respect of each of the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021 is set out as follows:

<b>1. Security and cleaning services, property leasing services and logistics services provided by China Changan and its associates to the Group</b>				
<b>Pricing Policy</b>	The pricing of the services provided under the agreement shall be determined in accordance with the principles and order of this section:			
	<p>(1) Bidding Price: the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. According to the Bidding Quote Management Procedures, in terms of procurement through bidding, the Company shall publish announcements at such public media as China Bidding to invite bidders. The Group will screen and select bidders whom the Group considers can undertake the procurement with relevant qualification and capability.</p> <p>(2) Internal Compared Price: the price will be determined by the Company or its subsidiaries (as the case may be) by comparing internally the quote offered by China Changan or its associate (as the case may be) and the quote offered by at least two independent third parties or the price of services of similar nature purchased by independent third parties. In terms of internal compared pricing, the Group will choose the lowest quotes offered among the eligible participants as its procurement price. Pursuant to the Compared Pricing Management Procedures, in terms of internal compared pricing, the Group shall compare quotes provided by or the price of services of similar nature purchased by at least two independent third parties.</p>			
<b>Proposed cap and basis for security and cleaning services</b>	<b>Historical figures</b>	<b>Historical caps (for 2018-2020)</b>	<b>Proposed Cap for 2021</b>	<b>Basis of determination of the Proposed Cap for 2021</b>
	For the two years ended 31 December 2019 and 9 months ended 30 September 2020, RMB7,305,000, RMB7,464,000 and RMB4,180,000 respectively	For the three years ending 31 December 2020, RMB9,220,000, RMB9,220,000 and RMB7,000,000 respectively	For the year ending 31 December 2021, RMB12,000,000	Changan Property, an associate of China Changan, is a first-class property management company in the country and has been providing security and cleaning services for the Group since 2014. In order to avoid unnecessary disruption to and maintain the stability of daily business operation, the Company wishes to continue to employ Changan Property to provide security and logistics services around warehouses and office buildings for the Group. The proposed annual cap for the year ending 31 December 2021 is determined with reference to (i) the projected level for the year of 2021 estimated based on the transaction amount for each of the

				two years ended 31 December 2019, the transaction amount incurred for the 9 months ended 30 September 2020 and (ii) the incremental transaction amount to be generated in 2021 based on the estimated demand of security and cleaning services of the Group to be increased in 2021. Having considered the historical transaction amounts, the Directors are of the view that the proposed annual cap for the year ending 31 December 2021 is fair and reasonable and in the interests of the Company and its Shareholders as a whole.
<b>Proposed cap and basis for property leasing services</b>	<b>Historical figures</b>	<b>Historical caps (for 2018-2020)</b>	<b>Proposed Cap for 2021</b>	<b>Basis of determination of the Proposed Cap for 2021</b>
	For the two years ended 31 December 2019 and 9 months ended 30 September 2020, RMB2,519,000, RMB1,342,000 and RMB530,000 respectively	For the three years ending 31 December 2020, RMB20,000,000, RMB20,000,000 and RMB1,800,000 respectively	For the year ending 31 December 2021, RMB2,600,000	China Changan and its associates has been providing properties leasing services for the Group for years. China Changan and its associates are able to better understand the Group's requirements for properties including warehouses and stockyards, such as the internal layout, fitting sizes to better accommodate the business volume, and proper location. In addition, most of properties, especially warehouses and stockyards that can be provided to the Group by China Changan and its associates are located within the vicinity of the production bases of the Group's customers. Leasing of the properties from China Changan and its associates to serve the Group's daily operations is relatively more cost-saving. As such, in order to support daily business operation, the Group plans to lease one or more piece(s) of properties located in the PRC with an aggregate site area of approximately 130 mu for a term of three years. The annual cap for the financial year ending 31 December 2021 is set at RMB2,600,000 which has taken into consideration the total value of right-of-use assets to be recognised by the Group relevant to the lease contract(s) that may be entered into during the year of 2021 in accordance with HKFRS 16.
<b>Proposed cap and basis for logistics services</b>	<b>Historical figures</b>	<b>Historical caps (for 2018-2020)</b>	<b>Proposed Cap for 2021</b>	<b>Basis of determination of the Proposed Cap for 2021</b>
	For the two years ended 31 December 2019 and 9 months ended 30 September 2020, RMB3,075,000, RMB7,590,000	For the three years ending 31 December 2020, RMB30,000,000, RMB20,000,000 and RMB12,000,000 respectively	For the year ending 31 December 2021, RMB12,000,000	China Changan and its associates have been providing logistics services for the Group for a consideration period of time and are familiar with the daily operation and logistics demand of the Group. The service quality of China Changan and its associates are recognized by the



	and RMB9,440,000 respectively			Group. Therefore, the Group wishes to continue to include China Changan and its associates in its vast subcontractor pool and purchase logistics services from China Changan and its associates from time to time for the three years ending 31 December 2023 subject to a confluence of factors such as market condition, transportation routes, transportation mode, service quotations and etc. With reference to the transaction amount for the nine months ended 30 September 2020, the Board is of the view that the proposed annual cap for the year ending 31 December 2021 is fair and reasonable.
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### 2.1 Logistics services provided by the Group to APLL and its associates

<b>Pricing Policy</b>	<p>Generally, the pricing of the logistics services to be provided by the Group is market driven. The pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order of this section:</p> <p>(1) Bidding Price: the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. The Company has established Bidding Quotation Process and Bidding Quote Management Procedures. Briefly, the Company's enterprise technical department will draw up the technical and operation plans whereas the marketing and customer service department will provide business plan and the two departments will collaborate in preparing the bidding document in accordance with the specific requirements of our customers. Bidding representative of the Company will deliver the bidding offer and follow up on the bidding process. The Company will set up a working group to assist the bidding representative in the response to the bidding before the bidding representative will finally be informed of the bidding results.</p> <p>(2) Internal Compared Price: in determining the quote to be offered by the Group in internal compared pricing method, whenever practical and appropriate, the Company will comprehensively consider the feasibility of the project, and the Company's knowledge on at least two competing third parties to ascertain whether and at what price the Group should participate in the project.</p> <p>(3) Cost-plus Price: to be determined with reference to a reasonable cost plus a reasonable profit margin. The Company will consider the labor cost, equipment operation cost, material inputs and etc. to comprehensively measure the cost. The profit margin for each project varies depending on the different technical requirements, staffing, resources commitment and location.</p> <p>If the Group does not have a choice in the pricing policy, the Group will endeavor to determine the price(s) based on cost-plus basis to ensure that the Group can achieve a reasonable profit in participating in the project(s).</p>			
	<b>Proposed cap and basis</b>	<b>Historical figures</b>	<b>Historical caps (for 2018-2020)</b>	<b>Proposed Cap for 2021</b>
	For the two years ended 31 December 2019 and 9 months ended 30 September 2020, Nil, Nil and Nil respectively	For the three years ending 31 December 2020, RMB20,000,000, RMB20,000,000 and RMB10,000,000 respectively	For the year ending 31 December 2021, RMB5,000,000	APLL is a global logistics specialist in retail, automotive, consumer and industrial verticals with business presence in several continents including Asia. As a substantial shareholder of the Company and by virtue of the comparatively strong logistics capacity of the Group in mainland China, APLL has been exploring ways of cooperation with

				<p>the Company in non-automobile logistics business in mainland China for a significant period of time. APLL is presently engaging with the Company about subcontracting a fraction of inbound logistics business to be awarded to it by a certain NYSE-listed Fortune 500 Company to the Group. The potential business corporation is still under discussion and may or may not be carried out depending on the results of the negotiation between APLL and the Company. The proposed annual cap for the year ending 31 December 2021 is determined based on the projected level of transaction amount in 2021 should the Company be able to secure the inbound logistics business. The Directors are of the view that the proposed annual cap offers a certain room for the potential cooperation between APLL and the Group and is therefore in the interests of the Company and its Shareholders as a whole.</p>
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**2.2 Logistics services purchased by the Group from APLL and its associates**

<b>Pricing Policy</b>	<p>The pricing of the services provided under the agreement shall be determined in accordance with the principles and order of this section:</p> <p>(1) Bidding Price: the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. According to the Bidding Quote Management Procedures, in terms of procurement through bidding, the Company shall publish announcements at such public media as China Bidding to invite bidders. The Group will screen and select bidders whom the Group considers can undertake the procurement with relevant qualification and capability.</p> <p>(2) Internal Compared Price: the price will be determined by the Company or its subsidiaries (as the case may be) by comparing internally the quote offered by APLL or its associate (as the case may be) and the quote offered by at least two independent third parties or the price of services of similar nature purchased by independent third parties. In terms of internal compared pricing, the Group will choose the lowest quotes offered among the eligible participants as its procurement price. Pursuant to the Compared Pricing Management Procedures, in terms of internal compared pricing, the Group shall compare quotes provided by or the price of services of similar nature purchased by at least two independent third parties.</p>
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	<b>Historical figures</b>	<b>Historical caps (for 2018-2020)</b>	<b>Proposed Cap for 2021</b>	<b>Basis of determination of the Proposed Cap for 2021</b>
<b>Proposed cap and basis</b>	For the two years ended 31 December 2019 and 9 months ended 30 September 2020, RMB181,000, RMB1,005,000 and Nil respectively	For the three years ending 31 December 2020, RMB30,000,000, RMB20,000,000 and RMB10,000,000 respectively	For the year ending 31 December 2021, RMB5,000,000	Changan Automobile, the Group's major customer, exports automobile spare parts to the Middle East and requires the Group to provide overseas storage services, customs clearance services and other international logistics services. APLL has state of art local warehouses, distribution and logistics center in Dubai and operates in world's major trade

				lines, such as Asia to Europe, Trans-Pacific and Intra Asia. Given the comparatively strong logistic capacity in respect of international logistics, the Company has been engaging with APLL about potential business cooperation before the coronavirus outbreak. Although the potential cooperation has been on hold since the onset of the outbreak, the Company and APLL intend to resume business contact after the end of the pandemic. The Board considers it appropriate to reserve a reasonable level of annual cap for the year ending 31 December 2021 to cater for potential procurement of overseas storage and distribution services, and other international logistics services from APLL and its associates for the year of 2021.
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**3. Logistics services provided by the Group to Minsheng Industrial and its associates**

<b>Pricing Policy</b>	<p>Generally, the pricing of the logistics services to be provided by the Group is market driven. As the transactions contemplated under the framework agreement shall be conducted on a non-exclusive basis, the Group has specified marketing and client servicing teams to liaise with and ascertain whether any particular logistic service will be conducted by public tender. The pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order of this section:</p> <p>(1) <b>Bidding Price:</b> the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. The Company has established Bidding Quotation Process and Bidding Quote Management Procedures. Briefly, the Company's enterprise technical department will draw up the technical and operation plans whereas the marketing and customer service department will provide business plan and the two departments will collaborate in preparing the bidding document in accordance with the specific requirements of our customers. Bidding representative of the Company will deliver the bidding offer and follow up on the bidding process. The Company will set up a working group to assist the bidding representative in the response to the bidding before the bidding representative will finally be informed of the bidding results.</p> <p>(2) <b>Internal Compared Price:</b> in determining the quote to be offered by the Group in internal compared pricing method, whenever practical and appropriate, the Company will comprehensively consider the feasibility of the project, and the Company's knowledge on at least two competing third parties to ascertain whether and at what price the Group should participate in the project.</p> <p>(3) <b>Cost-plus Price:</b> to be determined with reference to a reasonable cost plus a reasonable profit margin. The Company will consider the labor cost, equipment operation cost, material inputs and etc. to comprehensively measure the cost. The profit margin for each project varies depending on the different technical requirements, staffing, resources commitment and location.</p> <p>If the Group does not have a choice in the pricing policy, the Group will endeavor to determine the price(s) based on cost-plus basis to ensure that the Group can achieve a reasonable profit in participating in the project(s).</p>			
	<b>Proposed cap and basis</b>	<b>Historical figures</b>	<b>Historical caps (for 2018-2020)</b>	<b>Proposed Cap for 2021</b>
	For the two years ended 31 December 2019 and 9 months ended 30	For the three years ending 31 December 2020, RMB 20,000,000, RMB20,000,000	For the year ending 31 December 2021, RMB11,000,000	Minsheng Industrial and its associates has been purchasing logistics services from the Group for a considerable period of time to supplement their logistics capacity

	September 2020, RMB9,088,000, RMB17,503,000 and RMB7,740,000 respectively	and RMB23,000,000 respectively		in land, railway and intermodal transportation. The Group usually provides short-distance transportation services for Minsheng Industrial and its associates to help deliver the cargo to the departure port for transportation by ro-ro ships or to help deliver the cargo to a designated site after the ro-ro ships reaches the destination port. Minsheng Industrial and its associates have been satisfied with the services rendered by the Group and wish to continue to purchase logistics services from the Group for the three years ending 31 December 2023. In determining the proposed cap for the year ending 31 December 2021, the Company has taken into account the historical transaction amount for the 9 months ended 30 September 2020 and the projected level of transaction amount for the year ending 31 December 2020. As such, the Board is of the view that the proposed cap for the year of 2021 is fair and reasonable.
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**4. Logistics services provided by Nanjing CMSC to Baogang Zhushang and its associates**

<b>Pricing Policy</b>	Generally, the pricing of the logistics services to be provided by Nanjing CMSC is market driven. The pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order of this section:			
	<p>(1) Bidding Price: the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. Nanjing CMSC has established Bidding Quotation Process and Bidding Quote Management Procedures. Briefly, Nanjing CMSC's enterprise technical department will draw up the technical and operation plans whereas the marketing and customer service department will provide business plan and the two departments will collaborate in preparing the bidding document in accordance with the specific requirements of its customers. Bidding representative of Nanjing CMSC will deliver the bidding offer and follow up on the bidding process. Nanjing CMSC will set up a working group to assist the bidding representative in the response to the bidding before the bidding representative will finally be informed of the bidding results.</p> <p>(2) Internal Compared Price: in determining the quote to be offered by Nanjing CMSC in internal compared pricing method, whenever practical and appropriate, Nanjing CMSC will comprehensively consider the feasibility of the project, and its knowledge on at least two competing third parties to ascertain whether and at what price Nanjing CMSC should participate in the project.</p> <p>(3) Cost-plus Price: to be determined with reference to a reasonable cost plus a reasonable profit margin. Nanjing CMSC will consider the labor cost, equipment operation cost, material inputs and etc. to comprehensively measure the cost. The profit margin for each project varies depending on the different technical requirements, staffing, resources commitment and location.</p> <p>If Nanjing CMSC does not have a choice in the pricing policy, Nanjing CMSC will endeavor to determine the price(s) based on cost-plus basis to ensure that it can achieve a reasonable profit in participating in the project(s).</p>			
<b>Proposed cap and basis</b>	<b>Historical figures</b>	<b>Historical caps (for 2018-2020)</b>	<b>Proposed Cap for 2021</b>	<b>Basis of determination of the Proposed Cap for 2021</b>
	For the two years	For the three years	For the year ending 31	Baogang Zhushang has been in

	ended 31 December 2019 and 9 months ended 30 September 2020, RMB7,631,000, RMB4,914,000 and RMB3,280,000 respectively	ending 31 December 2020, RMB30,000,000, RMB20,000,000 and RMB7,000,000 respectively	December 2021, RMB7,000,000	business contacts with Nanjing CMSC for years and has established long-term business relationship. Nanjing CMSC wishes to maintain that business relationship as it brings a steady stream of income. Baogang Zhushang produces steels for automobile parts and components, processes steels and other metallic materials. Baogang Zhushang mainly provides steels for Changan Automobile and its associates, especially Changan Mazda Automobile Co., Ltd. ("Changan Mazda"). The difference between the proposed annual cap for the year ended 31 December 2018 and 2019 and the actual transaction amount incurred in 2018 and 2019 are mainly due to the reduced logistics price and the subdued steel demand from Changan Mazda in the automobile market downturn. The proposed annual cap for 2021 is determined having considered the historical transaction amount for the year ended 31 December 2018 and 2019, the amount incurred for the 9 months ended 30 September 2020 and the projected level for the year ending 31 December 2020. In addition, in arriving the proposed cap for the 2021, the Directors also considered the potential business fluctuations in the automobile market in the PRC for the year ending 31 December 2021. As such, the Board is of the view that the proposed annual cap for the 2021 for the continuing connected transactions between Nanjing CMSC and Baogang Zhushang and its associates is fair and reasonable.
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## 5. Reasons for and Benefits of the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021

The Group has been in cooperation with each of China Changan, APLL, Minsheng Industrial and their respective associates, and Nanjing CMSC have been in cooperation with Baogang Zhushang and its associates for a number of years. The Group has established mutually trusted long-term business relationships with each of China Changan, APLL and Minsheng Industrial and their respective associates over the years and the Group wishes to maintain such relationships to ensure the stability of our business operation. Therefore, the Directors believe that it is in the interests of the Company and its Shareholders as a whole to continue business transactions with each of China Changan, APLL, Minsheng Industrial and their respective associates and the transactions between Nanjing CMSC and Baogang Zhushang and its associates.

*With respect to the security and cleaning services, property leasing services, and logistics services provided by China Changan and its associates to the Group*

Changan Property, an associate of China Changan, is a first-class property management company in the country and a member of the China Property Management Institute and has extensive property management experience. The Group considers that procurement of security and cleaning services from China Changan and its associates, mainly from Changan Property, can provide assurance to the Group that it would be provided with comprehensive and high-level security and cleaning services, thereby ensuring the smooth running of the daily operation of the business projects of the Group. As such, the Directors are of the view that it is in the interest of the Company and its Shareholders as a whole for the Group to continue to purchase security and cleaning services from China Changan and its associates.

China Changan and its associates have long been providing property leasing services for the Group and is rather familiar with the Group's requirement on the leased properties and will continue to respond quickly and in cost-efficient manner to any new requirement that the Group may have. Most warehouses and stations available from China Changan and its associates are geographically convenient for the Group to store car raw materials and finished vehicles. In addition, entering into property leasing transactions with China Changan would provide the Group with stability and substantially reduce the risks of possible shortage of suitable warehouses and stations. Besides, the Group maintains the flexibility in leasing properties such as warehouses and stations from other independent parties. Therefore, the Directors are of the view that the Group should continue the property leasing transactions with China Changan and its associates as it is in the interest of the Company and its Shareholders as a whole.

The Group does not have sufficient transportation capacity to provide automobile logistics services to cope with the jump of the logistics demand of our customers in the peak season. In order to provide quality services in an efficient and timely manner, the Group normally would seek external support from our longstanding business partners. As a substantial shareholder of the Company, the Group believes that China Changan and its associates are able to respond promptly to the needs of the Group and any urgent requirement that the Group may have as China Changan has a better understanding of the Group's business operation. The Directors are of the view that having China Changan and its associates as one of the many suppliers of the Group would give the Group a wider range of selection and the Group should continue the cooperation with China Changan and its associates.

*With respect to the logistics services provided by the Group to APLL and its associates*

As a seasoned international logistics service provider with advanced logistics technology, APLL has strengthened its footprint overseas with extensive branches reaching mainland China, America and India. APLL and its associates have been providing a variety of logistics services in Mainland China including inbound logistics services for a NYSE-listed Fortune 500 Company. The Group has strong logistics capacity in Mainland China and is also looking to explore non-automobile logistics business and overseas business to achieve further development. APLL is the substantial shareholder of the Company and is open to cooperation with the Group. Cooperation with APLL will not only help the Group to obtain various outsourced logistics business from APLL to generate revenue but also will help the Group keep abreast of the cutting-edge international logistics technology, leading operation schema and time-tested management method to optimize the business operation of the Group. The Directors is of the view that the continuing connected transactions with APLL and its associates are beneficial for the Group's development and is in the interests of the Company and its Shareholders as a whole.

*With respect to the logistics services purchased by the Group from APLL and its associates*

The Group's customers, Changan Ford and Changan Automobile have business in overseas countries and regions such as America, Mexico, Vietnam, Philippines and the Middle East. The Group needs to purchase international logistics services from qualified international logistics service providers with sufficient capacity and well-established logistics network. APLL offers a comprehensive suite of services extending from international freight forwarding to both origin and destination services, including freight consolidation, warehousing and distribution management and operates in several international trade lines. The Company is of the view that APLL and its associates are competent to provide comprehensive international logistics services for the Group and will help to ensure the Group's

service quality. In addition, having APLL and its associates to provide logistics services for the Group will give the Group with more choice in the selection of international logistics service providers. Therefore, the Directors is of the view that it is in the interests of the Company and its Shareholders as a whole.

*With respect to the logistics services provided by the Group to Minsheng Industrial and its associates*

Minsheng Industrial and its associates specialized in waterway transportation and has affluent resources such as ro-ro ships, vessels and vast waterway logistics network, enabling them to operate smoothly along the Yangtze River. However, in order to provide comprehensive logistics solution to its customer, like combined transportation by waterway plus road, occasionally, Minsheng Industrial and its associates find themselves in need of logistics services from the Group such as short distance transportation, station management support and road transportation support. As a longstanding business partner of Minsheng Industrial, the Group's strength is in provision of comprehensive logistics solutions which could cater to the needs of Minsheng Industrial and its associates. The Directors are of the view that the Group should continue to do business with Minsheng Industrial and its associates in the hope that by combining the resources and strength from both parties, Minsheng Industrial and the Group will find common ground to cooperate to our mutual benefit.

*With respect to the logistics services provided by Nanjing CMSC to Baogang Zhushang*

Baogang Zhushang needs to purchase steel transportation services, etc. Nanjing CMSC has been providing steel transportation services for Baogang Zhushang for a considerable period of time and is recognized by Baogang Zhushang for its service quality. In addition, as the business with Baogang Zhushang is rather stable, the Directors are of the view that Nanjing CMSC should continue to provide logistics services to Baogang Zhushang to ensure a stable revenue source to maximize the revenue of the Group and is in the interests of the Company and its Shareholders as a whole.

In arriving at the above proposed caps for each of the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021, the Directors have considered, in addition to specific factors mentioned above, the market condition of logistics industry as well as the current and projected level of the relevant transactions.

The Board (including the independent non-executive Directors) are of the view that (1) the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021 and the relevant annual caps for 2021 contemplated under the Framework Agreements for the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms; (2) the terms of the framework agreements and the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021 contemplated thereby were fair and reasonable and (3) the entering into of the framework agreements and the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021 contemplated thereby is in the interests of the Company and the Shareholders as a whole.

## **6. Board of Directors' View**

The Board has resolved to approve the proposal of Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021 regarding the security and cleaning services, property leasing services and logistics services with China Changan and its associates. Except for Mr. Xie Shikang, Mr. Shi Jinggang and Mr. Xia Lijun, being the related Directors, who are deemed to be interested in the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021 with China Changan and its associates, none of the other Directors has abstained from voting on the relevant resolution approving the framework agreement of Continuing Connected Transaction Exempt from Independent Shareholders' Approval Requirements for 2021 with China

Changan and its associates and the transactions thereby contemplated.

The Board has resolved to approve the proposal of Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021 regarding the provision of logistics services by APLL and its associates to the Group and the provision of logistics services to APLL and its associates by the Group. Except for Mr. William K Villalon and Mr. Man Hin Wai Paul, being the related Directors, who are deemed to be interested in the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021 with APLL and its associates, none of the other Directors has abstained from voting on the resolution approving the relevant framework agreements of Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021 with APLL and its associates and the transactions thereby contemplated.

The Board has resolved to approve the proposal of Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021 with Minsheng Industrial and its associates. Except for Mr. Chen Wenbo and Mr. Chen Xiaodong, being the related Directors, who are deemed to be interested in the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021 with Minsheng Industrial and its associates, none of the other Directors has abstained from voting on the resolution approving the relevant framework agreement of Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021 with Minsheng Industrial and its associates and the transactions thereby contemplated.

The Board has resolved to approve the proposal of Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2021 between Nanjing CMSC and Baogang Zhushang. No Directors is required to abstain from voting at the relevant resolution.

## **7. Implication under the Listing Rules**

*With respect to the provision of the security and cleaning services, and logistics services provided by China Changan and its associates to the Group, the provision of the logistics services provided by the Group to APLL and its associates, the logistics services purchased by the Group from APLL and its associates and the provision of the logistics services provided by the Group to Minsheng Industrial and its associates*

Since the applicable percentage ratios in respect of each of the provision of the security and cleaning services, and logistics services provided by China Changan and its associates to the Group under the relevant framework agreement with China Changan, the provision of the logistics services by the Group to APLL and its associates and the provision of logistics services by APLL and its associates to the Group under the relevant framework agreement with APLL and the provision of the logistics services provided by the Group to Minsheng Industrial and its associates under the relevant framework agreement with Minsheng Industrial as calculated under Rule 14.07 of the Listing Rules are all less than 5%, the above transactions are subject to reporting, annual review and announcement requirements, but exempt from Independent Shareholders' approval requirements.

*With respect to the purchase of property leasing services from China Changan and its associates by the Group*

As the relevant percentage ratio in respect of the right-of-use assets with respect to property leasing services from China Changan and its associates by the Group is less than 5% and the total consideration is less than HK\$3,000,000, the transactions contemplated under the framework agreement with China Changan in relation to the purchase of property leasing services from China Changan and its associates by the Group fall to be de minimis transactions under Rule 14A.76 of the Listing Rules and are therefore exempt from reporting, annual review, announcement and the Independent Shareholders' approval requirements.



*With respect to the logistics services provided by Nanjing CMSC to Baogang Zhushang*

Baogang Zhushang is a connected person of the Company at the subsidiary level. Since the applicable percentage ratios of the transaction on the provision of logistics services by Nanjing CMSC to Baogang Zhushang and its associates under the relevant framework agreement between Nanjing CMSC and Baogang Zhushang as calculated under Rule 14.07 of the Listing Rules are less than 5%, the above transactions are subject to reporting, annual review and announcement requirements, but exempt from Independent Shareholders' approval requirements.

## **GENERAL INFORMATION**

The Company is a foreign-invested limited liability company incorporated in the PRC and provides a variety of logistics services mainly for car manufacturers and car component and parts suppliers in China.

APLL engages in supply chain management services.

Baogang Zhushang engages in the processing of semi-finished automobile parts; laser welding, processing and production; the processing of steel and other metallic materials and related supporting services and etc.

Changan Automobile produces and sells automobiles and is the major customer of the Group.

China Changan is a company established in the PRC on 26 December 2005. It is one of the substantial shareholders of the Company. China Changan is primarily engaged in automobile and motorcycle production; automobile and motorcycle engines production; the design, development, production and sale of automobile and motorcycle components and parts; sale of optical devices, electronic optoelectronic devices, night vision devices information and communication devices; and the relevant technical development, technical transfer, technical consultation, technical services and import and export business and consultation on assets merger and asset restructuring.

Minsheng Industrial engages in transportation via rivers and by sea.

Zhuangbei Finance is a company incorporated in the PRC on 21 October 2005. The principal businesses of Zhuangbei Finance are to accept enterprises deposit, process financial activities such as enterprise loan and fund raising as approved by CBIRC. Zhuangbei Finance is a non-bank financial institution regulated by CBIRC.

## **DEFINITIONS**

“2020 First EGM”	the first extraordinary general meeting of 2020 of the Company to be convened in December 2020 for purposes of considering and approving, among others, each of the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the respective annual caps for each of Non-Exempt Continuing Connected Transactions for 2021
“APLL”	APL Logistics Ltd.
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baogang Zhushang”	Nanjing Baogang Zhushang Metal Products Company Limited

“Board”	the board of directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission, consolidated from the former China Banking Regulatory Commission, and China Insurance Regulatory Commission
“Changan Automobile”	Chongqing Changan Automobile Co., Ltd. (重慶長安汽車股份有限公司), a joint stock company established in China on 31 October 1996, the shares of which are listed on the A and B share markets of the Shenzhen Stock Exchange
“Changan Ford”	Changan Ford Automobile Co., Ltd.
“Changan Property”	Chongqing Changan Property Management Co., Ltd. (重慶市長安物業管理有限公司)
“China Changan”	China Changan Automobile Group Company Limited (中國長安汽車集團有限公司)
“China” or “PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Company”	Changan Minsheng APLL Logistics Co., Ltd. (重慶長安民生物流股份有限公司)
“Continuing Connected Transactions Exempt from Independent Shareholders’ Approval Requirements”	the continuing connected transactions contemplated under each of the framework agreements as set out in the paragraph headed “Continuing Connected Transactions Exempt from Independent Shareholders’ Approval – The Framework Agreement(s) for the Continuing Connected Transactions Exempt from Independent Shareholders’ Approval Requirements
“Continuing Connected Transactions Exempt from Independent Shareholders’ Approval Requirements for 2021”	the continuing connected transactions to be conducted in 2021, as set out under the paragraph headed “Continuing Connected Transactions Exempt from Independent Shareholders’ Approval for 2021” in this announcement
“CSG”	China South Industries Group Co., Ltd. (中國兵器裝備集團有限公司), a company established in the PRC on 1 July 1999 with limited liability
“CFCA”	China Financial Certification Authority (中國金融認證中心)
“Deposit”	the deposit maintained by the Group from time to time with Zhuangbei Finance pursuant to the framework agreement between the Company and Zhuangbei Finance
“Director(s)”	directors of the Company

“Framework Agreement(s) for the Continuing Connected Transactions Exempt from Independent Shareholders’ Approval Requirements”	the framework agreement entered into on 4 November 2020 by the Company with each of China Changan, APLL and Minsheng Industrial, as well as the framework agreement between Nanjing CMSC and Baogang Zhushang, all of such agreements shall be for a term of three years from 1 January 2021 to 31 December 2023, individually or collectively (as the case may be)
“Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions”	the framework agreement entered into on 4 November 2020 by the Company with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance, all of such agreements shall be for a term of three years from 1 January 2021 to 31 December 2023, individually or collectively (as the case may be)
“Gram Capital” or “Independent Financial Advisor”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions for 2021 and major transaction (including the Proposed Cap and the maximum outstanding daily balance on the Deposits)
“Group”	the Company and its subsidiaries from time to time
“GB1589”	the national policy (as amended from time to time) stipulating, among others, the limits of dimensions, axle load and mass for motor vehicles, trailers and combined vehicles for the purpose of regulating oversized and overloading vehicles promulgated by the Ministry of Transport of the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKFRS”	Hong Kong Financial Reporting Standards
“Independent Board Committee”	a committee comprised of Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun, all of whom are independent non-executive directors of the Company, formed to advise the Shareholders in connection with the Non-Exempt Continuing Connected Transactions for 2021 and major transaction (including the Proposed Cap and the maximum outstanding daily balance on the Deposits)
“Independent Third Party(ies)”	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which is/are third party(ies) independent of the Company and its connected person(s) (as defined under the Listing Rules)

“Independent Shareholders”	shareholders of the Company that, in relation to the resolutions approving each of the Non-exempt Continuing Connected Transactions for 2021 contemplated under each of the framework agreements with China Changan, Changan Automobile, Zhuangbei Finance and their respective associates, exclude China Changan and its associates; in relation to the resolution approving the Non-exempt Continuing Connected Transactions for 2021 contemplated under the framework agreement with Minsheng Industrial and its associates, exclude Minsheng Industrial, Ming Sung (HK) and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited
“Minsheng Industrial”	Minsheng Industrial (Group) Co., Ltd.(民生實業(集團)有限公司), a limited liability company established in China on 10 October 1996
“Ming Sung (HK)”	Ming Sung Industrial Co., (HK) Limited, a company established in Hong Kong with limited liability on 31 May 1949
“Nanjing CMSC”	Nanjing CMSC Logistics Co., Ltd. (南京長安民生住久物流有限公司), a foreign invested joint venture company established in 2007
“Non-Exempt Continuing Connected Transactions”	the non-exempt continuing connected transactions contemplated under each of framework agreement as set out in the paragraph headed “Non-Exempt Continuing Connected Transactions” in this announcement
“Non-Exempt Continuing Connected Transactions for 2021”	the continuing connected transactions to be conducted in 2021, as set out under the paragraph headed “Non-Exempt Continuing Connected Transactions for 2021 and Major Transaction” in this announcement, individually or collectively (as the case may be)
“percentage ratio(s)”	has the same meaning ascribed thereto under the Listing Rules
“PBOC”	The People’s Bank of China
“Proposed Cap(s)”	the proposed annual maximum limitation of the Non-Exempt Continuing Connected Transactions for 2021 and major transaction and the Continuing Connected Transactions Exempt from Independent Shareholders’ Approval Requirements for 2021, individually or collectively (as the case may be)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares of the Company, with a par value of RMB1.00 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Sumitomo”	Sumitomo Corporation, a limited company established in Japan on 24 December 1919
“Supervisory Committee”	the supervisory committee of the Company
“Zhuangbei Finance”	Binqi Zhuangbei Group Financial Limited Liability Company (兵器裝備集團財務有限責任公司)
“%”	per cent

*By Order of the Board*  
**Changan Minsheng APLL Logistics Co., Ltd.**  
**Xie Shikang**  
*Chairman*

Chongqing, the PRC  
4 November 2020

*As at the date of this announcement, the board of directors of the Company comprises: (1) Mr. Xie Shikang, Mr. Chen Wenbo, Mr. William K Villalon and Mr. Shi Jinggang as the executive directors; (2) Mr. Chen Xiaodong, Mr. Man Hin Wai Paul (also known as Paul Man) and Mr. Xia Lijun as the non-executive directors; (3) Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun as independent non-executive directors.*

*\* For identification purpose only*