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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)

REVISION OF THE EXISTING ANNUAL CAP OF CERTAIN CONTINUING CONNECTED TRANSACTION

Reference is made to the Framework Agreement entered into by the Company with Zhuangbei Finance on 28 October 2011 for the period from 1 January 2012 to 31 December 2014. The continuing connected transactions under the Framework Agreement include that Zhuangbei Finance provides the Group with settlements, deposits and loans, note discounting services, etc..

The Directors and senior management of the Company have been closely monitoring the continuing connected transactions between the Group and Zhuangbei Finance. During the two financial years ended 31 December 2012, 31 December 2013 and the four months ended 30 April 2014, the aggregate amount of the note discounting were RMB 98,000,000 (audited), RMB 96,389,000 (audited) and RMB 82,000,000 (unaudited), respectively.

The Directors of the Company are of the view that the existing annual cap of note discounting for the year ending 31 December 2014 will be unable to satisfy the capital movement and normal operational needs of the Group. On 15 May 2014, the Company entered into the Supplemental Agreement with Zhuangbei Finance to revise the annual cap of note discounting for the year ending 31 December 2014 from RMB 100,000,000 to RMB 500,000,000.

Since the highest of the applicable ratio (as defined under the Listing Rules) of the revised annual cap of the note discounting transactions between Zhuangbei Finance and the Group for the year ending 31 December 2014 as calculated under Rule 14.07 of the Listing Rules is above 5% (except for profit ratio), the conduct of the note discounting transactions (including the revised cap for 2014) is subject to the reporting,

announcement and independent Shareholders' approval requirements.

A circular containing, among other things, details of the proposed revision to the existing annual cap of note discounting transactions for the year ending 31 December 2014 under the Framework Agreement and the Supplemental Agreement and the letter from Gram Capital to the independent board committee and independent shareholders of the Company will be despatched to the Shareholders within 15 business days from the date of this announcement.

Background

Reference is made to the framework agreement entered into by the Company with Zhuangbei Finance on 28 October 2011 for the period from 1 January 2012 to 31 December 2014 (the "**Framework Agreement**").

Changan Industry Company is a substantial shareholder of the Company, holding 25.44% of the total issued share capital of the Company. As at the date of the announcement, Changan Industry Company is wholly owned by CSG, and CSG holds 31.87% share capital of Zhuangbei Finance. Therefore, according to the Listing Rules, Zhuangbei Finance is a connected person of the Company. Transactions between Zhuangbei Finance and the Group constitute the continuing connected transactions of the Company.

As approved by the independent Shareholders held at the extraordinary general meeting of the Company held on 13 December 2011, the continuing connected transactions between Zhuangbei Finance and the Group under the Framework Agreement include:

- (i) loan outstanding (including interests) and its annual caps (on a daily basis) for the three financial years ending 31 December 2014 are RMB 300,000,000, RMB 400,000,000, and RMB500,000,000, respectively;
- (ii) deposit (including interests) and its annual caps (on a daily basis) for the three financial years ending 31 December 2014 are RMB 600,000,000, RMB 800,000,000 and RMB 1,000,000,000, respectively; and
- (iii) note discounting transactions and its annual caps for the three financial years ending 31 December 2014 are RMB 100,000,000, RMB 100,000,000 and RMB100,000,000, respectively.

The Directors of the Company confirmed that the note discounting services under the Framework Agreement has been and will continue to be provided to the Group by Zhuangbei Finance on normal commercial terms that are comparable to or more favourable than those offered by independent third parties for similar services in the PRC and that no security over any assets of the Company was or will be granted in respect of such services. The note discounting services under the Framework Agreement should therefore be exempt from reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules. However, notwithstanding the availability of such exemption under the Listing Rules, the Company will continue to comply with the reporting,

announcement and independent shareholders' approval requirements with respect to such note discounting services (including the annual cap for the year ending 31 December 2014 which is to be revised in manner as set out below) under the Framework Agreement.

Revision of the Annual Cap for 2014 under the Framework Agreement

The Directors and senior management of the Company have been closely monitoring the continuing connected transactions between the Group and Zhuangbei Finance. During the two financial years ended 31 December 2012, 31 December 2013 and the four months ended 30 April 2014, the aggregate amount of the of note discounting were RMB 98,000,000 (audited), RMB 96,389,000 (audited) and RMB 82,000,000 (unaudited), respectively.

The Directors of the Company are of the view that the existing annual cap of note discounting for the year ending 31 December 2014 will be unable to satisfy the capital movement and normal operational needs of the Group. The Directors therefore propose to revise the annual cap of note discounting for the year ending 31 December 2014 from RMB 100,000,000 to RMB 500,000,000.

On 15 May 2014, the Company entered into the supplemental agreement with Zhuangbei Finance (the "**Supplemental Agreement**") to revise the annual cap for the year ending 31 December 2014 with respect to the note discounting services under the Framework Agreement from RMB 100,000,000 to RMB 500,000,000. The Company may from time to time and as necessary enter into separate implementation agreements for individual note discounting transactions contemplated under the Framework Agreement and the Supplemental Agreement. Each implementation agreement will set out the specific terms of the particular note discounting transaction within the bounds of the Framework Agreement and the Supplemental Agreement.

The revision to the annual cap for the year ending 31 December 2014 with respect to the note discounting services between the Group and Zhuangbei Finance under the Supplemental Agreement shall be subject to approval by Independent Shareholders at the Company's 2013 annual general meeting which is scheduled to be held on 30 June 2014. Prior to obtaining the Independent Shareholders' approval, the Directors and senior management of the Company will closely monitor that the note discounting transactions between the Group and Zhuangbei Finance will not exceed the existing approved annual cap for 2014.

In determining the revised annual cap for the year ending 31 December 2014 in respect of the note discounting service provided by Zhuangbei Finance to the Group, the Directors have taken into account the following:

1. On checking with several independent third parties providing similar note discounting services in the PRC during the relevant periods, the Company had been informed that if the Company was to obtain note discounting services, the Company would need to provide a security deposit of sizeable amount for each transaction or obtain a credit limit equivalent to the amount of each note discounting transaction, and/or to pay extra fees to such parties for carrying out verification on the counterparties who provided the notes to the Company. Given that the funds would be required within a relatively short period of

time to satisfy the operational needs of the Company, the Company would obtain note discounting services from Zhuangbei Finance if the terms are comparable to or more favourable than those offered by independent third parties for similar services in the PRC or obtain short-term loan or extend the payment terms of certain accounts payable to resolve the short-term capital movement issues and the normal operational needs of the Group.

2. The Group's customers, especially the customers that produce and sell finished vehicles, tend to decrease the proportion of payment in cash and increase the amount of payment by way of notes in recent years. From January to April of 2014, the Company received notes for approximately RMB 182 million, of which the notes discounted by Zhuangbei Finance accounted for approximately RMB 82 million. The Company expects that the amount of the notes to be received by the Group for the year ending 31 December 2014 will increase substantially.
3. Due to the substantial increase in note receivables, it transpires that the Group often experiences a shortage in ready cash as most of the operating costs will need to be paid in cash. In order to reduce the finance costs and the amount of the short-term loans, the Company will need to raise necessary funds for its operational activities through note discounting.
4. Given the relationship between the Group and Zhuangbei Finance, Zhuangbei Finance does not require security deposit or charges over any assets of the Company for provision of the note discounting services to the Group. In addition, less processing time will be required for each note discounting transaction and thus it reduces the transaction cost and hence the finance cost of the Company.
5. In addition, the Company has also taken and will continue to take the following measures with regard to the note discounting services between the Group and Zhuangbei Finance:
 - (a) The Company will, from time to time, obtain terms relating to note discounting from major commercial banks within the PRC, and make comparisons, in order to allow the Company to obtain the most favourable terms relating to note discounting.
 - (b) Independent non-executive Directors and the Company's auditors will review annually the enforcement of agreements, in order to review the fairness of the transactions between the Group and Zhuangbei Finance and whether the terms of the note discounting are reasonable and on terms no less favourable than those offered by independent third parties.
 - (c) The arrangements contemplated by the Framework Agreement and the Supplemental Agreement are non-exclusive to each other. The parties shall be at liberty to choose the counterparties for the relevant transactions.

Therefore, the Board believes that it will be in the interests of the Company and its Shareholders as a whole that the aggregate amount of note discounting provided by Zhuangbei Finance to the Group for the year ending 31 December 2014 under the Framework

Agreement and the Supplemental Agreement be revised from RMB 100,000,000 to RMB 500,000,000.

Implications of the Listing Rules

Since the highest of the applicable ratio (as defined under the Listing Rules) of the revised annual cap of the note discounting transactions between Zhuangbei Finance and the Group for the year ending 31 December 2014 as calculated under Rule 14.07 of the Listing Rules is above 5% (except for profit ratio), the conduct of the note discounting transactions (including the revised annual cap for 2014) is subject to the reporting, announcement and independent Shareholders' approval requirements.

The Directors (excluding the independent non-executive Directors) are of the view that (1) the note discounting transactions under the Framework Agreement and the Supplemental Agreement are conducted on normal commercial terms, or on terms no less favorable than those available to independent third parties according to the Company; (2) the terms of the note discounting transactions (including the revised annual cap for 2014) under the Framework Agreement and Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board has approved the revision to the annual cap for the note discounting transactions for the year ending 31 December 2014. Mr. Zhu Minghui and Mr. Du Bin, being the related directors who are deemed to be interested in the note discounting transactions under the Framework Agreement and the Supplemental Agreement, had abstained from voting on the relevant resolution regarding the revision to the annual cap for the note discounting transactions ending 31 December 2014.

An independent board committee comprising of all the independent non-executive Directors will be constituted to advise the independent Shareholders on the relevant resolution regarding the revision to the annual cap for the note discounting transactions ending 31 December 2014. Gram Capital will be appointed by the Company to advise the independent board committee and the independent Shareholders on the fairness and reasonableness of the revised annual cap for the note discounting transactions ending 31 December 2014, and whether such transactions are in the interests of the Company and its Shareholders as a whole.

A circular containing, among other things, details of the proposed revision to the existing annual cap of note discounting transactions under the Framework Agreement and the Supplemental Agreement and the letter from Gram Capital to the independent board committee and independent shareholders of the Company will be despatched to the Shareholders within 15 business days from the date of this announcement.

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.

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

Changan Industry Company is principally engaged in the production and sales of car component and other industrial products.

CSG is principally engaged in four industrial blocks namely special products, vehicles, new energy and equipment manufacturing.

Definitions

“Board”	the board of directors of the Company
“CBRC”	China Banking Regulatory Commission
“Changan Industry Company”	Chongqing Changan Industry (Group) Co., Ltd., a limited liability company established in China on 28 October 1996, formerly known as Changan Automobile Company (Group) Limited (長安汽車(集團)有限責任公司)
“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)
“CSG”	China South Industries Group Corporation (中國南方工業集團公司), a company established in the PRC on 1 July 1999 with limited liability
“Director(s)”	the directors of the Company
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a corporation licensed 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 the independent board committee of the Company and the Independent Shareholders in relation to the Supplemental Agreement

“Group”	the Company and its subsidiaries from time to time
“Listing Rules”	the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholders 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.
Zhu Minghui
Chairman

Chongqing, the PRC
15 May 2014

As at the date of this announcement, the board of directors of the Company comprises: (1) Mr. Zhu Minghui, Mr. Lu Xiaozhong, Mr. William K Villalon and Mr. Wang Yang as the executive directors; (2) Mr. Lu Guoji, Mr. Wu Xiaohua, Mr. Danny Goh Yan Nan and Mr. Du Bin as the non-executive directors; (3) Mr. Peng Qifa, Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing, Ms. Zhang Yun and Mr. Goh Chan Peng as independent non-executive directors.

** For identification purpose only*