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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**）

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF 51% EQUITY INTEREST OF THE TARGET COMPANY

THE DISPOSAL

The Board is pleased to announce that on 26 September 2024 (after trading hours of the Stock Exchange), the Seller and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Seller agreed to dispose of and the Purchaser agreed to acquire 51% equity interest of the Target Company at a total consideration of RMB47.90 million.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company and Changyou Automobile hold 51% and 49% of the registered capital of Shenyang Changyou respectively and Changyou Automobile is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

Based on the financial statements of Shenyang Changyou of the latest three financial years ended 31 December 2023, as the total assets, profits and revenue of Shenyang Changyou compared to those of the Group are less than 10% under the percentage ratios for each of the latest three financial years, Shenyang Changyou is regarded as an insignificant subsidiary pursuant to Rule 14A.09 of the Listing Rules.

Given the application of the insignificant subsidiary exemption under Chapter 14A of the Listing Rules, Changyou Automobile is not regarded as a connected person of the Group and the Disposal is therefore exempted from any reporting, announcement and shareholders' approval requirements, etc. under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (set out in Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 5% but are all below 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE DISPOSAL

The Board is pleased to announce that on 26 September 2024 (after trading hours of the Stock Exchange), the Seller and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Seller agreed to dispose of and the Purchaser agreed to acquire 51% equity interest of the Target Company at a total consideration of RMB47.90 million.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date

26 September 2024 (after trading hours of the Stock Exchange)

Parties

(1) The Company, as the Seller; and

(2) Changyou Automobile, as the Purchaser.

Subject matter

Pursuant to the Equity Transfer Agreement, the Seller has agreed to dispose of, and the Purchaser has agreed to acquire 51% equity interest of the Target Company.

Consideration and payment terms

The Consideration for the Disposal is RMB47.90 million, which was determined with reference to (i) the appraised value of the Target Company at RMB68.70 million as set out in the Valuation Report using income approach, taking 31 December 2023 as the benchmark date, issued by Zhongshui Zhiyuan Assets Appraisal Co., Ltd.* (中水致遠資產評估有限公司), an independent asset appraisal firm; and (ii) the Company's shareholding of 69.65% in Shenyang Changyou as calculated based on the ratio of the paid-in capital contributions. Pursuant to the ratio of the paid-in capital contributions of the Company, the appraised value of 69.65% shareholding in Shenyang Changyou is RMB47,849,550.

The Consideration shall be paid by the Purchaser to the Seller in one lump sum within 5 working days after the signing of the Equity Transfer Agreement.

VALUATION OF THE TARGET COMPANY

Assumptions in relation to the Valuation Report

Given the valuation of Shenyang Changyou was based on the income approach, the details of the principal assumptions upon which the valuation was based are as follows:

(1) General assumptions

(a) Transaction assumption: It is assumed that all assets to be appraised are already in the process of transaction, and the asset appraisal professional access the value based on the trading conditions of the assets to be valued in a simulated market.

(b) Open market assumption: The open market assumption is an assumption about the conditions of the market to which the assets are intended to be admitted and the effects to which the assets would be subject to under such market conditions. Open market refers to fully developed and perfect market conditions, a competitive market with voluntary buyers and sellers, where buyers and sellers are on an equal footing and have access to sufficient market information and time, and where transactions between buyers and sellers are conducted on voluntary, rational, non-coercive or unrestricted terms.

(c) Asset continuity assumption: The continuity use assumption is an assumption about the conditions under which the asset is intended to enter the market and the state of the asset under such market conditions. Firstly, the asset under appraisal is in use, and secondly, it is assumed that the asset in use will continue to be used. The continuity assumption does not take into account the conversion of the use of the asset or the conditions for optimal utilisation, and the scope of use of the appraisal conclusions is limited.

(d) Business continuity assumption: The production and operation of the entity under appraisal will continue as it is and there will be no significant changes in its operating conditions during the foreseeable operating period.

(2) Special assumptions

(a) The valuation assumed that the external economic environment remains unchanged at the Valuation Benchmark Date and that there are no significant changes in the macroeconomy in China. There are no other significant adverse effects caused by unpredictable and force majeure factors.

(b) There are no significant changes in the socio-economic environment in which the enterprise operates and in the policies implemented in respect of taxes, exchange rates and tax rates.

(c) The enterprise's future management team is dutiful and continues to maintain the existing business management mode.

(d) It is assumed that the appraised entity will fully comply with all relevant national laws and regulations, in line with national industrial policies, and that there will be no material non-compliance matters affecting its development and the realisation of earnings.

(e) Each of the assets under appraisal is premised on the actual inventory as at the Valuation Benchmark Date, and the current market value of the relevant assets is based on the effective domestic prices as at the Valuation Benchmark Date.

(f) It is assumed that the accounting policies adopted by the appraised entity after the Valuation Benchmark Date and the accounting policies adopted in the preparation of this appraisal report are consistent in material respects.

(g) It is assumed that, on the basis of the existing management style and management level, the scope and manner of operation of the appraised entity after the Valuation Benchmark Date will remain the same as at present.

(h) It is assumed that in the future, the appraised entity will maintain the same credit policy as at present and will not encounter any significant payment recovery problems.

(i) It is assumed that the appraised entity's cash inflows after the Valuation Benchmark Date will be average inflows and cash outflows will be average outflows.

(j) It is assumed that the basic and financial information provided by the entity being valued is true, accurate and complete.

The key assumptions in the Valuation Report is that future sales of finished vehicles of certain types of the Specific Customer can remain stable in relation to the historical average monthly sales volume. As the historical annual sales volume of finished vehicles of certain types of the Specific Customer has been relatively stable, it is not expected that there will be any circumstances in the future in which changes in the key assumptions or the value of the input parameter will have a material impact on the valuation.

Income approach evaluation forecast and estimation process

(1) Sales volume

The principal business of the Target Company is the provision of tyre assembly business and other logistics business to the Specific Customer, which has a relatively fixed gross profit, and the most significant impact on the future earnings and valuation is the sales volume of certain types of finished vehicles of the Specific Customer. The Target Company mainly produces according to the Specific Customer's orders and synchronises its production and sales forecasts, i.e. production volume equals to sales volume. Therefore, its future sales volume forecast is based on the average monthly sales volume in recent years (public information on the internet) for different product types.

(2) Determination of discount rate

In this valuation of the Target Company, the weighted average cost of capital ("WACC") of the business was used as the discount rate for the free cash flows of the business.

(a) Expected rate of return on equity Re

$$Re = R_f + \beta e(Rm - R_f) + \alpha$$

= 3.52% + 0.8996 x 6.66% + 1%
= 10.51

(b) Determination of Rd cost of debt. The average cost of debt of the Target Company as at the Valuation Benchmark Date is 3.8%, which is higher than the 1-year LPR of 3.45% as at the Valuation Benchmark Date. Property holders can continue to obtain borrowings in the future that are not higher than the average cost of debt as at the Valuation Benchmark Date, therefore, this projection of the cost of debt is based on the current average cost of debt of the Target Company of 3.8%.

(c) Determination of D/E

D is the value of interest-paying debt of the enterprise and E is the value of shareholders' equity of the enterprise. Taking into account that the Target Company will gradually repay the borrowings in the next few years and the Target Company is in a period of rapid development in the next few years, and the borrowings will be repaid every year until it reaches the target capital structure in 2028 (the average D/E of the comparable companies), therefore, this forecast is based on the target capital structure of the enterprise, i.e., the value of the average D/E of the comparable companies, which is 0.1970.

(d) Determination of discount rate

Based on the results of the above data measurement, the WACC is calculated as:

$$WACC = \left(\frac{1}{1+D/E}\right) \times \mathrm{Re} + \left(\frac{1}{1+E/D}\right) \times (1-T) \times Rd$$

By substituting the parameters obtained from the above calculations into the above formula, the discount rate after 2025 is 9.25%.

Specific forms of the income approach

(1) Regarding the income - corporate free cash flow

In this valuation, the discounted corporate free cash flow model under the discounted cash flow method was selected. That is, the corporate free cash flows over the future earning years are discounted using an appropriate discount rate and summed up to calculate the value of operating assets, and then added to the value of surplus assets, non-operating assets and liabilities, and subtracted from the value of interest-paying debt, to arrive at the value of total shareholders' equity.

(2) Regarding the income period

The valuation adopts a perpetuity period as the income period. The first period is from 1 January 2024 to 31 December 2029, a total of six years, during which the income position is changing according to the Target Company's operating conditions; the second period is from 1 January 2030 to sustainability, during which the Target Company is considered on the basis of maintaining a stable level of income as projected for the year of 2029.

(3) Income approach valuation formula

The formula for the calculation of the income approach adopted is as follows:

$$P=\sum_{i=1}^{n}\frac{A_i}{(1+R)^i}+\frac{A}{R(1+R)^n}-B+OE$$

Where: P - is the appraised value of the total equity of the enterprise's shareholders;

Ai - the free cash flow of the enterprise for the detailed forecast period;

A - the free cash flow of the enterprise for the period after the detailed forecast period;

R - the discount rate;

n - the detailed forecast period;

B - the present value of interest-bearing debt at the Valuation Benchmark Date;

OE - the present value of the sum of excess assets, non-operating assets and liabilities at the Valuation Benchmark Date.

After estimating the revenues, costs and expenses, working capital and capital expenditures, Independent Valuer has projected the free cash flow of the enterprise for the next six years, which is discounted to present value by multiplying the current earnings by the current discount factor. The Independent Valuer has reasonably assumed that the corporate free cash flows in 2029 and thereafter will remain stable and have infinite period of operation, and can use the discount rate to discount the principal of the 'corporate free cash flows in each year to the mid-2029 value or to the Valuation Benchmark Date. Adding up the corporate free cash flows discounted to the valuation base date, the value of the operating assets of the Target Company within the scope of the income approach was valued at RMB201,674,100. Together with other surplus or non-operating liabilities existing as at the Valuation Benchmark Date of RMB-4,241,200, less interest-paying debts of RMB12,873.24, the value of 100% shareholders' equity of the Target Company was RMB68.70 million. The final valuation was the same as the base value.

Reasons for the significant improvement of the income statement items over their past trends

The years of 2020 and 2021 are the construction period, and the Specific Customer X5 tyre assembly business was formally mass-produced in April 2022, and the sales volume was 242,000 pieces of tyres in 2022 and 387,900 pieces in 2023. However, the production volume did not reach the target in 2022 and 2023, and the cumulative loss was RMB68 million from 2020 to 2023, resulting in a negative book value. The Specific Customer 5-Series tyre assembly business was mass-produced in January 2024, and the production volume in 2023 reached 672,000 pieces. The updated model of the Specific Customer 3-Series was confirmed, and will be put into production in July 2025, with the production volume reaching 950,000 units in 2025 and remaining stable after reaching 1.23 million units in 2026. Due to the growth in sales volume, the loss will be turned into a profit of RMB5.3 million in 2025 and a profit of RMB18 million in 2026, which is valued at RMB68.70 million. In summary, the reason for the large difference is that the historical years were the beginning of the operation, and the failure to meet the target resulted in a loss, and in the coming years, the production will increase and turn around the loss into a profit.

The major business of the Target Company is to provide tyre assembly business and other logistics business to the Specific Customer, which has a relatively fixed gross profit, and the projected gross profit in the future will remain stable as compared with the history, and it is not expected that the projected profit margin of the Target Company is significantly higher than that of the industry peers.

Reasons for the significant difference between the Target Company's ownership interest and the income approach valuation result

The total shareholders' equity after the adoption of the income approach was valued at RMB68.70 million, representing an appreciation of RMB70.69 million, or 3,552.27%, as compared with the negative book owner's equity of RMB1.99 million. The owner's equity as reflected in the balance sheet is not entirely consistent with the total shareholder's equity as reflected in the income approach, which do not meet the definition of accounting assets and the criteria for recognised measurement but have a significant impact on the enterprise's earnings. This is the reason for the difference. Assets that cannot be legally measured such as the enterprise's qualifications, assets that do not satisfy the definition of assets such as human capital, assets that do not meet the definition of accounting assets, and assets that are not included in the definition of assets, are not reflected in the balance sheet or are not recognised in equity for accounting purposes. The difference in the comparable basis between the two is an important reason for the change.

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There was a certain degree of appreciation in the results of the income approach over the book owner's equity and a certain degree of impairment in the asset-based approach over the book owner's equity. The results of the income approach represent an increase of RMB55,950,500 or 81.44% as compared with the results of the asset-based approach. Analysing the basis and value components of the two valuation methods, it can be seen that:

The asset-based approach is a valuation result derived from the valuation of assets and liabilities at the Valuation Benchmark Date. Shenyang Changyou belongs to the automobile parts and components - tyre industry and mainly provides tyre assembly business for the Specific Customer. Shenyang Changyou has established an automated tyre assembly production line and an operational core team adapted to international development, and the value of factors such as human resources, technological capabilities and the qualities owned by the enterprise, which are crucial to the production and operation of the enterprise, could not be realised in the assessment and measurement under the asset-based approach. The future earning power of Shenyang Changyou cannot be reflected. Compared to the income approach, the asset-based approach is indirect in its perspective and approach, and it is easy to overlook the consolidated profitability and consolidated value effect of the aggregation of various assets when conducting valuation.

The income approach is based on the perspective of determining the profitability of the assets and capitalising or discounting the expected income of the unit under appraisal to assess the value of the appraised entity, thus embodying the idea of income forecasting. The results of the income approach reflect the value of human resources, sales channels, customer resources, technical capabilities and industry qualifications owned by the enterprise which cannot be realised under the asset-based approach, and the results of the income approach are more reasonable in comparison.

COMPLETION

The Target Company shall complete the change of business registration procedures within 3 working days after it has fulfilled the following conditions for the registration of the equity transfer, including but not limited to (i) the Seller and the Purchaser having obtained all necessary consents and approvals in relation to the Disposal and the transaction contemplated thereunder; and (ii) any other documents required for the change of business registration in respect of the change in the equity interest of the Target Company. The Seller shall transfer the assets and rights of control and management of the Target Company to the Purchaser within 3 working days after the completion of the change of business registration procedures.

Following the Completion, the Seller will no longer have any interest in the Target Company and the Target Company will no longer be a subsidiary of the Company.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are the unaudited financial information of the Target Company for the two financial years ended 31 December 2022 and 2023:

	For the year ended 31 December	
	2022	**2023**
	(RMB)	(RMB)
Revenue from operations	292,956,878.24	438,266,446.84
Net loss before taxation	22,953,842.25	16,935,125.02
Net loss after taxation	22,953,842.25	16,935,125.02
Total assets	289,639,584.27	273,276,433.25
Owners' equity	14,799,256.51	-1,989,995.75

FINANCIAL EFFECTS OF THE DISPOSAL

As at the date of this announcement, the Seller owns 51% of the total equity interest of the Target Company. Upon Completion of the Disposal, the Group will no longer hold any interest in the Target Company and the Target Company will no longer be a subsidiary of the Group. Accordingly, the Target Company's financial results, assets and liabilities will no longer be consolidated into the Group's consolidated financial statements.

Upon Completion of the Disposal, it is estimated that the Group will record an unaudited profit before tax of approximately RMB59.92 million from the Disposal, which is calculated as the difference between (i) the unaudited book value of the negative net assets of the Target Company, to which the Group is entitled for the purpose of ongoing calculations from the commencement of the establishment of the Target Company since the Group's investment in the Target Company, of approximately RMB12.02 million as at 26 September 2024; and (ii) the Consideration of RMB47.90 million of the Disposal. The actual gain or loss from the Disposal to be recorded by the Group shall be subject to the review and final audit by the auditor of the Company and may be different from the estimated amount as it will depend on, amongst other factors, the actual amounts of the assets and liabilities of the Target Company as at the date of Completion of the Disposal and the transaction cost arising from the Disposal. The Disposal is expected to have a significant impact on the Group's profit in 2024.

INTENDED USE OF PROCEEDS

The Group intends to apply the net proceeds from the Disposal (after deducting related fees and expenses) of approximately RMB59.92 million for general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

In 2024, China's automobile market showed a certain growth trend, with the characteristics of the new energy vehicles market continuing to grow at a high speed and the traditional fuel vehicles market facing a huge downward pressure. As battery technology continues to advance and charging facilities expand, the range of new energy vehicles will be further improved and more consumers will choose to buy the new energy vehicles. The rapid growth of the new energy vehicles has and will impose a significantly adverse influences to the traditional fuel cars.

The Group has adhered to its aspiration to achieve the goal of high-growth and high-quality development and rapid improvements in terms of management scale, operating indicators and operating efficiency. The Target Company was established mainly for the purpose of exploring tyre assembly business and other logistics business to be awarded from time to time by the Specific Customer, which is an Independent Third Party. As a result of the changes in the automobile market arising from the rapid development of new energy vehicles in the PRC, the volume of business of the Specific Customer, mainly engaged in production and sales of the traditional fuel cars, fell short of its expectations, and there is uncertainty as to the future business, therefore its demands for tyre assembly and other logistics services from Shenyang Changyou has reduced. Taking into account the current business, operation status and financial information of the Target Company and the market trends, the Board considered that the Disposal represents a continuation of the Group's strategy to achieve the goal of high-growth and high-quality development and offers a good opportunity for the Group to commit the financial resources of the Group to its existing and prospective businesses by allocating resources more efficiently.

The Directors (including the independent non-executive Directors) are of the view that notwithstanding that the Disposal is not in the ordinary and usual course of business of the Group, the terms of the Disposal, the Equity Transfer Agreement and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company

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.

The Purchaser

Changyou Automobile was incorporated in the PRC with limited liability and its scope of business includes: manufacture of auto parts and system assemblies; warehousing services (excluding hazardous chemicals); transportation of finished vehicles and general cargo; manufacture, sale, lease and maintenance of packaging containers; business information consultation; import and export of goods and technology (except for those items that are prohibited by the state or subject to administrative approval). The ultimate beneficial owner of the Purchaser is Mr. Zhang Zhicheng (張治成), to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save as disclosed above, Mr. Zhang Zhicheng (張治成) is the Independent Third Party of the Company.

The Target Company

As at the date of this announcement, Shenyang Changyou is a non-wholly owned subsidiary of the Company, of which 51% is owned by the Company and the remaining 49% is owned by Changyou Automobile. Shenyang Changyou is mainly engaged in supply chain management; production of automobile components and modules; storage (other than dangerous chemicals), distribution, packaging and assembly; transport of finished vehicles and ordinary freight; production, sale, leasing and maintenance of containers; provision of business information consulting services; logistics planning, management and consulting services; logistics equipment and facilities leasing; import and export of goods, and import and export of technology.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company and Changyou Automobile hold 51% and 49% of the equity interests of Shenyang Changyou respectively and Changyou Automobile is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

Based on the financial statements of Shenyang Changyou of the latest three financial years ended 31 December 2023, as the total assets, profits and revenue of Shenyang Changyou compared to those of the Group are less than 10% under the percentage ratios for each of the latest three financial years, Shenyang Changyou will be regarded as an insignificant subsidiary pursuant to Rule 14A.09 of the Listing Rules.

Given the application of the insignificant subsidiary exemption under Chapter 14A of the Listing Rules, Changyou Automobile will not be regarded as a connected person of the Group and the Disposal is therefore exempted from any reporting, announcement and shareholders' approval requirements, etc. under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (set out in Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 5% but are all below 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The above-mentioned valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. The requirements under Rule 14.60A of the Listing Rules are applicable. The Company will make a further announcement within fifteen (15) business days after the publication of this announcement in compliance with Rule 14.60A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

"Board"	the board of directors of the Company
"Changyou Automobile" or "Purchaser"	Shenyang Changyou Automobile Supply Chain Co., Ltd.* (瀋陽長友汽車供應鏈有限公司), a limited company incorporated in the PRC

"China" or "PRC"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
"Company" or "Seller"	Changan Minsheng APLL Logistics Co., Ltd. (重慶長安民生物流股份有限公司), a limited company incorporated in the PRC
"Completion"	completion of the Disposal
"connected person(s)"	has the meaning as ascribed thereto under the Listing Rules
"Consideration"	the total consideration for the Disposal, being RMB47.90 million
"Director(s)"	directors of the Company
"Disposal"	the disposal of 51% equity interest of the Target Company by the Seller to the Purchaser pursuant to the Equity Transfer Agreement
"Equity Transfer Agreement"	the equity transfer agreement dated 26 September 2024 entered into between the Seller and the Purchaser in relation to the Disposal
"Group"	the Company and its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
"Independent Valuer"	Zhongshui Zhiyuan Assets Appraisal Co., Ltd. * (中水致遠資產評估有限公司), an independent asset appraisal firm
"insignificant subsidiary"	has the meaning ascribed to it under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited

"percentage ratio(s)"	has the same meaning ascribed thereto under the Listing Rules
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Shenyang Changyou" or "Target Company"	Shenyang Changyou Supply Chain Co., Ltd.* (瀋陽長友供應鏈有限公司), a company established under the laws of the PRC with limited liability and a non wholly-owned subsidiary of the Company as at the date of the Equity Transfer Agreement
"Specific Customer"	an independent specific customer of the Target Company
"Valuation Benchmark Date"	31 December 2023
"Valuation Report"	the valuation report of the Target Company issued by the Independent Valuer, taking 31 December 2023 as the benchmark date
"%"	per cent

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

Chongqing, the PRC
26 September 2024

As at the date of this announcement, the board of directors of the Company comprises: (1) Mr. Xie Shikang and Mr. Wan Nianyong as executive directors; (2) Mr. Che Dexi, Mr. Chen Wenbo, Ms. Jin Jie and Mr. Dong Shaojie as non-executive directors; (3) Mr. Li Ming, Mr. Man Wing Pong and Ms. Chen Jing as independent non-executive directors.

** For identification purpose only*