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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)

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2020 AND
MAJOR TRANSACTION;
CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT
SHAREHOLDERS' APPROVAL REQUIREMENTS FOR 2020; AND
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

BACKGROUND

Reference is made to the Announcement and the Circular of the Company in relation to, among other things, the framework agreement(s) relevant to the Existing Continuing Connected Transactions. The framework agreements were all entered into by the Company on 30 October 2017, each for a term of three years commencing on 1 January 2018 and expiring on 31 December 2020.

Since the Company would like to provide a more appropriate level of the annual cap for each the Existing Continuing Connected Transactions for each of the financial year ending 31 December 2018, 31 December 2019 and 31 December 2020, the Company has re-complied with and will continue to re-comply with the relevant Listing Rules requirements (including setting the annual caps, issuing announcement(s) and obtaining Independent Shareholders' approval) for the proposed cap in relation to each of the Existing Continuing Connected Transactions contemplated under the above framework agreements every year.

In order to continue with the Existing Continuing Connected Transactions in 2020, the Company has set the annual cap of each of the Existing Continuing Connected Transactions for the financial year ending 31 December 2020. Apart from setting the cap for each of the Existing Continuing Connected Transactions for the financial year ending 31 December 2020 in manner as disclosed in this announcement, the Company confirms that there have been no changes to the terms of each of the above framework agreements.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2020

Based on the relevant percentage ratios according to the scale of transactions, the framework agreements comprised in the Non-Exempt Continuing Connected Transactions for 2020 are the framework agreement(s) entered into by the Company with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance.

As at the date of the announcement, China Changan holds approximately 25.44% of the issued share capital of the Company and 19.33% equity interests in Changan Automobile. In addition, CSG holds 100% equity interests in China Changan and 21.56% 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 a 12.46% equity interest in Zhuangbei Finance. As at the date of this 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.

Since one or more of the applicable percentage ratios of the Non-Exempt Continuing Connected Transactions for 2020 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions for 2020 (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%, the Non-Exempt Continuing Connected Transactions for 2020 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 2020 under the framework agreement with Zhuangbei Finance in relation to the deposit transaction 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 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 is 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 on the Non-Exempt Continuing Connected Transactions for 2020 (and the respective caps for 2020) and the major transaction regarding the deposit transaction contemplated under the framework agreement with Zhuangbei Finance, 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 2020 (and the respective proposed caps for 2020) and the major transaction regarding the deposit transaction contemplated under the framework agreement with Zhuangbei Finance, 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 2020 (and the proposed caps for 2020) and the major transaction regarding the deposit transaction contemplated under the framework agreement with Zhuangbei Finance with the letter from each of the Independent Board Committee and Gram Capital to Shareholders as soon as possible but in any event not later than 4 December 2019.

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS FOR 2020

Based on the relevant percentage ratios according to the scale of transactions, the framework agreements comprised in the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2020 are (1) the framework agreements entered into by the Company with China Changan, APLL, Chongqing Changxin and Zhuangbei Finance; and (2) the framework agreement entered into between Nanjing CMSC and Baogang Zhushang.

As of the date of the announcement, China Changan is a substantial shareholder of the Company, holding approximately 25.44% of the total issued share capital of the Company. Both China Changan and Changan Industry Company are wholly-owned subsidiaries of CSG. Changan Industry Company holds 98.49% equity interests in Changan Real Estate and Changan Construction is a wholly owned subsidiary of Changan Real Estate. Chongqing Changxin is controlled by Changan Construction. 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, Chongqing Changxin, Zhuangbei Finance 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.

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 and the provision of the logistics services purchased by the Group from APLL 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 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 purchase of 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 logistic 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.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board proposes to amend (a) Article 19 and (b) paragraph 2 of Article 13 of the Articles of Association of the Company. The amendments of the Articles of Association are subject to approval by the Shareholders at the 2019 First EGM by way of special resolution and, if required, the approval from the relevant PRC government authorities.

Details of proposed amendments to the Articles of Association will also be set out in the circular to be sent to the Shareholders as soon as practicable but in any event not later than 4 December 2019.

I. BACKGROUND OF THE EXISTING CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION

Reference is made to the Announcement and the Circular of the Company in relation to, among other things, the framework agreement(s) relevant to the Existing Continuing Connected Transactions. The framework agreements were all entered into by the Company on 30 October 2017, each for a term of three years commencing on 1 January 2018 and expiring on 31 December 2020. Details of the framework agreements are set out below:

- (1) the framework agreement entered into between the Company and 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 entered into between the Company and 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 entered into between the Company and Minsheng Industrial, pursuant to which the Group shall purchase logistics services from Minsheng Industrial and its associates;
- (4) the framework agreement entered into between the Company and Zhuangbei Finance, pursuant to which Zhuangbei Finance shall provide the Group with settlements, deposit and loans, note discounting services;
- (5) the framework agreement entered into between the Company and Minsheng Industrial, pursuant to which the Group shall provide logistics services to Minsheng Industrial and its associates;

- (6) the framework agreement entered into between the Company and 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;
- (7) the framework agreement entered into between the Company and 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;
- (8) the framework agreement entered into between the Company and Chongqing Changxin, pursuant to which the Group shall purchase maintenance services from Chongqing Changxin and its associates;
- (9) the framework agreement between the Company and Zhuangbei Finance, pursuant to which the Group shall provide financial logistics services to Zhuangbei Finance and its associates; and
- (10) the framework agreement entered into between Nanjing CMSC and Baogang Zhushang, pursuant to which Nanjing CMSC shall provide logistics services to Baogang Zhushang and its associates.

As mentioned in the Announcement and Circular, since the Company would like to provide a more appropriate level of the annual cap for each the Existing Continuing Connected Transactions for each of the financial year ending 31 December 2018, 31 December 2019 and 31 December 2020, the Company has re-complied with and will continue to re-comply with the relevant Listing Rules requirements (including setting the annual caps, issuing announcement(s) and obtaining Independent Shareholders' approval) for the proposed cap in relation to each of the Existing Continuing Connected Transactions contemplated under the above framework agreements every year.

Accordingly, based on the relevant percentage ratios according to the then scale of transactions for each of the Existing Continuing Connected Transactions,

- (a) the Company published the Announcement and Circular, and obtained the then Independent Shareholders' approval with respect to the entering into each of the framework agreements and the annual cap for the year ended 31 December 2018 for the transactions contemplated under each of the framework agreements set out in items (1) to (4) above. Please refer to the Announcement, Circular and the announcement on poll results published by the Company on 15 December 2017 for further details; and
- (b) the Company published the announcement and circular with respect to the annual cap for the year ending 31 December 2019 for the transactions contemplated under each of the framework agreements set out in items (1) to (10) above, and obtained the then Independent Shareholders' approval with respect to the annual cap for the year ending 31 December 2019 for the transactions contemplated under each of the framework agreements set out in items (1) to (4) above. Please refer to the announcement, circular and announcement on poll results published by the Company on 13 November 2018, 14 December 2018 and 31 December 2018, respectively, for further details.

In order to continue with the Existing Continuing Connected Transactions in 2020, the Company has set the annual cap of each of the Existing Continuing Connected Transactions for the financial year ending 31 December 2020. Based on the relevant percentage ratios according to the scale of transactions, the transactions contemplated under the above framework agreements will be classified as the "Non-Exempt Continuing Connected Transactions for 2020" and the "Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2020", respectively. With respect to the Non-Exempt Continuing Connected Transactions for 2020 (including the deposit transactions with Zhuangbei Finance which also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules), the Company proposes to seek for approval by Independent Shareholders at the

forthcoming 2019 First EGM.

Apart from setting the cap for each of the Existing Continuing Connected Transactions for the financial year ending 31 December 2020 in manner as disclosed in this announcement, the Company confirms that there have been no changes to the terms of each of the above framework agreements.

II. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2020 AND MAJOR TRANSACTION

1. Relationship between the parties

As at the date of the announcement, China Changan holds approximately 25.44% of the issued share capital of the Company and 19.33% of the equity interests of Changan Automobile. In addition, CSG holds 100% equity interests in China Changan and 21.56% 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 a 12.46% equity interest in Zhuangbei Finance. As at the date of this 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. Framework Agreements for the Non-Exempt Continuing Connected Transactions for 2020

Based on the relevant percentage ratios according to the scale of transactions, the framework agreements comprised in the Non-Exempt Continuing Connected Transactions for 2020 are:

- (1) the framework agreement entered into between the Company and Changan Automobile on 30 October 2017, 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 entered into between the Company and China Changan on 30 October 2017, 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 entered into between the Company and Minsheng Industrial on 30 October 2017, pursuant to which the Group shall purchase logistics services from Minsheng Industrial and its associates;
- (4) the framework agreement entered into between the Company and Zhuangbei Finance on 30 October 2017, pursuant to which Zhuangbei Finance shall provide the Group with settlements, deposit and loans, note discounting services; and
- (5) the framework agreement entered into between the Company and Minsheng Industrial on 30 October 2017, pursuant to which the Group shall provide logistics services to Minsheng Industrial and its associates.

The Framework Agreements for the Non-Exempt Continuing Connected Transactions for 2020 are not inter-conditional with each other. The transactions contemplated under each of the Framework Agreements for the Non-Exempt Continuing Connected Transactions for 2020 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 for 2020. Payment of each Non-Exempt Continuing Connected Transaction for 2020 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 Agreement(s) for the Non-Exempt Continuing Connected Transactions for 2020

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) 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).
- (3) 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.
- (4) 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.
- (5) 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.

- (6) 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.
- (7) 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.
- (8) 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.

4. Pricing Policy, Historical Figures, Historical Caps (2017-2019), Proposed Cap for 2020 and Rationale

The caps in respect of each of the Non-Exempt Continuing Connected Transactions and major transaction for 2020 are set out as follows:

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

Pricing policy	<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>
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Proposed cap and basis	Historical figures	Historical caps (for 2017-2019)	Proposed Cap for 2020	Basis of determination of the Proposed Cap for 2020
	For the two years ended 31 December 2018, and 9 months ended 30 September 2019, RMB5,551,987,000, RMB4,187,495,000 and RMB2,412,040,000 respectively	For the three years ending 31 December 2019, RMB12,500,000,000, RMB8,500,000,000 and RMB7,500,000,000 respectively	For the year ending 31 December 2020, RMB4,060,000,000	Changan Automobile is one of the four major automakers in the PRC, with roughly 16 manufacturing bases and up to 35 plants for finished vehicles and engines production worldwide, several JV brands and vast pool of clientele in the PRC. As a long-term business partner of Changan Automobile, the Group's logistics services has been highly recognized by Changan Automobile and its associates, as such, Changan Automobile intends to continue to purchase logistics services from the Group for the year ending 31 December 2020. The annual cap for the year ending 31 December 2020 is determined based on (1) the historical figures for the year ended 31 December 2017 and 2018, (2) estimated annual transaction amount with

				Changan Automobile and its associates for the year ending 31 December 2019, and (3) the Group's estimated increase in the purchasing volume of logistic services by Changan Automobile and its associates for the year of 2020.
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				
Pricing policy	<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>			
Proposed cap and basis	Historical figures	Historical caps (for 2018-2019)	Proposed Cap for 2020	Basis of determination of the Proposed Cap for 2020
	For the year ended 31 December 2018 and 9 months ended 30 September 2019, RMB61,691,000 and RMB50,940,000	For the year ended 31 December 2018 and the year ending 31 December 2019, RMB300,000,000 and RMB250,000,000	For the year ending 31 December 2020, RMB95,000,000	China Changan has more than ten member companies which are mainly engaged in parts production. Currently, the Group has established steady business contact with several member companies of China Changan such as Sichuan Jianan Industrial Co. Ltd., Chengdu Huachuan Electric Parts Co., Ltd., Harbin Dongan Automotive Power Co., Ltd., Harbin Dongan Automotive Engine Manufacturing Co., Ltd., South Inter Air-Conditioner Co.,

				Ltd.. In order to maximize revenue, the Group intends to continue to conduct business with China Changan and its associates for the upcoming year. The proposed annual cap for the year ending 31 December 2020 is determined after having considered the transaction amount for the year ended 31 December 2018, the estimated amount for the year ending 31 December 2019 and the Group's expected increase in the transaction amount from conducting business with China Changan and its associates for the year ending 31 December 2020.
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3. Logistics services provided to the Group by Minsheng Industrial and its associates

Pricing policy	<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 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.</p>
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Proposed cap and basis	Historical figures	Historical caps (for 2017-2019)	Proposed Cap for 2020	Basis of determination of the Proposed Cap for 2020
	For the two years ended 31 December 2018, and 9 months ended 30 September 2019, RMB344,540,000, RMB202,450,000 and RMB154,690,000 respectively	For the three years ending 31 December 2018, RMB1,400,000,000, RMB1,000,000,000 and RMB700,000,000 respectively	For the year ending 31 December 2020, RMB265,000,000	Minsheng Industrial and its associates have been the major suppliers of waterway transportation services to the Group. Minsheng Industrial and its associates 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. Minsheng Industrial and its associates has been providing services for the Group for a considerable period of time and the Group is satisfied with

				<p>their overall service quality. The annual cap for the year ending 31 December 2020 is arrived at after having considered (1) Minsheng Industrial's relatively strong presence in waterway transportation service and its growing strength in waterway transportation along the Yangtze River; and (2) the transaction amount for the year ended 31 December 2017 and 2018. In addition, the cost of waterway transportation is relatively low. In order to cut back costs, the Group expects to increase the use of water transportation. The Company is of the view that the annual cap for the year ending 31 December 2020 is fair and reasonable.</p>
<p>4. Settlement, deposits and loans, note discounting services to be provided by Zhuangbei Finance to the Group</p>				
<p>Pricing policy</p>	<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"> • 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. • 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. • 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. • 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. <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 on terms which are no 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.</p>			
	<p>The maximum amount of Deposit (including interests) on a daily basis</p>	<p>Historical figures</p> <p>For the two years ended 31 December 2018, and 9 months ended 30 September 2019, RMB410,433,000, RMB442,985,000 and RMB348,530,048 respectively</p>	<p>Historical caps (for 2017-2019)</p> <p>For the three years ended 31 December 2019, RMB700,000,000, RMB450,000,000 and RMB350,000,000 respectively</p>	<p>Proposed Cap for 2020</p> <p>For the year ending 31 December 2020, RMB200,000,000</p>

				relationship between the Group and Zhuangbei Finance, the terms of the financial services offered by Zhuangbei Finance to the Group can better serve Group's requirements. The annual cap for the year ending 31 December 2020 has been substantially reduced to reflect (1) the historical maximum daily outstanding balances of deposits placed by the Group with Zhuangbei Finance for the year ended 31 December 2017, 2018 and 9 months ended 30 September 2019; (2) the overall treasury requirements of the Group for the year ending 31 December 2020.
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5. Logistics services provided by the Group to Minsheng Industrial and its associates

Pricing Policy	<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>			
	Historical figures	Historical caps (for 2017-2019)	Proposed Cap for 2020	Basis of determination of the Proposed Cap for 2020
Proposed cap and basis	For the two years ended 31 December 2018 and 9 months ended 30 September 2019, RMB4,131,000, RMB9,088,000, and	For the three years ended 31 December 2019, RMB30,000,000, RMB20,000,000 and RMB20,000,000 respectively	For the year ending 31 December 2020, RMB23,000,000	Minsheng Industrial and its associates has strong foothold in waterway transportation along the Yangtze River with abundant resources such as ro-ro ships and vast waterway logistics network. However, Minsheng Industrial and its associates comparatively lacks strength in land transportation,

	RMB16,340,000 respectively		storage, etc. The Group provides transportation by land, railway or other intermodal transportation services before the cargo reaches the departure port for transportation by the ro-ro ships or after the cargo reaches destination port to Minsheng Industrial and its associates. In addition, the Group occasionally provides storage of finished vehicles or automobile parts, station management and so on. The Group believes that the proposed annual cap for the year ending 31 December 2020 is fair after having considered the historical amount for the nine months ended 30 September 2019. In addition, the setting of the cap allows modest room for business expansion for similar services between the Group and Minsheng Industrial and its associate for the year ending 31 December 2020.
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5. Reasons for and Benefits of the Non-Exempt Continuing Connected Transactions for 2020 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. Against the background of the downward pressure for domestic automobile market, 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. The Company therefore is of the view that the Group should continue to provide comprehensive automobile logistics services for Changan Automobile and its associates to maximize the revenue of the Group.

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, such as Sichuan Jianan Industrial Co. Ltd., Chengdu Huachuan Electric Parts Co., Ltd., Harbin Dongan Automotive Power Co., Ltd. Harbin Dongan Automotive Engine Manufacturing Co., Ltd., South Inter Air-Conditioner Co., Ltd. by providing logistics services such as automobile parts distribution, transportation, storage, etc. 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;
- (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.

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 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.

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 render their view after review of the recommendation from Gram Capital) are of the view that the Non-exempt Continuing Connected Transactions for 2020 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 2020 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.

6. Financial Effects of the Deposit Transaction on the Group

As at 30 June 2019, the total deposit amount of the Group was approximately RMB821,956,329 and the deposit amount with Zhuangbei Finance was approximately RMB260,821,634, representing approximately 32% of the total deposit amount of the Group.

For the six months period ended 30 June 2019, the deposit interest income from Zhuangbei Finance was approximately RMB1,580,108, representing approximately 31% of the total deposit interest income of the Group and approximately 6% of the Group's profit before tax 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 2020 will not have any material impact to the Group's earnings, assets and liabilities.

7. 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.

8. Implication under the Listing Rules

Since one or more of the applicable percentage ratios of the Non-Exempt Continuing Connected Transactions for 2020 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions for 2020 (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 2020 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 2020 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 proposed caps of the Non-Exempt Continuing Connected Transactions for 2020 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 proposed caps of the non-exempt continuing connected transactions for 2020 of the Company with each of Changan Automobile, China Changan and their respective associates, and the proposed caps of the non-exempt continuing connected transactions and the major transaction on the deposit transaction between the Company and Zhuangbei Finance. Minsheng Industrial, Ming Sung (HK) and their respective associates will abstain from voting in relation to the resolutions approving the proposed caps of the non-exempt continuing connected transactions for 2020 of the Company with Minsheng Industrial and its associates. The voting at the 2019 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 on the Non-Exempt Continuing Connected Transactions for 2020 (and the respective caps for 2020) and the major transaction regarding the deposit transaction contemplated under the framework agreement with Zhuangbei Finance, 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 2020 (and the respective proposed caps for 2020) and the major transaction regarding the deposit transaction contemplated under the framework agreement with Zhuangbei Finance, 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 2020 (and the proposed caps for 2020) and the major transaction regarding the deposit transaction contemplated under the framework agreement with Zhuangbei Finance with the letter from each of the Independent Board Committee and Gram Capital to Shareholders as soon as possible but in any event not later than 4 December 2019.

III. CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS FOR 2020

1. Relationship between the parties

As at the date of the announcement, China Changan is a substantial shareholder of the Company, holding approximately 25.44% of the total issued share capital of the Company. Both China Changan and Changan Industry Company are wholly-owned subsidiaries of CSG. Changan Industry Company holds 98.49% equity interests of Changan Real Estate and Changan Construction is a wholly owned subsidiary of Changan Real Estate. Chongqing Changxin is controlled by Changan Construction. 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, Chongqing Changxin, Zhuangbei Finance 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.

2. Framework Agreements for the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2020

Based on the relevant percentage ratios according to the scale of transactions, the framework agreements comprised in the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2020 are:

- (1) the framework agreement entered into between the Company and China Changan on 30 October 2017, 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 entered into between the Company and APLL on 30 October 2017, 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;
- (3) the framework agreement entered into between the Company and Chongqing Changxin on 30 October 2017, pursuant to which the Group shall purchase maintenance services from Chongqing Changxin and its associates;
- (4) the framework agreement between the Company and Zhuangbei Finance on 30 October 2017, pursuant to which the Group shall provide financial logistics services to Zhuangbei Finance and its associates; and
- (5) the framework agreement entered into between Nanjing CMSC and Baogang Zhushang on 30 October 2017, pursuant to which Nanjing CMSC shall provide logistics services to Baogang Zhushang and its associates.

The Framework Agreements for the Continuing Connected Transaction Exempt from Independent Shareholders' Approval Requirements for 2020 are not inter-conditional with each other. The transactions contemplated under each of the Framework Agreements for the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2020 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 for 2020. Payment of each Continuing Connected Transaction Exempt from Independent Shareholders' Approval Requirements for 2020 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 for 2020

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 for 2020.

4. Pricing Policy, Historical Figures, Historical Caps, Proposed Cap for 2020 and Rationale for Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements For 2020

The cap in respect of each of the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for the year ending 31 December 2020 is set out as follows:

1. Security and cleaning services, property leasing services and logistics services provided by China Changan and its associates to the Group

<p>Pricing Policy</p>	<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 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>			
<p>Proposed cap and basis for security and cleaning services</p>	<p>Historical figures</p> <p>For the two years ended 31 December 2018 and 9 months ended 30 September 2019, RMB9,028,000, RMB7,305,000 and RMB3,390,000 respectively</p>	<p>Historical caps (for 2017-2019)</p> <p>For the three years ended 31 December 2019, RMB10,334,334, RMB9,220,000 and RMB9,220,000 respectively</p>	<p>Proposed Cap for 2020</p> <p>For the year ending 31 December 2020, RMB7,000,000</p>	<p>Basis of determination of the Proposed Cap for 2020</p> <p>The Group purchases security and cleaning services from China Changan, mainly through Changan Property (which is an associate of China Changan) as the security and cleaning services provided are more elaborate and cost-efficient. Due to the downward pressure of the domestic automobile market, the Group expects that the need for properties and warehouses and stations by the Group will be decreased in 2020 and therefore the need for security and cleaning services are expected to be decreasing as well. The proposed annual cap has been reduced to reflect that the reduced volume of services to be provided by China Changan and its associates to the Group in 2020. The Directors are of the view that the annual cap for the year ending 31 December 2020 is fair and reasonable.</p>

	Historical figures	Historical caps (for 2017-2019)	Proposed Cap for 2020	Basis of determination of the Proposed Cap for 2020
Proposed cap and basis for property leasing services	For the two years ended 31 December 2018 and 9 months ended 30 September 2019, RMB2,357,000, RMB2,519,000 and RMB540,000 respectively	For the three years ended 31 December 2019, RMB25,000,000, RMB20,000,000 and RMB20,000,000 respectively	For the year ending 31 December 2020, RMB1,800,000	The Group does not currently have enough warehouses and stations and therefore has to rent properties from suppliers. 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 warehouses and stations, such as the internal layout, fitting sizes to better accommodate the business volume, and proper location. In addition, most of properties, especially warehouses and stations that can be provided to the Group by China Changan and its associates are located in 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. The annual cap for the year ending 31 December 2020 is arrived having considered the decreased amount of property leasing services from China Changan and its associates for the nine months ended 30 September 2019. As HKFRS 16 "Leases" has taken effect from 1 January 2019 and be applicable to financial years starting on or after 1 January 2019, pursuant to the requirements of the Stock Exchange, the annual cap of the year ending 31 December 2019 has also considered the estimated total value of the right-of-use assets relating to lease contracts that may be entered into by the Group as lessee during the year ending 31 December 2019. The annual cap for the year ending 31 December 2020 reflects the Group's decreased demand for property leasing

				<p>services resulted from overall decrease in the Group's business volume.</p> <p>Therefore, the Directors are of the view that the annual cap set for the year ending 31 December 2020 is fair and reasonable.</p>
Proposed cap and basis for logistics services	Historical figures	Historical caps (for 2018-2019)	Proposed Cap for 2020	Basis of determination of the Proposed Cap for 2020
	For the year ended 31 December 2018 and 9 months ended 30 September 2019, RMB3,075,000, and RMB9,510,000	For the two years ending 31 December 2019, RMB30,000,000 and RMB20,000,000	For the year ending 31 December 2020, RMB12,000,000	The Company is a third-party logistics company, offering comprehensive logistics solution for our customers, which means that the Company has to have sufficient and a wider selection of subcontractors at our service at all times in order to provide the best possible services for customers. However, the Group does not currently have sufficient transportation capacity to cope with the logistics demand of our customers. China Changan and its associates are familiar with the daily operation of the Group and have the transportation capacity that the Group needs. China Changan and its associates will participate in transportation purchase activities and will provide quotations to the Group along with other suppliers. The annual cap for the year ending 31 December 2020 is arrived after considering the historical transaction amount for the year ended 31 December 2018 and for the nine months ended 30 September 2019 between the Group and China Changan and its associates and a small buffer for extra support potentially required from China Changan and its associates when the capacity at the Group's disposal is insufficient for peak season. The Directors are of the view that the annual cap for the year ending 31 December 2020 is fair and reasonable.

2.1 Logistics services provided by the Group to APLL and its associates

Pricing Policy	<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>			
	Proposed cap and basis	<p>Historical figures</p> <p>For the two years ended 31 December 2018 and 9 months ended 30 September 2019, Nil, Nil, and Nil respectively</p>	<p>Historical caps (for 2017-2019)</p> <p>For the three years ended 31 December 2019, RMB30,000,000, RMB20,000,000 and RMB20,000,000 respectively</p>	<p>Proposed Cap for 2020</p> <p>For the year ending 31 December 2020, RMB10,000,000</p>

				one of the substantial shareholders of the Company and that the Group has a comparatively strong capacity in the logistics industry, it is expected that APLL will support the Company's business expansion and conduct businesses with the Group. The Board believes that it is reasonable to set the annual cap for the year ending 31 December 2020 so as to allow moderate room for the cooperation between the Group and APLL and its associates, thereby maximizing the Group's revenue generated from such services.
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2.2 Logistics services purchased by the Group from APLL and its associates

Pricing Policy	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 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>			

Proposed cap and basis	Historical figures	Historical caps (for 2017-2019)	Proposed Cap for 2020	Basis of determination of the Proposed Cap for 2020
		For the two years ended 31 December 2018 and 9 months ended 30 September 2019, RMB5,341,000, RMB181,000 and RMB1,020,000 respectively	For the three years ended 31 December 2019, RMB39,000,000, RMB30,000,000 and RMB20,000,000 respectively	For the year ending 31 December 2020, RMB10,000,000

				APLL and its associates operate in world's major trade lines, such as Asia to Europe, Trans-Pacific and Intra Asia. APLL and its associates are able to provide the Group with intermodal international freight forwarding, customs clearance services and etc. The proposed annual cap for the year ending 31 December 2020 mainly reflects the sluggish domestic automobile market and reduced demand for international logistics services from the Group's customer. Therefore, the Director is of the view that the annual for the year ending 31 December 2020 is fair and reasonable.
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3. Maintenance services purchased by the Group from Chongqing Changxin and its associates

Pricing Policy	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 Chongqing Changxin 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>			
Proposed cap and basis	Historical figures	Historical caps (for 2018-2019)	Proposed Cap for 2020	Basis of determination of the Proposed Cap for 2020
	For the year ended 31 December 2018 and 9 months ended 30 September 2019, RMB2,504,000 and RMB1,250,000	For the two years ending 31 December 2019, RMB10,000,000 and RMB10,000,000	For the year ending 31 December 2020, Nil	Chongqing Changxin and its associates used to provide the Group with maintenance services such as repair and maintenance of logistics equipment and maintenance of the surface of various warehouses and the Group is rather satisfied with the all-round and all-day service and their prompt responses to attend maintenance services of the Group. However, according to the procurement department of the Company, the Group intends to

				purchase maintenance services from non-related parties for the year ending 31 December 2020. Therefore, the Directors do not propose to set any annual cap on the maintenance service to be purchased by the Group from Chongqing Changxin and its associates for the year ending 31 December 2020. If there are any changes to the transaction cap, the Company will comply with the requirements under Rule 14A.54 of the Listing Rules.
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4. Financial logistics services provided by the Group to Zhuangbei Finance and its associates

Pricing Policy	<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>			
	Proposed cap and basis	<p>Historical figures</p> <p>For the two years ended 31 December 2018 and 9 months ended 30 September 2019, Nil, Nil and Nil respectively</p>	<p>Historical caps (for 2017-2019)</p> <p>For the three years ended 31 December 2019, RMB30,000,000, RMB30,000,000 and RMB20,000,000 respectively</p>	<p>Proposed Cap for 2020</p> <p>For the year ending 31 December 2020, Nil</p>

				has made little concrete progress in this regard and intends to hold off relevant efforts and focuses on exploring other new growth points. Therefore, the Directors do not propose to set any annual cap on the financial logistic services between the Group and Zhuangbei Finance and its associates for the year ending 31 December 2020. If there are any changes to the transaction cap, the Company will comply with the requirements under Rule 14A.54 of the Listing Rules.
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5. Logistics services provided by Nanjing CMSC to Baogang Zhushang and its associates

Pricing Policy	<p>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> <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>
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Proposed cap and basis	Historical figures	Historical caps (for 2017-2019)	Proposed Cap for 2020	Basis of determination of the Proposed Cap for 2020
	For the two years ended 31 December 2018 and 9 months ended 30 September 2019, RMB10,356,000, RMB7,631,000 and RMB3,800,000 respectively	For the three years ended 31 December 2019, RMB40,000,000, RMB30,000,000 and RMB20,000,000 respectively	For the year ending 31 December 2020, RMB7,000,000	Baogang Zhushang produces steels for automobile parts and components, processes steels and other metallic materials. Baogang Zhushang has been in business contacts with Nanjing CMSC for years and has established long-term business relationship. Nanjing CMSC has been providing steel transportation services for

				<p>Baogang Zhushang for a considerable period of time. The Group are of view that Baogang Zhushang represents a stable business source and on a mutual commercial basis, continuing to provide steel transportation service for Baogang Zhushang would help maximize the revenue of the Group. The annual cap for the year ending 31 December 2020 is determined on the basis of the historical transaction amount. The Directors are of the view that Nanjing CMSC should continue to provide logistics services for Baogang Zhushang and the annual cap for the year ending 31 December 2020 is fair and reasonable.</p>
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5. Reasons for and Benefits of the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2020

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 supply chain management services for IT companies in Mainland China. The Group has strong logistics capacity in Mainland China and is also looking to explore 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 such as America, Mexico, Vietnam and Philippines. 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 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 2020, 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 2020 and the relevant annual caps for 2020 contemplated under the Framework Agreements for the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2020 were entered into in the ordinary course of business of the Group and are on normal commercial terms; (2) the terms of the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2020 (including the annual cap for each of the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2020) were fair and reasonable and

(3) the entering into of the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2020 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 2020 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. Li Xin, being the related Directors, who are deemed to be interested in the continuing connected transactions contemplated under the framework agreement with China Changan. Save as disclosed, none of the other Directors has abstained from voting on the relevant resolution approving the proposed caps of the security and cleaning services, property leasing services and logistics services with China Changan and its associates and the transactions contemplated under the framework agreement with China Changan.

The Board has resolved to approve the proposal of Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2020 regarding the purchase of logistics services from APLL and its associates. 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 contemplated under the framework agreement with APLL. Save as disclosed, none of the other Directors has abstained from voting on the relevant resolutions approving the purchase of logistics services from APLL and its associates and the transactions contemplated under the framework agreement with APLL.

The Board has resolved to approve the proposal of Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2020 regarding the provision of logistics services by Nanjing CMSC to Baogang Zhushang and its associates. No Directors are 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 and the provision of the logistics services purchased by the Group from APLL 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 the logistics services by APLL and its associates to the Group under the relevant framework agreement with APLL 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 purchase of 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 logistic 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.

IV. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board proposes to amend (a) Article 19 and (b) paragraph 2 of Article 13 of the Articles of Association of the Company. The purpose of amending the Articles of Association is to reflect the minor change in the name of the Company's substantial shareholder and the changes in scope of business operation of the Company.

The proposed amendments to Article 19 and paragraph 2 of Article 13 of the Articles of Association are set out below:

(a) The original Article 19 is:

“After the Company was registered to be established, approved by the securities regulatory authority of the State Council, a total number of 55,000,000 overseas listed foreign shares (including 5,000,000 existing shares sold by the shareholders of State-owned shares) were issued by the Company in Hong Kong in Feb., 2006. The total number of ordinary shares of the Company in issue is 162,064,000. The shareholders of the Company and their respective shareholdings are as follow:

China Changan Automobile Group Co., Ltd., holds 41,225,600 shares, representing 25.44% of the total issued share capital;

APL Logistics Ltd (Singapore), holds 33,619,200 shares, representing 20.74% of the total issued share capital;

Minsheng Industrial (Group) Company Limited, holds 25,774,720 shares, representing 15.90% of the total issued share capital;

Ming Sung Industrial Co., (HK) Limited, holds 6,444,480 shares, representing 3.98% of the total issued share capital;

Shareholders of the overseas listed foreign shares, in aggregate hold 55,000,000 shares, representing 33.94% of the total issued share capital.”

which is proposed to be amended as follows:

“After the Company was registered to be established, approved by the securities regulatory authority of the State Council, a total number of 55,000,000 overseas listed foreign shares (including 5,000,000 existing shares sold by the shareholders of State-owned shares) were issued by the Company in Hong Kong in Feb., 2006. The total number of ordinary shares of the Company in issue is 162,064,000. The shareholders of the Company and their respective shareholdings are as follow:

China Changan Automobile Group ~~Co., Ltd.~~ Company Limited, holds 41,225,600 shares, representing 25.44% of the total issued share capital;

APL Logistics Ltd (Singapore), holds 33,619,200 shares, representing 20.74% of the total issued share capital;

Minsheng Industrial (Group) Company Limited, holds 25,774,720 shares, representing 15.90% of the total issued share capital;

Ming Sung Industrial Co., (HK) Limited, holds 6,444,480 shares, representing 3.98% of the total issued share capital;

Shareholders of the overseas listed foreign shares, in aggregate hold 55,000,000 shares, representing 33.94% of the total issued share capital.”

(b) The original paragraph 2 of Article 13 is:

“The Company’s scope of business covers: general freight transport; road transport of dangerous goods; road transport of large-sized objects; multimodal transport; cargo transport agent; non-vessel carrier business; storage service (excluding hazardous chemicals and hazardous waste), distribution, packing, sub-packaging; developing logistics software and information service as well as logistics planning, management and consulting service; Internet-based cars and accessories retail; import and export business or agent service; forwarding for imported and exported cargos by sea, air and land including cargo canvass, consignment, booking, storage, transshipment, container FCL and LCL, settling freight, customs clearance, inspection application and insurance and relevant service for short-distance transport and consulting. It also engages in packing, assembling and selling auto raw materials and parts as well as manufacturing, selling, leasing and maintaining packaging for auto parts; maintenance of automobiles and parts and components (operational with relevant administrative license or approval); auto sales; automobile leasing; used automobiles brokerage; machinery equipment leasing. In addition, the Company provides service of containers freight stations, such as cargo storage (excluding dangerous goods), stowage, tally, forwarding, information service, handling, loading and unloading; recycling of renewable resources (excluding articles subject to approval from relevant authorities such as solid waste, dangerous waste and scrapped vehicles); property management; house leasing services.”

which is proposed to be amended as follows:

“The Company’s scope of business covers: general freight transport; road transport of dangerous goods; road transport of large-sized objects; container road transport; refrigerated truck road transport; multimodal transport; city distribution; cargo transport agent; international freight forwarding service; non-vessel carrier business; import and export of goods and technology; storage service (excluding hazardous chemicals and hazardous waste), distribution, packing, sub-packaging; station operation. ~~developing logistics software and information service as well as logistics planning, management and consulting service; Internet-based cars and accessories retail; import and export business or agent service; forwarding for imported and exported cargos by sea, air and land including cargo canvass, consignment, booking, storage, transshipment, container FCL and LCL, settling freight, customs clearance, inspection application and insurance and relevant service for short-distance transport and consulting.~~ It also engages in packing, assembling and selling auto raw materials and parts as well as manufacturing, selling, leasing and maintaining packaging for auto parts; maintenance of automobiles and parts and components (operational with relevant

administrative license or approval); auto sales; Internet-based cars and accessories retail; car charging service; automobile leasing; machinery equipment leasing; used automobiles brokerage; services relating to Internet of Things technology, computer software and hardware development and services; logistics planning, management and consulting service; property management; house leasing services; ~~machinery equipment leasing. In addition, the Company provides service of containers freight stations, such as cargo storage (excluding dangerous goods), stowage, tally, forwarding, information service, handling, loading and unloading;~~ recycling of renewable resources (excluding articles subject to approval from relevant authorities such as solid waste, dangerous waste and scrapped vehicles); ~~property management; house leasing services.~~”

The amendments of the Articles of Association are subject to approval by the Shareholders at the 2019 First EGM by way of special resolution and, if required, the approval from the relevant PRC government authorities.

Details of proposed amendments to the Articles of Association will be set out in the circular to be sent to the Shareholders as soon as practicable but in any event not later than 4 December 2019.

V. 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 joint stock limited 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

“2019 First EGM”	the first extraordinary general meeting of 2019 of the Company to be convened in December 2019 for purposes of considering and approving, among others, each of the Non-Exempt Continuing Connected Transactions for 2020 (and the respective annual caps) and the major transaction regarding the deposit transaction with Zhuangbei Finance and the proposed amendments to the Articles of Association
“Announcement”	the announcement published by the Company on 30 October 2017 regarding, among others, the Existing Continuing Connected Transactions
“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 Group”	the group of companies owned or controlled by China Changan from time to time
“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)
“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), a company established in the PRC on 26 December 2005, former name was China South Industries Automobile Corporation (中國南方工業汽車股份有限公司)
“China” or “PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Chongqing Changxin”	Chongqing Changxin Construction Co., Ltd.(重慶長鑫建築工程有限公司)
“Changan Real Estate”	Changan Real Estate Development Company (重慶長安房地產開發有限公司)
“Changan Construction”	Chongqing Changan Construction Co., Ltd. (重慶長安建設工程有限公司)
“Circular”	the circular published by the Company on 29 November 2017 regarding, among others, the then Non-Exempt Continuing Connected Transactions contemplated under the framework agreement(s) for the non-exempt continuing connected transactions
“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 for 2020”	the continuing connected transactions to be conducted in 2020, as set out under the paragraph headed “Continuing Connected Transactions Exempt from Independent Shareholders’ Approval for 2020” in this announcement
“CSG”	China South Industries Group Corporation (中國南方工業集團公司), renamed to China South Industries Group Corporation 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 from time to time placed or to be placed by the Group with Zhuangbei Finance pursuant to the framework agreement entered into between the Company and Zhuangbei Finance on 30 October 2017
“Directors”	directors of the Company

“Existing Continuing Connected Transactions”	collectively, the Non-Exempt Continuing Connected Transactions for 2020 and the Continuing Connected Transactions Exempt from Independent Shareholders Approval Requirements for 2020
“Framework Agreement(s) for the Continuing Connected Transactions Exempt from Independent Shareholders’ Approval Requirements for 2020”	the framework agreement entered into by the Company with each of China Changan, APLL, Chongqing Changxin and Zhuangbei Finance on 30 October 2017, as well as the framework agreement entered into between Nanjing CMSC and Baogang Zhushang on 30 October 2017, all of such agreements are for a term of three years from 1 January 2018 to 31 December 2020, individually or collectively (as the case may be)
“Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions for 2020”	the framework agreement entered into between the Company with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance on 30 October 2017, all of such agreements are for a term of three years from 1 January 2018 to 31 December 2020, 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 to be appointed by the Company 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 2020 (and the respective caps for 2020) and the major transaction regarding the deposit transaction contemplated under the framework agreement with Zhuangbei Finance, and whether such transactions are in the interests of the Company and its Shareholders as a whole
“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
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“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, to be formed to advise the Independent Shareholders in connection with the Non-Exempt Continuing Connected Transactions for 2020 (and the respective proposed caps for 2020) and the major transaction regarding the deposit transaction contemplated under the framework agreement with Zhuangbei Finance
“Independent Shareholders”	shareholders of the Company that, in relation to the resolutions approving each of the Non-exempt Continuing Connected Transactions for 2020 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 resolutions approving the Non-exempt Continuing Connected Transactions for 2020 contemplated under the framework agreement(s) 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 for 2020”	the continuing connected transactions to be conducted in 2020 under the Framework Agreements for the Non-Exempt Continuing Connected Transactions for 2020, as set out under the paragraph headed “Non-Exempt Continuing Connected Transactions for 2020 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

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	Shareholder(s) 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 2019

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. Li Xin as the non-executive directors; (3) Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun as the independent non-executive directors.

** For identification purpose only*