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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Changan Minsheng APLL Logistics Co., Ltd., you should at once hand this circular and the form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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 2022
AND THE MAJOR TRANSACTION REGARDING THE DEPOSIT
TRANSACTION WITH ZHUANGBEI FINANCE
AND
NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Board of Changan Minsheng APLL Logistics Co., Ltd. dated 7 December 2021 is set out on pages 5 to 31 of this circular. A letter from the Independent Board Committee of Changan Minsheng APLL Logistics Co., Ltd. is set out on pages 32 to 33 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders of Changan Minsheng APLL Logistics Co., Ltd. is set out on pages 34 to 54 of this circular.

The notice for convening the EGM to be held at 10:00 a.m. on 23 December 2021 at the Conference Room, No.1881, Jinkai Road, Yubei District, Chongqing, the PRC is set out on pages 65 to 67 of this circular.

Whether or not you intend to attend the EGM you are requested to complete the relevant proxy form in accordance with the instructions printed thereon and return the same to the Company's H Shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of the H Shares only) or the office of the Board of the Company at No.1881, Jinkai Road, Yubei District, Chongqing, the PRC (Zip Code: 401122) (for the holders of the Domestic Shares only (in respect of domestic shares, including non-H foreign shares)), as soon as possible and in any event not less than 24 hours before the time appointed for holding the relevant meeting (i.e. before 10:00 a.m. on 22 December 2021) or any adjournment thereof. Completion and delivery of the proxy form will not preclude you from attending, and voting in person at, the meeting or any adjournment thereof if you so wish.

* For identification purpose only

7 December 2021

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DEFINITIONS

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

“APLL”	APL Logistics Ltd.
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“AS/RS”	the automated storage and retrieval system
“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
“CFCA”	China Financial Certification Authority (中國金融認證中心)
“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., an associate of Changan Automobile
“China” or “PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“China Changan”	China Changan Automobile Group Company Limited*中國長安汽車集團有限公司
“Company”	Changan Minsheng APLL Logistics Co., Ltd. *重慶長安民生物流股份有限公司
“CSGC”	China South Industries Group Co., Ltd. *中國兵器裝備集團有限公司, a company established in the PRC on 1 July 1999 with limited liability
“Deposit”	the deposit maintained by the Group from time to time with Zhuangbei Finance pursuant to the framework agreement between the Company and Zhuangbei Finance
“Director(s)”	director(s) of the Company

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“EGM”	the extraordinary general meeting of the Company to be convened at the Company’s Conference Room, No.1881, Jinkai Road, Yubei District, Chongqing, the PRC on 23 December 2021 at 10:00 a.m for purposes of considering and approving, among others, the Non-exempt Continuing Connected Transactions for 2022 and major transaction regarding the deposit transaction with Zhuangbei Finance
“Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions”	the framework agreement entered into on 4 November 2020 by the Company with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance, all of such agreements are for a term of three years from 1 January 2021 to 31 December 2023, individually or collectively (as the case may be)
“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
“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 appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the transactions under the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance (and the respective caps for 2022), 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
“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, formed to advise the Independent Shareholders in connection with the transactions contemplated under the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance (and the respective caps for 2022)
“Independent Third Party(ies)”	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which is/are third party(ies) independent of the Company and its connected person(s) (as defined under the Listing Rules)
“Independent Shareholders”	shareholders of the Company that, in relation to the resolutions approving each of the Non-exempt Continuing Connected

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	Transactions for 2022 contemplated under each of the framework agreements with China Changan, Changan Automobile and Zhuangbei Finance and their respective associates, excludes China Changan and its associates; and in relation to the resolution approving the Non-exempt Continuing Connected Transactions for 2022 contemplated under the framework agreement with Minsheng Industrial and its associates, excludes Minsheng Industrial, Ming Sung (HK) and their respective associates
“Industries Financing”	Binqi Zhuangbei Group Finance Lease Liimited Liability Company*, 中國兵器裝備集團融資租賃有限公司, a limited company incorporated in the PRC
“Latest Practicable Date”	30 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lead Intelligent”	Wuxi Lead Intelligent Equipment Co., Ltd.* 無錫先導知道裝備股份有限公司, a limited company incorporated in the PRC
“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 Company (Hong Kong) Limited, a company established in Hong Kong with limited liability on 31 May 1949
“Non-Exempt Continuing Connected Transactions”	the non-exempt continuing connected transactions contemplated under each of framework agreements as set out in the paragraph headed “Non-Exempt Continuing Connected Transactions” in this circular
“Non-Exempt Continuing Connected Transactions for 2022”	the continuing connected transactions to be conducted in 2022, as set out under the paragraph headed “Non-Exempt Continuing Connected Transactions for 2022 and Major Transaction regarding the deposit transaction with Zhuangbei Finance” in this circular, individually or collectively (as the case may be)
“PBOC”	The People’s Bank of China
“percentage ratio(s)”	has the same meaning ascribed thereto under the Listing Rules
“Production Lines”	the automatic tyre and rim assembly production line, the tyre assembly sorting and dispatching production line, and the tyre and rim feeding and sorting production line

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“Proposed Cap(s)”	the proposed annual maximum limitation of the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance, individually or collectively (as the case may be)
“RMB”	Renminbi, the lawful currency of the PRC
“SIAMC”	China South Industries Assets Management Co., Ltd., a limited liability company established in China
“Shanghai Hofmann”	Shanghai Hofmann Machinery Equipment Co., Ltd.* 上海霍夫邁機械設備有限公司, a limited company incorporated in the PRC
“Share(s)”	ordinary share(s) of the Company, with a par value of RMB1.00 each
“Shareholder(s)”	shareholder(s) of the Company
“Shenyang Changyou”	Shenyang Changyou Supply Chain Co., Ltd.* 沈陽長友供應鏈有限公司
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisory Committee”	the supervisory committee of the Company
“Zhuangbei Finance”	China South Industries Group Finance Co., Ltd.* (formerly Binqi Zhuangbei Group Financial Limited Liability Company*) 兵器裝備集團財務有限責任公司
“%”	per cent

* For identification purpose only



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)

Executive directors:

Xie Shikang
Chen Wenbo
William K Villalon
Wan Nianyong

Non-executive directors:

Che Dexi
Man Hin Wai Paul
Xia Lijun

Independent non-executive directors:

Chong Teck Sin
Poon Chiu Kwok
Jie Jing
Zhang Yun

Registered Office:

No. 1881
Jinkai Road
Yubei District
Chongqing
The PRC

***Principal place of business
in Hong Kong:***

16/F., 144-151
Singa Commercial Centre
Connaught Road West
Hong Kong

* *For identification purpose only*

7 December 2021

To the Shareholders

Dear Sir or Madam,

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2022
AND THE MAJOR TRANSACTION REGARDING THE DEPOSIT
TRANSACTION WITH ZHUANGBEI FINANCE
AND
NOTICE OF EGM**

A. INTRODUCTION

Reference is made to the announcement dated 29 September 2021 in relation to, among other things, the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2022 and deposit transaction with Zhuangbei Finance.

LETTER FROM THE BOARD

Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders' approval in relation to the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2022 and the Major Transaction regarding the deposit transaction with Zhuangbei Finance at the EGM.

To comply with the requirements of the Listing Rules, the Independent Board Committee will advise the Independent Shareholders regarding the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2022 and the Major Transaction regarding the deposit transaction with Zhuangbei Finance. The letter from the Independent Board Committee to the Independent Shareholders is included in this circular. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, Chian Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2022 and the Major Transaction regarding the deposit transaction with Zhuangbei Finance and whether such transactions are in the interests of the Company and its Shareholders as a whole. The letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders is also included in this circular.

The purposes of this circular are to provide you with:

- (i) further information in relation to the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2022 and the Major Transaction regarding the deposit transaction with Zhuangbei Finance;
- (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2022 and the Major Transaction regarding the deposit transaction with Zhuangbei Finance; and
- (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2022 and the Major Transaction regarding the deposit transaction with Zhuangbei Finance.

Shareholders are advised to read this circular carefully for details of (i) the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2022 and the Major Transaction regarding the deposit transaction with Zhuangbei Finance (including the Proposed Cap for the Non-Exempt Continuing Connected Transactions for 2022 and the maximum outstanding daily balance on the Deposit for 2022); and (ii) the Notice of EGM before making their decision as regards voting at the EGM.

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2022 AND THE MAJOR TRANSACTION REGARDING THE DEPOSIT TRANSACTION WITH ZHUANGBEI FINANCE

I. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Background

Reference is made to the announcement dated 4 November 2020 and the circular dated 14 December 2020 in relation to, among other things, the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions entered into by the Company with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance, each for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023 (both days inclusive). The entering into the Framework Agreements for the Non-Exempt Continuing Connected Transactions and the annual cap for 2021 for each of the Non-Exempt Continuing Connected Transactions contemplated thereunder were approved by the Shareholders of the Company at the general meeting held on 30 December 2020.

As mentioned in the above announcement and the circular, the Company sought approval from the Shareholders at the general meeting to approve the annual cap for 2021 in relation to the Non-Exempt Continuing Connected Transactions contemplated under the each of the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions. Since the Company would like to provide a more appropriate level of the annual cap for each Non-Exempt Continuing Connected Transactions for each year, the Company will 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 for 2022 and 2023 in relation to each of the Non-Exempt Continuing Connected Transactions contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions.

The cap(s) for 2021 (including the maximum outstanding daily balance on the Deposit for 2021) for the Non-Exempt Continuing Connected Transactions under the each of the Framework Agreements for the Non-exempt Continuing Connected Transactions with each of Changan Automobile, China Changan, Minsheng Industrial and their respective associates and Zhuangbei Finance will expire on 31 December 2021. As such, the Company has estimated and will seek for approval by Independent Shareholders at the EGM for the annual cap(s) (including the maximum outstanding daily balance on the Deposit) for the year ending 31 December 2022 in relation to the Non-Exempt Continuing Connected Transactions contemplated under the each of the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions. With respect to the Non-Exempt Continuing Connected Transactions for the year ending 31 December 2023 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the Company will re-comply with the relevant Listing Rules requirements (including setting the annual cap, issuing announcement(s) and obtaining Independent Shareholders' approval).

Apart from setting the cap for 2022 for each Non-Exempt Continuing Connected Transactions in manner as disclosed in this circular, the Company confirms that there have been no changes to the terms of the Framework Agreements for the Non-Exempt Continuing Connected Transactions nor the categories of the Non-Exempt Continuing Connected Transactions contemplated thereunder.

As at the Latest Practicable Date, China Changan holds approximately 25.44% of the total issued share capital of the Company and 18.78% equity interest in Changan Automobile. In addition, CSGC holds 100% equity interest in China Changan and 14.78% equity interest in Changan Automobile. SIAMC, a wholly-owned subsidiary of CSGC, holds 6.12% equity interest in Changan Automobile. The ultimate shareholder of SIAMC is CSGC. The ultimate beneficial owner of CSGC is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

Zhuangbei Finance is a member company of CSGC in that CSGC holds a 22.90% equity interest and CSGC, through its holding in China Changan, indirectly holds a 13.27% equity interest in Zhuangbei Finance. The ultimate beneficial owner of Zhuangbei Finance is CSGC.

As at the Latest Practicable Date, the Company holds approximately 0.81% equity interest in Zhuangbei Finance. Therefore, according to the Listing Rules, the transactions between the Group and each of China Changan, Changan Automobile, Zhuangbei Finance and their respective associates become connected transactions of the Company.

In addition, Minsheng Industrial is a substantial shareholder of the Company, holding approximately 15.90% of the total issued share capital of the Company, thus Minsheng Industrial and its associates are also connected persons of the Company. The ultimate shareholder of Minsheng Industrial is Chongqing State-owned Assets Supervision and Administration Commission of the PRC.

2. Transactions with Changan Automobile, China Changan, Minsheng Industrial and Independent Third Parties

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

- (i) provision of logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for car raw materials, components and parts) to Changan Automobile and its associates. The logistics services provided to Changan Automobile and its associates are in relation to the whole automobile industrial chain with a main focus on finished vehicle transportation; and
- (ii) provision of logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for car raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) to China Changan and its associates. The logistics services provided to China Changan and its associates are primarily automobile parts transportation.

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

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

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

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- explore emerging businesses in new energy vehicles and used cars in order to reduce the reliance on the business from Changan Group.

In addition, for the past few years, the Group has adopted the general development strategy of “beyond Changan Group and beyond Automobile Industry” which in brief indicates that the Group shall:

(i) consolidate traditional businesses:

In the fast-developing domestic automobile market, the Group has stepped up efforts to grow traditional business to ensure primary sources of business and revenue to stabilize the business foundation. In March 2021, the Group aimed to further cover its warehousing network nationwide by increasing the coverage rate and integrating social data to provide customers with vehicle warehousing services, value-added services, station sharing services and delivery services under the new retail model of automobiles. The Group also aims to build the “last mile” distribution and warehousing capacity of vehicle logistics, and provide next-day delivery of commodity vehicles, dealers’ allocation and transportation and bulk single-line transportation services. The Company and FAW Logistics Co., Ltd. (“**FAW Logistics**”) established Chongqing Changxiang Supply Chain Technology Co., Ltd., a joint venture. The Company and FAW Logistics hold a direct equity interest of 70 % and 30% respectively in the joint venture. The Company acquired part of the equity of Wuhan Changjiang Zhilian Port Development Co., Ltd.* (“**Changjiang Zhilian**”). Hubei Port Group Co., Ltd., Wuhan Changxin Hengyuan Group Co., Ltd. and the Company hold 34%, 19% and 47% of the equity of Changjiang Zhilian respectively. Each of FAW Logistics, Hubei Port Group Co., Ltd., Wuhan Changxin Hengyuan Group Co., Ltd. is an Independent Third Party.

(ii) develop automobile logistics business from non-connected parties:

In addition to consolidating the traditional business, the Group explores the automobile logistics business from non-connected parties, i.e. Panchun Industrial (Shanghai) Co., Ltd.* (“**Panchun Industrial**”) and Taizhou Valeo Wenling Automotive Systems Co., Ltd. (“**Taizhou Valeo**”). Pursuant to the business contract entered into between the Company and Panchun Industrial, the Company shall provide Panchun Industrial with MAHLE nationwide transportation services commencing on 1 January 2021 and expiring on 31 December 2021 with starting points in Shanghai and Wuhan. The service fee is consisted of minimum charge, charge per kilometer and charge per cubic meter varied according to specific conditions in different places. Pursuant to the business contract entered into between the Company and Taizhou Valeo, the one-way service rate varies from RMB1,150 to RMB4,000 for FTL (Full Track Load). Each of Panchun Industrial and Taizhou Valeo is an Independent Third Party.

(iii) develop non-automobile logistics businesses:

Based on the automobile logistics business, the Group gradually tapped into the non-automobile aspects of the logistics market. In 2021, the Group started to provide camera storage for Hangzhou Hikvision Digital Technology Co., Ltd (“**Hikvision**”) and air-conditioner inbound logistics for Qingdao Hisense Hitachi Air-conditioning Systems Co., Ltd.* (“**Hisense Hitachi**”). Each of Hikvision and Hisense Hitachi is an Independent Third Party.

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

the achievement of the special working group and the effectiveness of the reward scheme.

With all the efforts, for the years ended 31 December 2018, 31 December 2019 and 31 December 2020, the transaction amount with business partners who are Independent Third Parties amounted to approximately RMB846 million, RMB768 million and RMB974 million, representing approximately 16.50%, 17.69% and 20.80% of the total revenue of the Group for the years ended 31 December 2018, 31 December 2019 and 31 December 2020, respectively. As shown by those figures, the Group has been making progress in reducing heavy reliance on the business transactions with Changan Group during the past few years.

For the financial year ended 31 December 2020 and the six months ended 30 June 2021, the transaction amount with business partners who are Independent Third Parties amounted to approximately RMB975 million (audited) and RMB877 million (unaudited) respectively, representing approximately 20.80% and 27.74% of the Group's revenue for the financial year ended 31 December 2020 and the six months ended 30 June 2021. As indicated above, the revenue derived from Independent Third Parties increased by approximately 6.94%.

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

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

As mentioned in the announcement dated 4 November 2020 and the circular dated 14 December 2020, the Company entered into the following framework agreements for the Non-Exempt Continuing Connected Transactions:

- (1) the framework agreement entered into between the Company and Changan Automobile on 4 November 2020, pursuant to which the Group shall provide outsourced 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 for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023;
- (2) the framework agreement entered into between the Company and China Changan on 4 November 2020, 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 for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023;
- (3) the framework agreement entered into between the Company and Minsheng Industrial on 4 November 2020, pursuant to which the Group shall purchase logistics services from Minsheng Industrial and its associates for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023; and
- (4) the framework agreement entered into between the Company and Zhuangbei Finance on 4 November 2020, pursuant to which Zhuangbei Finance shall provide the Group with settlements, deposit and loans, note discounting services for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023.

LETTER FROM THE BOARD

The Framework Agreements for the Non-Exempt Continuing Connected Transactions are not inter-conditional with each other. The transactions contemplated under each of the Framework Agreements for the Non-Exempt Continuing Connected Transactions shall be conducted on a non-exclusive basis. Separate written agreement(s) setting out the detailed terms shall be, if required, entered into between the relevant parties for each Non-Exempt Continuing Connected Transaction. Payment of each Non-Exempt Continuing Connected Transaction will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contract(s) to be entered into pursuant to the relevant framework agreements.

4. Internal Control Measures to regulate the conduct of the Continuing Connected Transactions with Connected Persons of the Company

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

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

(i) Parties responsible for preparing the bidding documents:

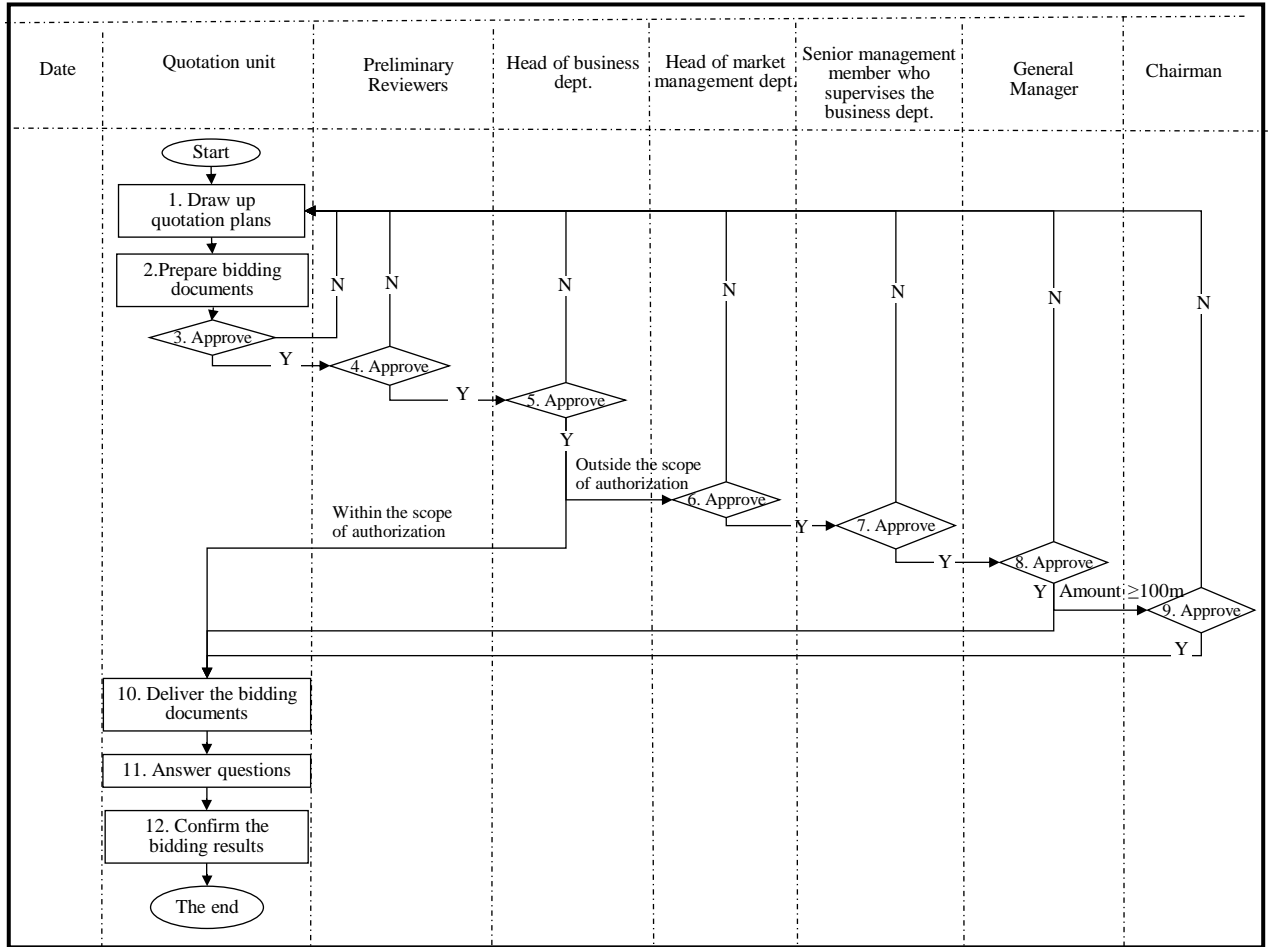
Role	Responsibility	Participants
Bidding representative of the quotation unit (at all levels)	<p>Upon obtaining the solicitation documents or expressions of interest by a customer, bidding representative shall be responsible for:</p> <p>(a) attributing the project to a specific business unit according to customer classification principle (significant customers will be handled by the marketing and customer service department of the Company; others will be handled by relevant business unit) and clarifying any further information regarding bidding requirements in the process of quotation by maintaining communication with the customer;</p> <p>(b) gathering up the technical and operation plans and business plan as reviewed and approved, submitting those documents in the manner as required by the customer, following up the bidding process and responding to any inquiries may be proposed by the customer.</p>	Business development managers/commercial attaches/ marketing specialists/ marketing officers
Preliminary Reviewers	The reviewers shall be responsible for reviewing business plan as part of the quotation documents to be submitted to the customer and assessing relevant operational risk and cost control.	Marketing Managers, commercial managers

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<p>Head of business department (at all levels)</p>	<p>Head of the business operation unit shall be responsible for</p> <p>(a) drafting and reviewing the operational plan and responding to customer's enquiries regarding the proposed operation of the project;</p> <p>(b) if any, approving bidding quotation within authorization and report relevant bidding process to the marketing and customer service department of the Company.</p>	<p>Head of the business department, deputy head of the department, commercial manager</p>
<p>Head of the market management department (at all levels)</p>	<p>Head of the market department shall be responsible for reviewing,</p> <p>(a) projects with potential profit margin of less than 5%;</p> <p>(b) finished vehicle related projects with an estimated revenue of over RMB50 million; and</p> <p>(c) reports on potential market risks and feasibility assessment of other projects with an estimated revenue of over RMB30 million.</p>	<p>Head of the marketing department</p>
<p>Senior management member who supervises the business department</p>	<p>Senior management member who supervises the business department shall be responsible for further reviewing,</p> <p>(a) projects with potential profit margin of less than 5%;</p> <p>(b) finished vehicle related projects with an estimated revenue of over RMB50 million; and</p> <p>(c) reports on potential market risks and feasibility assessment of other projects with an estimated revenue of over RMB30 million.</p>	<p>Senior management member</p>
<p>General Manager</p>	<p>General manager of the Company will be responsible for approving,</p> <p>(a) projects with potential profit margin of less than 5%;</p> <p>(b) finished vehicle related projects with an estimated revenue of over RMB50 million; and</p> <p>(c) reports on potential market risks and feasibility assessment of other projects with an estimated revenue of over RMB30 million.</p>	<p>General Manager</p>
<p>Chairman</p>	<p>Chairman of the Company will be responsible for approving all projects with an estimated revenue of over RMB100 million.</p>	<p>Chairman</p>

(ii) *Work flowchart regarding the bidding*

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- (3) In respect of purchasing logistics services by the Group, the Group has to adhere to the process of procurement set out in the Group's Procurement Management Procedure of Bidding and Compared Pricing. The Company will sign the implementation contract(s) governed by the relevant framework agreement(s).
- (4) When bidding or compared pricing method is adopted, all the specification documents will be made public to potential bidders, with all primary terms of relevant contracts clearly set out therein, so as to ensure that the terms obtained are no less favourable than the terms offered to or by Independent Third Parties.
- (5) When adopting the cost-plus approach to arrive at the price for provision of logistic services, the Group will initially gather necessary information including the technical specification and operational requirements, etc. regarding the logistic services from potential customers. Based on the customers' requirements, the Group will devise the prices after having taken into account all the direct fixed and variable costs (cost of materials, labour cost and other overhead expenses) associated with the services, with a mark-up (ranging from 3% to 12%) to the cost. The mark-up represents the gross profit of the Group. Please refer to paragraph (2)(i) above regarding the parties responsible for reviewing the pricing using the cost-plus approach.
- (6) The external auditors of the Company will conduct an interim review and year-end audit for each financial year, and will issue their opinion and letter to the Board in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the preceding financial year pursuant to the Listing Rules. In addition, according to the Listing Rules, the independent non-executive Directors of the Company will conduct an annual review with respect to the continuing connected transactions of the

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Company throughout the preceding financial year and confirm on the transactional amounts and terms of the transactions in the annual report of the Company.

- (7) The Supervisory Committee are also responsible for, among others, supervising on the continuing connected transactions of the Company and reviewing the fairness of the transactions and whether the pricing of the transactions is fair and reasonable.
- (8) The Company's Audit and Legal Affairs Center established protocols including *Internal Control Assessment Workflow* and *Internal Control Assessment Manual*, assessing and monitoring the internal control work of the Group from the top down. All units of the Group shall update their internal control manual on a regular basis to ensure its effectiveness, and to identify and remedy the deficiencies in a prompt manner.
- (9) The Company's Audit and Legal Affairs Center established the *Regulation on Connected Transactions of Changan Minsheng APLL Logistics Co., Ltd.*, joining efforts of relevant departments to control connected transactions of the Group collectively. Primary measures include (i) the Audit and Legal Affairs Center, operational units and Financial Operation Center shall pay extra attention to and conduct prudent review of the separate written agreements governed by relevant framework agreements entered into by the Group and connected persons to ensure the terms of the agreements conform to the corresponding framework agreement and are on normal commercial terms; (ii) the Financial Operation Center updates the aggregated amount of each of the connected transactions under the framework agreements based on the monthly financial data and submits a report on the connected transactions of the Group to the Audit and Legal Affairs Center; (iii) the Audit and Legal Affairs Center compares the report(s) with the approved annual caps of the connected transactions under each of the framework agreements and report to or warn the officers of the Company and relevant departments and advise the management of the Company to consider whether or not to re-adjust the relevant annual caps according to the Listing Rules.
- (10) The Company's Audit and Legal Affairs Center, the Audit Committee of the Company and the Supervisory Committee shall each conduct random internal assessments on the internal control measures and the financial information of the Company, in order to ensure that the internal control measures in respect of the connected transactions remain complete and effective. Furthermore, they convene meetings at least twice a year to discuss and assess the implementation status of connected transactions. Meanwhile, the Audit and Legal Affairs Center shall conduct prudent review and appraisal of the contracts entered into by the Company, the operational departments shall monitor the transactional amounts in a timely manner and manage the compliance during the process of business operations.

The Company shall strictly follow the relevant protocols of internal control to ensure the pricing mechanism is transparent and the implementation of such pricing mechanism is subject to strict scrutiny by the Group and that connected transactions are conducted in a fair and reasonable manner and in all respect in the best interests of the Company and its Shareholders as a whole. For the pricing mechanism for the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2022 and deposit transaction with Zhuangbei Finance, please refer to the disclosure set out in paragraph headed "5. Pricing Policy, Historical Figures, Historical Caps, Proposed Caps for each of the Non-Exempt Continuing Connected Transactions for 2022 and Rationale" of this circular.

Based on the above and having considered that (i) separate written agreements were and will continue to be under prudent review by the Audit and Legal Affairs team to ensure that the terms of such agreements will be in accordance with the relevant framework agreements; (ii) regular review of the aggregate transaction amount for each of the non-exempt continuing connected transactions

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under the relevant framework agreements by the management team to ensure that it will not exceed the relevant caps; and (iii) the conduct of the transactions under the relevant framework agreements were and will be supervised by the management team and reviewed by the Independent non-executive Directors and the auditors of the Company on a regular basis, the Directors are of the view that there are effective internal control measure in place to regulate and monitor the Non-exempt continuing connected transactions of the Company.

5. Pricing Policy, Historical Figures, Historical Caps, Proposed Caps for each of the Non-Exempt Continuing Connected Transactions for 2022 and Rationale

The caps in respect of each of the Non-Exempt Continuing Connected Transactions for 2022 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>The logistics services to be provided by the Group to Changan Automobile cover the entire automotive industry chain, mainly finished vehicle logistics. The logistics services to be provided by the Group to Changan Automobile and its associates are outsourced business.</p> <p>Generally, the pricing of the logistics services to be provided by the Group is market driven. As the transactions contemplated under the existing framework agreement with Changan Automobile shall be conducted on a non-exclusive basis, the Group has specified marketing and client servicing teams to liaise with and ascertain whether any particular logistic service will be conducted by public tender. The pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order of this section:</p> <ol style="list-style-type: none"> (1) Bidding Price: the price will be arrived at by bidding process in principle. The bidding price shall be a price which shall primarily be based on a cost-plus basis but in any event shall be no less favourable than the price offered by the Group to Independent Third Parties for similar transaction. The bidding shall be conducted after a bidding procedure according to the PRC Bidding Law. The Company has established Bidding Quotation Process and Bidding Quote Management Procedures. Briefly, the Company’s enterprise technical department will draw up the technical and operation plans whereas the marketing and customer service department will provide business plan and the two departments will collaborate in preparing the bidding document in accordance with the specific requirements of our customers. Bidding representative of the Company will deliver the bidding offer and follow up on the bidding process. The Company will set up a working group to assist the bidding representative in the response to the bidding before the bidding representative will finally be informed of the bidding results. (2) Internal Compared Price: in determining the quote to be offered by the Group in internal compared pricing method, whenever practical and appropriate, the Company will comprehensively consider the feasibility of the project, and the Company’s knowledge through market channel and historical transaction amounts on at least two competing third parties to ascertain whether and at what price the Group should participate in the project. (3) Cost-plus Price: to be determined with reference to a reasonable cost plus a reasonable profit margin ranging from 3% to 12%. The Company will consider the labor cost, equipment operation cost, material inputs, 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>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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	Historical figures	Historical caps (for 2019~2021)	Proposed Cap for 2022	Basis of determination of the Proposed Cap for 2022
Proposed cap and basis	For the two years ended 31 December 2020, and eight months ended 31 August 2021, RMB3,482,580,000, RMB3,622,482,000 and RMB3,014,180,000 respectively	For the three years ended 31 December 2021, RMB7,500,000,000, RMB4,060,000,000 and RMB5,000,000,000 respectively ¹	For the year ending 31 December 2022, RMB6,000,000,000	<p>China is counted as the largest automobile markets in worldwide, both in terms of sales and production. Unfortunately, car sales dipped nearly 8.2% in 2019, the biggest drop since the 1990s and witnessed a slight decline by 1.9% in 2020 according to the China Association of Automobile Manufactures. Despite such dire circumstances, Changan Automobile (the Group's major customer) and its associates performed better than the industry's average in 2020. The sales volume of Changan Automobile increased by 13.98% year on year, and the sales volume of Changan Ford increased by 37.67% year on year with outstanding performance in the market in 2020. According to the information available to the Group, in 2021, Changan Automobile continues to maintain a momentum of high-speed growth. From January to June in 2021, the sales volume of Changan Automobile reached 1,200,800 vehicles, up by 44.51% year on year. The Group expects to seize the opportunity and continue to provide logistics services for Changan Automobile and its associates in 2022 to maximize revenue of the Group.</p> <p>The proposed annual cap for the year ending 31 December 2022 for provision of logistics services by the Group to Changan Automobile and its associates was determined having considered:</p> <p>(i) the projected level of transaction amount with Changan Automobile and its associates for the year ending 31 December 2021, i.e. RMB5 billion (comprising (a) based on</p>

¹ This annual cap for the year ending 31 December 2021 has been revised from RMB4,100,000,000 to RMB5,000,000,000. For details, please refer to the announcement of the Company dated 29 September 2021 and the circular of the Company dated 10 November 2021.

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				<p>the publicly available information, the sales volume of Changan Automobile from January to August 2021 increased by approximately 32.49% compared to the same period last year. The transaction amount between the Group and Changan Automobile for the year ended 31 December 2020 was RMB3,622,492,000. The Company expects that the transaction amount will be in the region of RMB4.8 billion, if the transactions between the Group and Changan Automobile and its associates would increase in tandem with the same growth rate of Changan Automobile; and (b) since May 2021, the Company has taken an additional 20% of the finished vehicle logistic business from Changan Ford to become a full supplier of finished vehicle logistic services of Changan Ford. The Company expects that the transportation volume between the Group and Changan Ford will be increased and therefore an additional transaction amount of RMB200 million is expected to be generated from the transportation of finished vehicle logistic services of Changan Ford for the year);</p> <p>(ii) the projected level (ranging from the expected growth rate of 15% to 20% based on the expected transaction amount between the Group and Changan Automobile and its associates for 2021) of the incremental transaction amount with Changan Automobile and its associates for the</p>
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				<p>year ending 31 December 2022; and</p> <p>(iii) a moderate buffer added to respond to the inherent volatility of the automobile market and to accommodate any potential momentum increase in the launch of new models of Changan Automobile and its associates in 2022.</p> <p>With reference to the above factors, the Board is of the view that the proposed annual cap for the year ending 31 December 2022 is fair and reasonable.</p>
<p>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</p>				
<p>Pricing policy</p>	<p>Generally, the pricing of the logistics services to be provided by the Group is market driven. As the transactions contemplated under the existing framework agreement with China Changan shall be conducted on a non-exclusive basis, the Group has specified marketing and client servicing teams to liaise with and ascertain whether any particular logistic service will be conducted by public tender. The pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order of this section:</p> <p>(1) Bidding Price: the price will be arrived at by bidding process in principle. The bidding price shall be a price which shall primarily be based on a cost-plus basis but in any event shall be no less favourable than the price offered by the Group to Independent Third Parties for similar transaction. The bidding shall be 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 through market channel and historical transaction amounts 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 ranging from 3% to 12%. The Company will consider the labor cost, equipment operation cost, material inputs, 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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	Historical figures	Historical caps (for 2019~2021)	Proposed Cap for 2022	Basis of determination of the Proposed Cap for 2022
Proposed cap and basis	For the two years ended 31 December 2020, and eight months ended 31 August 2021, RMB69,517,000, RMB76,237,000 and RMB63,317,000 respectively	For the three years ended 31 December 2021, RMB250,000,000, RMB95,000,000 and RMB120,000,000 respectively	For the year ending 31 December 2022, RMB210,000,000	<p>China Changan has a lot of member companies, mainly in automobile parts business. Up to now, the Group merely operates a small part of the logistics demand of China Changan and its member companies. Therefore, there are plenty rooms for business expansion. China Changan is a substantial shareholder of the Company and has been very supportive in strengthening the business relationship between the Group and its other member companies. In 2020, the Group plans to not only provide storage and transportation services for Sichuan Jian'an Industrial Co., Ltd. (a member company of China Changan), but also further expand transportation business with Sichuan Jianan Industrial Co. Ltd. and step up efforts in developing the logistics business with other automobile parts companies under China Changan. In addition, the Group is currently in business negotiation with several automobile parts companies under China Changan.</p> <p>The proposed annual cap for the year ending 31 December 2022 for provision of logistics services by the Group to China Changan and its associates was determined having considered:</p> <p>(i) the projected level of transaction amount with China Changan and its associates for the year ending 31 December 2021, i.e. RMB94.98 million, which is arrived at based on the expected annualized transaction amount for the year ending 31 December 2021 (i.e. the transaction amount of RMB63.32 million for the eight months ended August 2021, and hence average transaction amount would be RMB7.915 million, and with such projection the</p>

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				<p>transaction amount for the whole year would be RMB94.98 million). The estimate assumes that (i) similar monthly average transaction amount could be maintained for the remainder of the year ending 31 December 2021; and (ii) there would be no significant seasonal factor associated with the provision of logistics services by the Group to China Changan and its associates; and</p> <p>(ii) the estimated increase in transaction volume for provision of services to companies under China Changan, with an aggregate amount of RMB115 million for the year ending 31 December 2022, i.e. basing on its market expansion plan, the Company will continue to vigorously expand auto parts logistics business from China Changan and its associates in 2022. It is estimated that the transaction volume of logistic services provided to Jian'an Rear Axle Automobile Co., Ltd., Chengdu Huachuan Electric Parts Co., Ltd. and Chongqing Qingshan Industry Co., Ltd. (all being subsidiaries of China Changan) will increase by RMB40 million, RMB40 million and RMB25 million respectively, and the transaction volume of warehousing and delivery services to be provided to South Air International Co., Ltd. and CSG TRW CHASSIS SYSTEMS CO., LTD. (both being associates of China Changan) will each increase by RMB5 million respectively.</p>
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				Therefore, the Directors are of the view that the proposed cap for the year ending 31 December 2022 in relation to the provision of logistics services by the Group to China Changan and its associates is fair and reasonable.
3. Logistics services provided to the Group by Minsheng Industrial and its associates				
Pricing policy	<p>The pricing of the services provided under the existing framework agreement with Minsheng Industrial 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>			
	Proposed cap and basis	<p>Historical figures</p> <p>For the two years ended 31 December 2020, and eight months ended 31 August 2021, RMB216,470,000, RMB192,799,000 and RMB112,150,000 respectively</p>	<p>Historical caps (for 2019-2021)</p> <p>For the three years ended 31 December 2021, RMB700,000,000, RMB265,000,000 and RMB250,000,000 respectively</p>	<p>Proposed Cap for 2022</p> <p>For the year ending 31 December 2022, RMB250,000,000</p>

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				<p>(i) the transaction amount and the corresponding utilization rate of the annual cap for the year ended 31 December 2020;</p> <p>(ii) the projected transaction amount with Minsheng Industrial and its associates for the year ending 31 December 2021;</p> <p>(iii) the expected more use of water transportation adjusted accordingly by the Group; and</p> <p>(vi) the estimated incremental purchase amount due to the potential increase in logistics demand from Changan Automobile.</p> <p>With reference to the above factors, the Board is of the view that the proposed annual cap for the year ending 31 December 2022 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 existing framework agreement with Zhuangbei Finance 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 rates 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>To ensure that the interest rates and other terms offered by Zhuangbei Finance in relation to the deposit transaction under the existing framework agreement with Zhuangbei Finance will be fair and reasonable and on normal commercial terms, prior to placing deposits at Zhuangbei Finance, the</p>			

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	<p>Finance Department of the Company will review the relevant benchmark interest rates set by PBOC and then obtain at least three quotations from major domestic commercial banks in the PRC which are Independent Third Parties to determine the then prevailing interest rate(s) and other terms being offered by those institutions in the ordinary course of business for comparable deposits of similar nature during the same period. Such reference interest rate(s) will then be reviewed and approved by the management of the Company in accordance with its internal approval processes and procedures prior to entering into each individual specific agreement for the deposit services. The Company may also take into account factors, including, among other things, quality of services, safety of deposits, reputation of financial institutions, and history of cooperation in making decisions to place deposits with any banks or financial institutions. The management of the Company will hold a monthly funding planning meeting to analyse the deposit policies and the deposits placed at Zhuangbei Finance. If the Company is aware that the deposit interest rate offered by Zhuangbei Finance is lower than the benchmark interest rates set by PBOC and/or less favourable than that offered by major domestic commercial banks in the PRC for the deposit of the same type and term, the Group will not maintain deposits with Zhuangbei Finance, or it will negotiate with Zhuangbei Finance to re-determine the interest rate.</p> <p>When Zhuangbei Finance provides note discounting and loan services to the Group, the conditions for providing such services by Zhuangbei Finance to the Group shall be on normal commercial terms and no 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>Historical caps (for 2019-2021)</p>	<p>Proposed Cap for 2022</p>	<p>Basis of determination of the Proposed Cap for 2022</p>
	<p>For the two years ended 31 December 2020, and six months ended 30 June 2021, RMB348,630,000, RMB198,530,000 and RMB183,190,000 respectively</p>	<p>For the three years ended 31 December 2021, RMB350,000,000, RMB200,000,000 and RMB190,000,000 respectively</p>	<p>For the year ending 31 December 2022, RMB200,000,000</p>	<p>Zhuangbei Finance is a non-banking financial company with a sound capital base and renowned credibility among the member companies of CSGC. As Zhuangbei Finance provides the Group with free settling services, the Group maintains a deposits account in Zhuangbei Finance to settle transaction fees with major suppliers. The proposed annual cap for the year ended 31 December 2022 are determined after considering (i) the historical maximum daily outstanding balance of deposits placed by the Group with Zhuangbei Finance for the six months ended 30 June 2021 and the utilization rate of the 2021 annual cap; and (ii) as at 30 June 2021, the Group had a total deposit of approximately RMB916 million. The proposed annual cap of the deposit (on a daily basis) with Zhuangbei Finance represents less than 20% of the total deposits of the Group as at 30 June 2021. The Company is of the view that by allocating the Group's cash among Zhuangbei Finance and other licensed banking institutions in the PRC such as China Merchants Bank, China Construction Bank and Industrial and Commercial</p>

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				<p>Bank of China, the Group is able to reasonably reduce the financial risks of capital overconcentration while retaining the benefit of financial settlement through Zhuangbei Finance. As such, the Directors are of the view that the proposed annual cap for the year ended 31 December 2022 for the deposit transaction with Zhuangbei Finance is fair and reasonable.</p>
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6. Reasons for and Benefits of the Non-Exempt Continuing Connected Transactions for 2021 and Major Transaction

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

Since the establishment of the Company, the Group has had business and maintained a good relationship with Changan Automobile. 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 revenue of the Group. As such, the Company believes that it is essential to maintain the provision of logistics services by the Group to Changan Automobile and its associates to ensure source of revenue. In addition, according to the China Association of Automobile Manufacturers, the year-on-year growth rate of China auto sales was 13.7% from January to August in 2021 which shows that the domestic automobile market is showing a momentum of fast growth. Furthermore, the year-on-year growth rate of Changan Automobile's cumulative sales volume reached approximately 32.49%, representing 2.37 times of the industrial average. Therefore, the Board is of the view that it is in the interests of the Company and its shareholders as a whole that the Group seizes the momentum and maximize the revenue to be generated from providing logistics services for Changan Automobile and its associates.

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

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

China Changan is essentially a large enterprise with businesses mainly ranging from parts and components to automobile retail. It has roughly 18 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

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China Changan and its associates ever since China Changan became one of the substantial shareholders of the Company. Currently, the Group has established steady business contact with several member companies of China Changan. The Group anticipates that by leveraging on the current business relationship, the Group can establish more business contact with Changan Group and can tap into the market potentials presented by China Changan and its associates, thereby increasing business sources and maximizing revenue of the Group.

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

The Group is a third-party automobile logistics service provider for providing comprehensive logistics solution for our customers. However, the Group currently does not have any vessel or enough freight carriers to ensure an independent operation of business. Therefore, the Group needs to purchase logistics services from suppliers with sufficient transportation capacity and logistics facilities and equipment. Minsheng Industrial is fully equipped with ro-ro ships of various volumes and car transporters that is compliant with the current regulation of GB1589 and has extensive, well-established logistics network across the country. Therefore, Minsheng Industrial and its associates are competent in providing logistics services to the Group. In addition, Minsheng Industrial and its associates have been a credible and reliable business partner of the Group, and have been providing various logistics services such as waterway transportation of 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 CSGC for purpose of centralizing capital management and optimizing capital efficiency within the CSGC. Zhuangbei Finance has been providing financial services for member companies of CSGC for years and is highly recognized for its financial management services. In addition, the major customers of the Group are member companies within CSGC 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 (i) the relevant benchmark interest rate set by PBOC and (ii) the three quotations from major independent commercial banks in the PRC. Moreover, currently, the fees payable to normal commercial banks for settlement services, including account management, online

banking system management, confirmation, etc. are free of charge to Zhuangbei Finance, which would reduce the finance costs of the Group;

- (iii) The risk of the Deposit transaction with Zhuangbei Finance is further reduced by (1) the undertakings provided by Zhuangbei Finance, (2) various internal control and risk management awareness of and measures took by Zhuangbei Finance in respect of credit risk, liquidity risk, market risk, operational risk, information technology risk and etc;
- (iv) Zhuangbei Finance has advanced information security protection system, the security protection of which is no less than the protection level of head office of commercial banks and Zhuangbei Finance established data security backup center in Chongqing and was granted technical security certification by CFCA, all of which proves that Zhuangbei Finance was competent enough to protect the information and the fund security of the Group; and
- (v) In addition, as a fellow member of the CSGC, Zhuangbei Finance has a better understanding of the operations and financial requirements of the Group which give Zhuangbei Finance a built-in advantage to allow it to provide the Group with more expedient and efficient services.

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

The Directors (including the independent non-executive Directors) are of the view that the Non-exempt Continuing Connected Transactions for 2022 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 2022 and major transaction were entered in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

7. Financial Effects of the Deposit Transaction on the Group

As at 30 June 2021, the total deposit amount of the Group was approximately RMB916,054,000 and the deposit amount with Zhuangbei Finance was approximately RMB183,190,000, representing approximately 20.00% of the total deposit amount of the Group.

For the six months period ended 30 June 2021, the deposit interest income from Zhuangbei Finance was approximately RMB799,800, representing approximately 13.28% total deposit interest income of the Group and approximately 0.32% Group's unaudited revenue during the corresponding period.

Therefore, the Company anticipates that the deposit interest income to be earned from Zhuangbei Finance for the year ending 31 December 2022 will not have any material impact to the Group's revenue, assets and liabilities.

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

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

LETTER FROM THE BOARD

- (i) provide to the Company, at any time, financial services with terms which are no less favourable than for comparable financial services provided to members of the CSG Group; and those of the comparable financial services the Company may obtain from other financial institutions;
- (ii) ensure that the Financial Operation Licence (金融許可證) and other business permits, approvals and filings, etc. have been lawfully obtained by Zhuangbei Finance and will remain valid and effective;
- (iii) ensure the safe operations of its fund settlement and clearance network, assure the safety of funds, control the risk exposure and safety of the Deposit and will satisfy the requirements for the payment of the Deposit;
- (iv) ensure the strict compliance with the risk monitoring indicators for financial institutions promulgated by the CBIRC and that the major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC and other relevant laws and regulations;
- (v) report its business and financial positions to the Company regularly, co-ordinate with the auditors of the Company in the course of their audit work to enable the Company to fulfill the requirements of the Listing Rules; and
- (vi) on happening of new, or special event that may possibly affect the Company, Zhuangbei Finance shall proactively inform the Company on a timely basis.

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

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

9. Board of Directors' Views

The Board has approved the proposals of Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and their respective associates and the Non-Exempt Continuing Connected Transactions for 2022 and the Major Transaction regarding the deposit transaction with Zhuangbei Finance. Except for Mr. Xie Shikang, Mr. Xia Lijun and Wan Nianyong, who being the directors nominated by China Changan and are therefore treated as the related Directors under relevant PRC laws, are deemed to be interested in the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and their respective associates and the Non-Exempt Continuing Connected Transactions for 2022 and the

Major Transaction regarding the deposit transaction with Zhuangbei Finance, none of the other Directors has abstained from voting on the relevant resolutions approving the Framework Agreements for Non-Exempt Continuing Connected Transactions with each of Changan Automobile, China Changan and Zhuangbei Finance and the Non-Exempt Continuing Connected Transactions for 2022 and the Major Transaction (including the Proposed Caps for 2022 and the maximum outstanding daily balance on the Deposit for 2022) thereby contemplated.

The Board has approved the proposal of Non-Exempt Continuing Connected Transactions for 2022 with Minsheng Industrial and its associates. Except for Mr. Chen Wenbo and Mr. Che Dexi, who being nominated by Minsheng Industrial and are therefore treated as the related Directors under the relevant PRC laws, who are deemed to be interested in the Non-Exempt Continuing Connected Transactions for 2022 with Minsheng Industrial and its associates, none of the other Directors has abstained from voting on the relevant resolution approving the Framework Agreement for Non-Exempt Continuing Connected Transactions with Minsheng Industrial and the transactions (including the Proposed Cap for 2022) thereby contemplated.

10. Implication under the Listing Rules

Since one or more of the applicable percentage ratios of the Non-Exempt Continuing Connected Transactions for 2022 contemplated under each of the Framework Agreements for the Non-Exempt Continuing Connected Transactions with Changan Automobile and China Changan and their respective associates (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 2022 with Changan Automobile and China Changan and their respective associates are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements.

Since one or more of the applicable percentage ratios of the Non-Exempt Continuing Connected Transactions for 2022 contemplated under the Framework Agreement for the Non-Exempt Continuing Connected Transactions with Minsheng Industrial and its associates as calculated under Rule 14.07 of the Listing Rules are above 5%, the Non-Exempt Continuing Connected Transactions for 2022 with Minsheng Industrial and its associates 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 2022 under the framework agreement with Zhuangbei Finance in relation to the deposit 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 exempt 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.

11. 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.

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

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

Minsheng Industrial engages in transportation via rivers and by sea.

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

C. EGM

The EGM will be held for considering and approving, among others, the Non-Exempt Continuing Connected Transactions for 2022 and the Non-Exempt Continuing Connected Transactions for 2022 and deposit transaction with Zhuangbei Finance.

China Changan (which controls 41,225,600 Shares with voting rights in the Company or approximately 25.44% of the equity interests in the Company as at the Latest Practicable Date) who are involved in, or interested in the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and their respective associates, and the Non-Exempt Continuing Connected Transactions for 2022 and major transaction with Zhuangbei Finance, will abstain from voting on the relevant resolutions approving relevant Framework Agreement for Non-Exempt Continuing Connected Transactions with each of Changan Automobile, China Changan and Zhuangbei Finance and the transactions (including the relevant Proposed Caps and the maximum outstanding daily balance on the Deposits for 2022) thereby contemplated.

Minsheng Industrial (which controls 25,774,720 Shares with voting rights in the Company or approximately 15.90% of the equity interests in the Company as at the Latest Practicable Date), Ming Sung (HK) (which controls 6,444,480 Shares with voting rights in the Company or approximately 3.98% of the equity interests in the Company as at the Latest Practicable Date), who are involved in, or interested in the Non-Exempt Continuing Connected Transactions for 2022 with Minsheng Industrial and its associates, will abstain from voting on the relevant resolution approving the Framework Agreement for Non-Exempt Continuing Connected Transactions with Minsheng Industrial and the transactions (including the Proposed Cap for 2022) thereby contemplated.

LETTER FROM THE BOARD

Save as disclosed above and according to the information available to the Company, none of the Shareholders shall be required to abstain from voting in any of the resolutions regarding the transactions under the Non-Exempt Continuing Connected Transactions for 2022 and the major transaction proposed at the EGM.

The notice of the EGM is set out on pages 65 to 67 of this circular. Whether or not you intend to attend the EGM you are requested to complete the relevant proxy form in accordance with the instructions printed thereon and return the same to the Company's H Shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of the H Shares only) or the office of the Board of the Company at No.1881, Jinkai Road, Yubei District, Chongqing, the PRC (Zip Code: 401122) (for the holders of the Domestic Shares only (in respect of domestic shares, including non-H foreign shares)), as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM.

Completion and delivery of the proxy form will not preclude you from attending, and voting in person at, the meeting or any adjournment thereof if you so wish.

The resolutions regarding each of the transactions under the Non-Exempt Continuing Connected Transactions for 2022 and the Major Transaction (including the proposed cap for 2022 for each of Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2022) will be passed by way of ordinary resolutions and voting will be taken by way of a poll in accordance with the requirements of the Listing Rules.

D. CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders of H Shares who will be entitled to attend the EGM, the Company has suspended registration of transfer of shares from 20 December 2021 to 23 December 2021, both days inclusive. In order to qualify to attend the EGM and to vote thereat, non-registered holders of H shares of the Company whose transfer documents have not been registered must deposit the transfer documents accompanied by relevant share certificates with the Company's H share registrar's transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 17 December 2021. Holders of H Shares whose names are recorded in the register of members of the Company on 23 December 2021 are entitled to attend and vote at the EGM.

E. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders of the Company, which is set out on pages 32 to 33 of this circular, and which contains their recommendation in respect of the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction regarding the deposit transaction with Zhuangbei Finance (including the proposed cap for 2022 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2022). The letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their

LETTER FROM THE BOARD

respective associates and the Major Transaction regarding the deposit transaction with Zhuangbei Finance (including the proposed cap for 2022 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2022) and whether such transactions are in the interests of the Company and its Shareholders as a whole is set out on pages 34 to 54 of this circular.

The Independent Board Committee, having taken into account the advice of Gram Capital, considers that the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction regarding the deposit transaction with Zhuangbei Finance (and the respective caps for 2022) are fair and reasonable insofar as the Independent Shareholders are concerned and that such transactions are in the interests of the Company and its Shareholders as a whole. Accordingly, it is recommended that the Independent Shareholders vote in favor of the relevant resolutions to approve each of the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction regarding the deposit transaction with Zhuangbei Finance (including the proposed cap for 2022 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2022).

The Directors (including the independent non-executive Directors) consider that the transactions under the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction regarding the deposit transaction with Zhuangbei Finance (including the proposed cap for 2022 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2022) are of normal commercial terms and in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders vote in favor of the ordinary resolutions thereby approving each of the transactions under the Non-Exempt Continuing Connected Transactions for 2022 and the Major Transaction (including the proposed cap for 2022 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2022) to be proposed at the EGM as set out in the notice of the EGM.

F. OTHER INFORMATION

Your attention is also drawn to (i) the financial information of the Group and (ii) the general information set out in Appendices I and II, respectively, of this circular.

On behalf of the Board
Changan Minsheng APLL Logistics Co., Ltd.
Xie Shikang
Chairman



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)

7 December 2021

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2022
AND MAJOR TRANSACTION REGARDING THE DEPOSIT TRANSACTION
WITH ZHUANGBEI FINANCE**

To the Independent Shareholders

Dear Sirs or Madam,

We, the Independent Board Committee of Changan Minsheng APLL Logistics Co., Ltd., are advising the Independent Shareholders in connection with the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2022 and the Major Transaction regarding the deposit transaction with Zhuangbei Finance, details of which are set out in the letter from the Board contained in the circular (“**Circular**”) of the Company to the Shareholders dated 7 December 2021, of which this letter forms a part. Terms defined in this circular shall have the same meanings when used herein unless the context otherwise requires.

Under the Listing Rules, the conduct of the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2022 and the Major Transaction regarding the deposit transaction with Zhuangbei Finance requires the approval of the Independent Shareholders at the EGM.

We wish to draw your attention to the letter of advice from Gram Capital set out on pages 34 to 54 of this circular. We have discussed the letter and the opinion contained therein with Gram Capital.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among others, the factors and reasons considered by, and the opinion of, Gram Capital, as stated in its aforementioned letter, we consider each of transactions under the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction regarding the deposit transaction with Zhuangbei Finance (including the proposed cap for 2022 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on Deposit for 2022) to be fair and reasonable insofar as the Independent Shareholders are concerned. We are of the view that each of transactions the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction regarding the deposit transaction with Zhuangbei Finance (including the proposed cap for 2022 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2022) are of normal commercial terms and in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the relevant ordinary resolutions in the notice of the EGM to be proposed at the EGM to be held on 23 December 2021 and thereby approve each of transactions under the Non-Exempt Continuing Connected Transactions for 2022 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction regarding the deposit transaction with Zhuangbei Finance (including the proposed cap for 2022 for each of the Non-Exempt Continuing Connected Transactions and and the maximum outstanding daily balance on the Deposit for 2022).

Yours faithfully,

Mr. Chong Teck Sin

Independent Non-executive Director

Mr. Poon Chiu Kwok

Independent Non-executive Director

Mr. Jie Jing

Independent Non-executive Director

Ms. Zhang Yun

Independent Non-executive Director

* *For identification purpose only*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2022 for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

7 December 2021

*To: The independent board committee and the independent shareholders
of Changan Minsheng APLL Logistics Co., Ltd.**

Dear Sirs,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of Non-Exempt Continuing Connected Transactions for 2022, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 7 December 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 4 November 2020, the Company entered into the Framework Agreements for the Non-Exempt Continuing Connected Transactions with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance, each for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023 (both days inclusive).

The existing caps for the Non-Exempt Continuing Connected Transactions will expire on 31 December 2021. As such, the Company estimated and is seeking for approval by Independent Shareholders at the EGM for the annual caps for the year ending 31 December 2022 (“**FY2022**”) in relation to the Non-Exempt Continuing Connected Transactions for 2022.

With reference to the Board Letter, the Non-Exempt Continuing Connected Transactions for 2022 constitute continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under the Listing Rules. In addition, the deposit transaction contemplated under the framework agreement with Zhuangbei Finance (the “**Deposits CCT**”) also constitutes a major transaction of the Company.

The Independent Board Committee comprising Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Non-Exempt Continuing Connected Transactions for 2022 are on normal commercial terms and are fair and reasonable; (ii) whether the Non-Exempt Continuing

Connected Transactions for 2022 are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Non-Exempt Continuing Connected Transactions for 2022 at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in relation to the Company's (i) major and connected transactions, major and continuing connected transactions, details of which are set out in the Company's circular dated 14 December 2020; and (ii) major and continuing connected transactions, details of which are set out in the Company's circular dated 4 December 2019. Notwithstanding the aforesaid engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2022.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Non-Exempt Continuing Connected Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Changan Automobile, China Changan, Minsheng Industrial, Zhuangbei Finance or their respective subsidiaries or associates, nor have we considered the taxation

implication on the Group or the Shareholders as a result of the Non-Exempt Continuing Connected Transactions for 2022. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Non-Exempt Continuing Connected Transactions for 2022, we have taken into consideration the following principal factors and reasons:

Background of the Non-Exempt Continuing Connected Transactions for 2022

On 4 November 2020, the Company entered into the following Framework Agreements for the Non-Exempt Continuing Connected Transactions:

- (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 for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023 (the “**Changan Automobile CCT**”);
- (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 for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023 (the “**China Changan CCT**”);
- (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 for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023 (the “**Minsheng Industrial CCT**”); and
- (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 for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Framework Agreements for the Non-Exempt Continuing Connected Transactions are not inter-conditional with each other. The transactions contemplated under each of the Framework Agreements for the Non-Exempt Continuing Connected Transactions shall be conducted on a non-exclusive basis. Separate written agreement(s) setting out the detailed terms shall be, if required, entered into between the relevant parties for each of the Non-Exempt Continuing Connected Transactions for 2022.

Information on the Group

With reference to the Board Letter, 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 the PRC.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2020 and the six months ended 30 June 2021 (“1H2021”) as extracted from the Company’s annual report for the year ended 31 December 2020 (“2020 Annual Report”) and the Company’s interim report for 1H2021 (“2021 Interim Report”):

	For the six months ended 30 June 2021	For the year ended 31 December 2020	For the year ended 31 December 2019	Change from 2019 to 2020
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	%
Revenue	3,162,044	4,685,655	4,341,585	7.92
Gross profit	162,369	237,221	182,665	29.87
Profit/(loss) attributable to owners of the parent	4,372	421	(55,967)	N/A

	As at 30 June 2021	As at 31 December 2020	As at 31 December 2019	Change from 2019 to 2020
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	%
Cash and cash equivalents	916,054	894,340	826,203	8.25
Net assets	2,047,028	2,040,499	2,038,754	0.09

The Group recorded revenue of approximately RMB4.69 billion for the year ended 31 December 2020 (“FY2020”), representing an increase of approximately 7.92% as compared to that for the year ended 31 December 2019 (“FY2019”). With reference to the 2020 Annual Report and the 2021 Interim Report, the Group’s operating activities are related to a single operating segment, which engages in the transportation and supply chain management for vehicle commodities, transportation of non-vehicle commodities, processing of tyres and others.

As depicted from the above table, the Group recorded profit attributable to owners of the Company of approximately RMB0.42 million for FY2020 as compared to the loss of approximately RMB55.97 million for FY2019. With reference to the 2020 Annual Report, such turnaround from loss position to profit position was mainly due to (i) increase in gross profit and gross profit margin; and (ii) decrease in other expenses, which were partially set off by decrease in other income and gains.

As depicted in above table, the Group's cash and cash equivalents and net assets amounted to approximately RMB916.05 million and RMB2,047.03 million respectively as at 30 June 2021.

With reference to the Board Letter, in the second half of 2021, the Company takes the business plan of having the courage to innovate and create as its overarching principle, and is committed to building itself with "high technology, high vitality, high efficiency, big brand, and high quality". Guided by the principles of "all for customers, all for market, all for frontline, and all for growth", and taking "grasping key points, focusing on high-end, preventing risks and working hard" as its key, the Company strives to implement its "service-oriented strategy", makes self-improvements and expands the market to push itself towards a first-class green intelligent logistics and supply chain provider.

Information on Changan Automobile

With reference to the Board Letter, Changan Automobile produces and sells automobiles and is a major customer of the Group.

Information on China Changan

With reference to the Board Letter, China Changan is a company established in the PRC on 26 December 2005. It is one of the substantial shareholders of the Company. China Changan is primarily engaged in automobile and motorcycle production; automobile and motorcycle engines production; the design, development, production and sale of automobile and motorcycle components and parts; sale of optical 39 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.

Information on Minsheng Industrial

With reference to the Board Letter, Minsheng Industrial engages in transportation via rivers and by sea.

Information on Zhuangbei Finance

With reference to the Board letter, 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.

I. CHANGAN AUTOMOBILE CCT

Reasons for and benefits of the Changan Automobile CCT

With reference to the Board Letter, since the establishment of the Company, the Group has been conducting business and maintaining a good relationship with Changan Automobile. The Group is a major logistics service provider for Changan Automobile and its associates and is highly recognized among them. 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 revenue of the Group. As such, the Company believes that it is essential to maintain the provision of logistics services by the Group to Changan Automobile and its associates to ensure source of revenue. In addition, according to the China Association of Automobile Manufacturers, the year-on-year growth rate of the PRC auto sales was 13.7% from January to

August in 2021 which shows that the domestic automobile market is showing a momentum of fast growth. Furthermore, the year-on-year growth rate of Changan Automobile's cumulative sales volume reached approximately 32.49%, representing 2.37 times of the industrial average. Therefore, the Board is of the view that it is in the interests of the Company and its shareholders as a whole that the Group seizes the momentum and maximize the revenue to be generated from providing logistics services for Changan Automobile and its associates.

As advised by the Company, the Group had provided various logistics services to Changan Automobile for over ten years. We noted that the historical transaction amounts for the Changan Automobile CCT were approximately RMB3,483 million, RMB3,622 million and RMB2,234 million for FY2019, FY2020 and 1H2021 respectively, accounted for approximately 80.21% 77.31% and 70.66% of the Group's revenue for FY2019, FY2020 and 1H2021 respectively.

We noted from the Changan Automobile's announcement dated 9 September 2021 that the sales volume of Changan Automobile during January 2021 to August 2021 reached approximately 1.54 million units, representing a year-on-year increase of approximately 32.49%. We also noted that the Group recorded revenue of approximately RMB3.16 billion during 1H2021, representing an increase of approximately 72.93% as compared to the corresponding period in 2020. As advised by the Company, the significant increase in the Group's revenue during 1H2021 was primarily attributed from the Changan Automobile CCT.

Having considered the above and the Changan Automobile CCT's significant contribution to the Group's revenue, we concur with the Directors that the Changan Automobile CCT is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Pricing policy of the Changan Automobile CCT

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

- (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 the Group's customers. Bidding representative of the Company will deliver the bidding offer and follow up on the bidding process. The Company will set up a working group to assist the bidding representative in the response to the bidding before the bidding representative will finally be informed of the bidding results.
- (2) **Internal compared price:** in determining the quote to be offered by the Group in internal compared pricing method, whenever practical and appropriate, the Company will comprehensively consider the feasibility of the project, and the Company's knowledge on at least two competing third parties to ascertain whether and at what price the Group should participate in the project.

- (3) Cost-plus Price: to be determined with reference to a reasonable cost plus a reasonable profit margin. The Company will consider the labour cost, equipment operation cost, material inputs and etc. to comprehensively measure the cost. The profit margin for each project varies depending on the different technical requirements, staffing, resources commitment and location.

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

For our due diligence purpose, we obtained a list of individual contracts for Changan Automobile CCT in 2021 and randomly selected from the list (i) one set of bidding documents (including solicitation document, transaction assessment form and the corresponding confirmation on selection of the Company for the provision of logistics services) in relation to the bidding process for the provision of logistics services; (ii) the quotation requests issued by associate of Changan Automobile, the corresponding quotation lists submitted and the corresponding confirmation on selection of the Company for the provision of logistics services, which indicated the participation of the Group in the bidding process for the provision of logistics services to Changan Automobile and its associates and that the Group had provided quotation for them to compare with other services providers; and (iii) the cost-plus pricing documents of certain transactions under the Changan Automobile CCT, which demonstrated the cost-plus pricing with gross profit margin higher than the overall gross profit margin of the Group during FY2020 and the six months ended 30 June 2021. Nothing came to our attention that caused us to believe that the pricing under the aforementioned documents was not complied with the Changan Automobile CCT's pricing policy.

With reference to the 2020 Annual Report and as confirmed by the Management, the independent non-executive Directors have reviewed the Group's continuing connected transactions (including the Changan Automobile CCT) for FY2020 (the "**INED Review**") and confirmed that the Group's continuing connected transactions (including the Changan Automobile CCT) were: (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole (the "**INED Confirmation**").

With reference to the 2020 Annual Report and as confirmed by the Management, the Company has engaged its external auditor to report on the Group's continuing connected transactions (including the Changan Automobile CCT) for FY2020, in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the auditor of the Company confirmed to the Board that in respect of the Group's continuing connected transactions (including the Changan Automobile CCT) for FY2020: (i) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provisions of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the agreements governing the transactions; and (iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Company (the "**Auditor Confirmation**").

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With reference to the Board Letter, 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. Details of the aforesaid internal control measures are set out under the sub-section headed “4. Internal Control Measures to regulate the conduct of the Continuing Connected Transactions with Connected Persons of the Company” in the Board Letter.

We consider that the effective implementation of the internal control measures would help to ensure fair pricing of the Changan Automobile CCT in compliance with the pricing policy.

Basis of the proposed annual cap

The table below demonstrates the historical transaction amounts, historical/existing annual caps and the proposed annual cap for the Changan Automobile CCT for FY2022:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ending 31 December 2021 ("FY2021")
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Historical transaction amounts	3,482,580,000	3,622,482,000	3,014,180,000 <i>(Note 1)</i>
Historical/Existing annual caps	7,500,000,000	4,060,000,000	4,100,000,000 <i>(Note 2)</i>
Utilization rate	46.43%	89.22%	N/A
			For the year ending 31 December 2022
			<i>RMB</i>
Proposed annual cap			6,000,000,000

Notes:

1. *The figure is for the eight months ended 31 August 2021.*
2. *The Company proposed to revised the annual cap for FY2021 from RMB4.1 billion to RMB5 billion.*

With reference to the Board Letter, the proposed annual cap for FY2022 was determined, having considered (i) the projected level of transaction amount with the Changan Automobile and its associates for FY2021; (ii) the projected level of the incremental transaction amount with Changan Automobile and its associates for FY2022; and (iii) a moderate buffer added to respond to the inherent volatility of the automobile market and to accommodate any potential momentum increase in the launch of new models of Changan Automobile and its associates in FY2022.

To assess the fairness and reasonableness of the proposed annual cap for FY2022, we discussed with the Management regarding the basis and assumptions underlying the projections of the proposed annual cap for FY2022.

As illustrated above, the actual amount of Changan Automobile CCT was approximately RMB3,014 million for the eight months ended 31 August 2021, accounting for approximately 73.52% of the existing annual cap for FY2021. With reference to the Board Letter, the China auto sales recorded year-on-year growth rate of 13.7% from January to August in 2021, which shows that the domestic automobile market is showing a momentum of fast growth. Furthermore, Changan Automobile recorded year-on-year growth rate of 32.49% in terms of cumulative sales volume, representing 2.37 times of the industrial average.

For our due diligence purpose, we obtained the calculation of the projected transaction amounts of Changan Automobile CCT for FY2021 from the Management and noted that, the projected transaction amount of Changan Automobile CCT for FY2021 is approximately RMB5,000 million, representing a year-on-year growth rate of approximately 38.03% as compared to the historical transaction amount for FY2020. In arriving the projected transaction amount of RMB5,000 million, the Company took into account of (i) the actual amount of transaction for FY2020 of approximately RMB3,622 million; (ii) the above-mentioned year-on-year growth rate of 32.49% in terms of cumulative sales volume by Changan Automobile; and (iii) that the Company had taken up an additional 20% of finished vehicle logistic business from Changan Ford (an associate of Changan Automobile) to become a full supplier of finished vehicle logistic services of Changan Ford (expected to contribute additional RMB200 million to the Changan Automobile CCT).

Having considered (i) the amount of Changan Automobile CCT depends on Changan Automobile's demand for the logistics services by the Group; (ii) Changan Automobile's growth in sales volume recorded during January 2021 to August 2021 as illustrated above; and (iii) increase in Changan Automobile CCT during the eight months ended 31 August 2021 also corresponded with Changan Automobile's growth in sales volume, we are of the view that the projected transaction amount for FY2021 to be reasonable.

We noted that the estimated growth rate of 20% is applied to the projected transaction amount for FY2021 to arrive at the proposed annual cap for FY2022. Having considered (i) that the Changan Automobile CCT for FY2021 is expected to record a year-on-year growth rate of 38.03% as compared to that for FY2020; (ii) the growth in both the China automobile market and Changan Automobile's sales volume during January 2021 to August 2021; and (iii) a moderate buffer included in the estimated growth rate to respond to the inherent volatility of the automobile market and any potential momentum increase in the launch of new model of Changan Automobile and its associates for FY2022, we are of the view that estimated growth rate of 20% is justifiable.

In light of the above, we consider the proposed annual cap of Changan Automobile CCT for FY2022 is fair and reasonable.

Shareholders should note that as the proposed annual cap for FY2022 is relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2022, and it does not represent forecasts of revenue to be generated from the Changan Automobile CCT. Consequently, we express no opinion as to how closely the actual revenue to be generated from the Changan Automobile CCT will correspond with the proposed annual cap for FY2022.

In light of the above, we consider that the terms of the Changan Automobile CCT (including the proposed annual cap) are on normal commercial terms and are fair and reasonable.

II. CHINA CHANGAN CCT

Reasons for and benefits of the China Changan CCT

With reference to the Board Letter, 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 the Group's 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 18 member companies engaging in parts production such as automobile engines, transmissions, power components, chassis, shock absorbers, supercharges, pistons and so on. The Group stepped up efforts in exploring the parts business of China Changan and its associates ever since China Changan became one of the substantial shareholders of the Company. Currently, the Group has established steady business contact with several member companies of China Changan. The Group anticipates that by leveraging on the current business relationship, the Group can establish more business contact with Changan Group and can tap into the market potentials presented by China Changan and its associates, thereby increasing business sources and maximizing revenue of the Group.

Having also taken into account that the China Changan CCT is contributing revenue to the Group (i.e. approximately RMB63.32 million for the eight months ended 31 August 2021), we concur with the Directors that the China Changan CCT is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Pricing policy of the China Changan CCT

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

- (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 the Group's customers. Bidding representative of the Company will deliver the bidding offer and follow up on the bidding process. The Company will set up a working group to assist the bidding representative in the response to the bidding before the bidding representative will finally be informed of the bidding results.
- (2) **Internal Compared Price:** in determining the quote to be offered by the Group in internal compared pricing method, whenever practical and appropriate, the Company will comprehensively consider the feasibility of the project, and the Company's knowledge on at least two competing third parties to ascertain whether and at what price the Group should participate in the project.

- (3) **Cost-plus Price:** to be determined with reference to a reasonable cost plus a reasonable profit margin. The Company will consider the labor cost, equipment operation cost, material inputs and etc. to comprehensively measure the cost. The profit margin for each project varies depending on the different technical requirements, staffing, resources commitment and location.

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

We understood from the Management that no transaction under the China Changan CCT was conducted on “bidding price” basis so far. For our due diligence purpose, we obtained a list of individual contracts for China Changan CCT in 2021 and randomly selected from the list (i) the quotation requests issued by associate of China Changan, the corresponding quotation lists submitted and the corresponding confirmation on selection of the Company for the provision of certain supply chain management services, which indicated the participation of the Group in the bidding process for the provision of supply chain management services to China Changan and its associates and that the Group had provided quotation for them to compare with other services providers; and (ii) the cost-plus pricing documents of certain China Changan CCT, which demonstrated the cost-plus pricing with gross profit margin higher than the overall gross profit margin of the Group during the FY2020 and the six months ended 30 June 2021. Nothing came to our attention that caused us to believe that the pricing under the aforementioned documents was not complied with the pricing policy.

As aforementioned, (i) the independent non-executive Directors had conducted the INED Review and provided the INED Confirmation regarding the Group’s continuing connected transactions (including the China Changan CCT) for FY2020; and (ii) the auditor of the Company had conducted the review of the Group’s continuing connected transactions and provided the Auditor Confirmation regarding the Group’s continuing connected transactions (including the China Changan CCT) for FY2020; and (iii) 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 favourable 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.

We consider that the effective implementation of the internal control measures would help to ensure fair pricing of the China Changan CCT in compliance with the pricing policy.

Basis of the proposed annual cap

The table below demonstrates the historical transaction amounts, historical/existing annual caps and the proposed annual cap for the China Changan CCT for FY2022:

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	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ending 31 December 2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Historical transaction amounts	69,517,000	76,237,000	63,317,000 <i>(Note)</i>
Historical/Existing annual caps	250,000,000	95,000,000	120,000,000
Utilization rate	27.81%	80.25%	N/A
			For the year ending 31 December 2022
			<i>RMB</i>
Proposed annual cap			210,000,000

Note: The figure is for the eight months ended 31 August 2021.

With reference to the Board Letter, the proposed annual cap for FY2022 was determined, having considered (i) the possible demand for logistics services from China Changan and its member companies; (ii) business relationship between the Group and China Changan (being a substantial shareholder of the Company) and its member companies; (iii) possible business expansion into the provision of transportation services and logistic services to other automobile parts companies under China Changan; and (iv) current business negotiation between the Company and several automobile parts companies under China Changan.

To assess the fairness and reasonableness of the proposed annual cap for FY2022, we discussed with the Management regarding the basis and assumptions underlying the projections of the proposed annual cap for FY2022.

As illustrated above, the actual amount of China Changan CCT was approximately RMB63.32 million for the eight months ended 31 August 2021, accounting for approximately 52.76% of the existing annual cap for FY2021.

We noted the proposed annual cap for FY2022 is set at RMB90 million or 75% higher than the existing annual cap for FY2021. Although historical transaction amounts for FY2019, FY2020 and the eight months ended 31 August 2021 had been relatively low as compared to the proposed annual cap for FY2022, as advised by the Management, the proposed annual cap for FY2022 is set at such amount to cater for the possible growth in the amount of China Changan CCT.

With reference to the Board Letter, China Changan has a lot of member companies mainly in the automobile business, up to now, the Group merely operates a small part of the logistics demand of China Changan and its member companies and there is a plenty of room for business expansion. Given the current business negotiation between the Company and several automobile parts companies under China Changan, the Management is of the view that the proposed annual cap for FY2022 enables the Group to cater for any possible needs of logistics services by the automobile parts companies under China Changan.

For our due diligence purpose, we obtained the calculation of the projected transaction amount of China Changan CCT for FY2022 from the Management and noted that the projected transaction amount of China Changan CCT for FY2022 is approximately RMB209.98 million for FY2022. In arriving the aforesaid projected transaction amount, the Company took into account of (i) the annualised transaction amount for FY2021 of approximately RMB94.98 million, calculated based on the actual transaction amount of China Changan CCT for the eight months ended 31 August 2021 of approximately RMB63.32 million (the

Management confirmed that there is no significant seasonal factor associated with the China Changan CCT); and (ii) the Group's business expansion plan for providing automobile parts logistics services to companies under China Changan (with total transaction amount of approximately RMB115 million).

We also noted the historical transaction amount of China Changan CCT for the eight months ended 31 August 2020 was approximately RMB46.66 million while the historical transaction amount for the eight months ended 31 August 2021 was approximately RMB63.32 million, representing an increase of approximately 35.71%. Since the China Changan CCT is not subject to significant seasonal factors as confirmed by the Management, we do not doubt the reasonableness of the annualised transaction amount for FY2021 of approximately RMB94.98 million, which represents an increase of approximately 24.58% as compared to the historical transaction amount of China Changan CCT for FY2020.

We also obtained the Group's business expansion plan for providing automobile parts logistics services to companies under China Changan and noted that the Group plans to (i) provide logistic services of approximately RMB40 million, RMB40 million and RMB25 million to Jian'an Rear Axle Automobile Co., Ltd., Chengdu Huachuan Electric Parts Co., Ltd. and Chongqing Qingshan Industry Co., Ltd. (all being subsidiaries of China Changan), respectively; and (ii) provide warehousing and distribution services of approximately RMB5 million to each of South Air International Co., Ltd. and CSG TRW Chassis Systems Co., Ltd (both being associates of China Changan).

In light of the above, we concur with the Directors that the proposed annual cap for FY2022 is fair and reasonable.

Shareholders should note that as the proposed annual cap for FY2022 is relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2022, and they do not represent forecasts of revenue to be generated from China Changan CCT. Consequently, we express no opinion as to how closely the actual revenue to be generated from the China Changan CCT will correspond with the proposed annual cap for FY2022.

In light of the above, we consider that the terms of the China Changan CCT (including the proposed annual cap) are on normal commercial terms and are fair and reasonable.

III. MINSHENG INDUSTRIAL CCT

Reasons for and benefits of the Minsheng Industrial CCT

With reference to the Board Letter, the Group is a third-party automobile logistics service provider for providing comprehensive logistics solution for its 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 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 the Group's advantage and provide the Group's 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.

We noted from the website of Minsheng Industrial that, it is a large modern comprehensive logistics enterprise group in the PRC, a municipal key state-owned holding enterprise, one of the top 500 Chinese service enterprise. It has also been certified as 5A comprehensive logistics enterprise by the China Federation of Logistics & Purchasing ("CFLP") (as noted from the CFLP website, 5A comprehensive logistics enterprises are certified by the CFLP, being a federation established and approved by the State Council of the PRC and is subject to the guidance of the State-owned Assets Supervision and Administration Commission of the State Council. 5A comprehensive logistics enterprises are ranked the highest among the PRC's logistic enterprises, it represents the highest level of the PRC's logistics industry development.). Minsheng Industrial has been providing automobile logistics services since 1988, and now it has the largest and the most abundant ship types of ro-ro fleet along the Yangtze River. The service line covers the ports along the Yangtze River from Chongqing to Shanghai, and will stretch to Xiangjiang River branch and the route from Chongqing to Luzhou and Yibin, it can provide personalized water-land transportation service for customers.

In light of the above, we concur with the Directors' view that the Minsheng Industrial CCT is conducted in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole.

Pricing policy of the Minsheng Industrial CCT

The pricing of the services provided under the agreement shall be determined in accordance with the principles and order of this section:

- (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.
- (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.

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.

We understood from the Management that no transaction under the Minsheng Industrial CCT was conducted on "bidding price" basis so far. For our due diligence purpose, we requested and obtained from the Company a

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list of individual contracts for Minsheng Industrial CCT in 2021 and randomly selected from the list the price comparison documents for certain logistics services provided by Minsheng Industrial or its associate and independent third party to the Group. We noted from the reviewed documents that the prices charged by Minsheng Industrial or its associate are less than those offered by independent third party to the Group for the same services.

As aforementioned, (i) the independent non-executive Directors had conducted the INED Review and provided the INED Confirmation regarding the Group's continuing connected transactions (including the Minsheng Industrial CCT); (ii) the auditor of the Company had conducted the Auditor Review and provided the Auditor Confirmation regarding the Group's continuing connected transactions (including the Minsheng Industrial CCT); and (iii) 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.

We also consider that the effective implementation of the internal control measures would help to ensure fair pricing of the Minsheng Industrial CCT in compliance with the pricing policy.

Basis of the proposed annual cap

The table below demonstrates the historical transaction amounts, historical/existing annual caps and the proposed annual cap for the Minsheng Industrial CCT for FY2022:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ending 31 December 2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Historical transaction amounts	216,470,000	192,799,000	112,150,000 ^(Note)
Historical/Existing annual caps	700,000,000	265,000,000	250,000,000
Utilization rate	30.92%	72.75%	N/A
			For the year ending 31 December 2022
			<i>RMB</i>
Proposed annual cap			250,000,000

Note: The figure is for the eight months ended 31 August 2021.

With reference to the Board Letter, the proposed annual cap for FY2022 was determined, having considered (i) the transaction amount and the corresponding utilization rate of the annual cap for FY2020; (ii) the projected transaction amount with Minsheng Industrial and its associates for FY2021; (iii) the expected more use of water transportation adjusted accordingly by the Group; and (iv) the estimated incremental purchase amount due to the potential increase in logistics demand from Changan Automobile.

To assess the fairness and reasonableness of the proposed annual cap for FY2022, we discussed with the Management regarding the basis and assumptions underlying the projections of the proposed annual cap for FY2022.

As illustrated above, the transaction amount of Minsheng Industrial CCT for the eight months ended 31 August 2021 was approximately RMB112.15 million, accounting for approximately 44.86% of the existing annual cap for FY2021 and the annualized transaction amount of Minsheng Industrial CCT representing a decrease of approximately 12.75% as compared to that for FY2020. As advised by the Management, the aforesaid decrease in Minsheng Industrial CCT was mainly as a result of automobile manufacturers (including Changan Automobile and Changan Ford) choosing more on-road transportation instead of waterway transportation (as compared to waterway transportation, on-road transportation is a quicker and more efficient mean for delivery) given the increased production time caused by shortage of computer chips. We understood from the Management that carmakers were forced to temporarily suspend their production due to the COVID-19 pandemic and thus cancelled orders for computer chips to be used in car electronics system. When the COVID-19 pandemic ease off, the carmakers' production and orders for computer chips resumed but the computer chips suppliers might not be able to react timely to the resumed demand for computer chips (causing shortage of computer chips). The Management expects the supply of computer chips will resume normal as the pandemic ease off and such factors leading to decrease in the transaction amount of Minsheng Industrial CCT is expected to be temporary. Despite the relatively low utilization rate up to 31 August 2021, with reference to the Board Letter, the proposed annual cap for FY2022 is set at the same level as that for FY2021 to cater for possible growth in the amount of Minsheng Industrial CCT which may led by the potential increase in logistics demand from Changan Automobile. We noted that the historical transaction amount of Minsheng Industrial CCT for FY2020 was approximately RMB192.80 million, which represent approximately 77.12% of the proposed annual cap for FY2022.

Having considered (i) the historical transaction amount of Minsheng Industrial CCT for FY2020 accounted for approximately 77.12% of the proposed annual cap for FY2022; (ii) our analysis on the projected transaction amount and the possible growth of Changan Automobile CCT for FY2022 as set out in the section headed "I. CHANGAN AUTOMOBILE CCT" above, which may also lead to potential increase in Minsheng Industrial CCT for FY2022; (iii) the Management expects the factors leading to the decrease in the transaction amount of Minsheng Industrial CCT for the eight months ended 31 August 2021 to be temporary; and (iv) the Management's intention to maintain a similar level of annual cap for FY2022 to cater for possible growth in the amount of Minsheng Industrial CCT, we are of the view that the proposed annual cap for FY2022 is fair and reasonable.

Shareholders should note that as the proposed annual cap for FY2022 is relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2022, and they do not represent forecasts of costs or expenses to be incurred from the Minsheng Industrial CCT. Consequently, we express no opinion as to how closely the actual costs or expenses to be incurred from the Minsheng Industrial CCT will correspond with the proposed annual cap for FY2022.

In light of the above, we consider that the terms of the Minsheng Industrial CCT (including the proposed annual cap) are on normal commercial terms and are fair and reasonable.

IV. DEPOSITS CCT

Reasons for and benefits of the Deposits CCT

With reference to the Board Letter, 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 CSGC for purpose of centralizing capital management and optimizing capital efficiency within the CSGC. Zhuangbei Finance has been providing financial services for member companies of CSGC for years and is highly recognized for its financial management services. In addition, the major customers of the Group are member

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companies within CSGC 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 Deposits CCT 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 Deposits CCT with Zhuangbei Finance is further reduced by (1) the undertakings provided by Zhuangbei Finance, (2) various internal control and risk management awareness of and measures took by Zhuangbei Finance in respect of credit risk, liquidity risk, market risk, operational risk, information technology risk and etc;
- (iv) Zhuangbei Finance has advanced information security protection system, the security protection of which is no less than the protection level of head office of commercial banks and Zhuangbei Finance established data security backup center in Chongqing and was granted technical security certification by CFCA, all of which proves that Zhuangbei Finance was competent enough to protect the information and the fund security of the Group; and
- (v) In addition, as a fellow member of the CSGC, 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 reference to the Board Letter, as at 30 June 2021, the total deposit amount of the Group was approximately RMB916.05 million and the deposit amount with Zhuangbei Finance was approximately RMB183.19 million, representing approximately 20.00% of the total deposit of the Group. As advised by the Management, the Management expects to maintain similar proportion of the Group's deposits to be placed with Zhuangbei Finance for FY2022. Given the deposits to be placed with Zhuangbei Finance represents a smaller portion of the total deposits of the Group as compared to those to be placed with independent commercial banks, the Group's capital is reasonably allocated among Zhuangbei Finance and independent commercial banks.

In view of the above, we concur with the Directors that the Deposits CCT is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Pricing policy of the Deposits CCT

The interest rates for the 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.

For our due diligence purpose, we requested and obtained from the Company a list of major independent commercial banks in the PRC that the Group placed deposit in as at 30 September 2021. We (i) randomly selected three independent commercial banks from the list and obtained historical deposits documents that the Company placed in such independent commercial banks in the PRC in 2021, being the latest financial period that reflects the prevailing interest rates offered by such independent commercial banks in the PRC; and (ii) a set of deposit documents that the Company placed in Zhuangbei Finance in 2021. We noted from the reviewed documents that the interest rates for deposits placed by the Group with Zhuangbei Finance are higher than those placed with independent commercial banks in the PRC.

As aforementioned, (i) the independent non-executive Directors had conducted the INED Review and provided the INED Confirmation regarding the Group's continuing connected transactions (including the Deposits CCT) for FY2020; and (ii) the auditor of the Company had conducted the Auditor Review and provided the Auditor Confirmation regarding the Group's continuing connected transactions (including the Deposits CCT) for FY2020; and (iii) 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.

As advised by the Management, Zhuangbei Finance is required to operate in compliance Measures for Administration of the Finance Companies of Enterprise Groups (the "Measures") promulgated by the CBIRC to regulate the operation of group finance companies and reduce the possible financial risk. We noted that the Measures set out certain compliance and risk control requirements/measures in relation to the operation of group financing companies, including but not limited to maintaining certain financial ratios at all times, reporting to the CBIRC, etc. We also noted from Changan Automobile's announcement dated 30 August 2021 that, up to 30 June 2021, Zhuangbei Finance had not breached any of the regulatory requirements as promulgated by the Measures.

In 2017, Zhuangbei Finance was rated as "AAA Credit Rating" by China Lianhe Credit Rating Co., Ltd. (聯合資信評估有限公司), which evidenced that Zhuangbei Finance has healthy cash flow and strong capability to repay its debt.

In order to control the potential risks relating to the Deposits CCT, ensure the safety of the deposits placed with Zhuangbei Finance and protect the interests of the Company and the Shareholders regarding the deposits placed or to be placed from time to time, Zhuangbei Finance provided an undertaking (the "Undertaking") as a part of the framework agreement to the Company. Pursuant to the Undertaking, Zhuangbei Finance undertakes 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 CSGC 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;

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- (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.

As further advised by the Management, the Company conducts regular assessment on the financial transactions (including the Deposits CCT) with Zhuangbei Finance. For our due diligence purpose, we obtained the Company's assessment report in 2021 and noted that Zhuangbei Finance did not breach the Undertaking.

Having considered the Undertaking and that the operation of Zhuangbei Finance is required to comply with the Measures, we concur with the Management that the financial risks of placing deposits with Zhuangbei Finance would be properly contained.

Basis of the proposed annual cap

The table below demonstrates the historical maximum amounts of deposits (including interests) on a daily basis, historical/existing annual caps and the proposed annual cap for the Deposits CCT for FY2022:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ending 31 December 2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Historical maximum amounts of deposits (including interests) on a daily basis	348,630,000	198,530,000	185,340,000 <i>(Note)</i>
Historical/Existing annual caps	350,000,000	200,000,000	190,000,000
Utilization rate	99.61%	99.27%	N/A
			For the year ending 31 December 2022
			<i>RMB</i>
Proposed annual cap			200,000,000

Note: The figure is for the eight months ended 31 August 2021.

With reference to the Board Letter, as Zhuangbei Finance provides the Group with free settling services, the Group maintains a deposits account in Zhuangbei Finance to settle transaction fees with major suppliers. The proposed annual cap for FY2022 was determined after considering (i) the historical maximum daily outstanding balance of deposits placed by the Group with Zhuangbei Finance for the eight months ended 31 August 2021 and the utilization rate of the 2021 annual cap; and (ii) as at 30 June 2021, the Group had a total deposit of approximately RMB916.05 million.

To assess the fairness and reasonableness of the proposed annual cap for FY2022, we discussed with the Management regarding the basis and assumptions underlying the projections of the proposed annual cap for FY2022.

As illustrated above, the historical maximum daily outstanding balance of deposits placed by the Group with Zhuangbei Finance for each of FY2019 and FY2020 had accounted for approximately 99.61% and 99.27% of the historical annual caps respectively. We also noted the maximum daily outstanding balance of deposits placed with Zhuangbei Finance for the eight months ended 31 August 2021, being approximately RMB185.34 million, is also at similar level to that for FY2020 and accounted for approximately 97.55% of the existing annual cap for FY2021. As illustrated in the section headed “Information on the Group” above, there is an moderate increasing trend in the Group’s cash and cash equivalents at the end of each reporting period and it increased from approximately RMB826.20 million as at 31 December 2019 to approximately RMB916.05 million as at 30 June 2021, it is therefore reasonable for the Company to set the proposed annual cap for FY2022 at higher level than that of FY2021 to cater for the Group’s needs in deposit services with Zhuangbei Finance in order to facilitate the settlement services to be provided by Zhuangbei Finance.

Taken into account the aforesaid basis of determining the proposed annual cap for FY2022, we are of the view that the proposed annual cap for FY2022 is fair and reasonable.

Shareholders should note that as the proposed annual cap are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2022, and they do not represent forecasts of deposit amount under the Deposits CCT. Consequently, we express no opinion as to how closely the actual deposit amount under the Deposits CCT will correspond with the proposed annual cap.

In light of the above, we are of the view that the terms of the Deposits CCT are on normal commercial terms and are fair and reasonable.

Listing Rules implications on the Non-Exempt Continuing Connected Transactions for 2022

The Management confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Non-Exempt Continuing Connected Transactions for 2022 must be restricted by their respective annual cap; (ii) the terms of the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions for 2022 (together with their respective annual cap) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors’ annual review on the terms of the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions for 2022 (together with their respective annual cap) must be included in the Company’s subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Non-Exempt Continuing Connected Transactions for 2022 (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions (in respect of services provision only); and (iv) have exceeded their respective annual cap. In the event that the total amounts of the Non-Exempt Continuing Connected Transactions for 2022 are anticipated to exceed their respective annual cap, or that there is any

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proposed material amendment to the terms of the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions for 2022, as confirmed by the Management, the Company shall re-comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Non-Exempt Continuing Connected Transactions for 2022 and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions for 2022 (including their respective proposed annual cap) are on normal commercial terms and are fair and reasonable; and (ii) the Non-Exempt Continuing Connected Transactions for 2022 is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the Non-Exempt Continuing Connected Transactions for 2022 (including their respective proposed annual cap) and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

** for identification purposes only*

1. Three-Year Financial Information of the Group

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes to the annual accounts for the last financial year of the Group.

The audited consolidated financial statements of the Group for the years ended 31 December 2018, 2019 and 2020 have been disclosed in the following documents:

- Annual report of the Company for the year ended 31 December 2018 published on 16 April 2019 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0416/ltn20190416651.pdf>), please refer to pages 58 to 140.
- Annual report of the Company for the year ended 31 December 2019 published on 21 April 2020 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0421/2020042100685.pdf>), please refer to pages 60 to 148.
- Annual report of the Company for the year ended 31 December 2020 published on 20 April 2021 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0420/2021042000732.pdf>), please refer to pages 59 to 148.

2. Working Capital

The Directors, after due and careful consideration and having taking into account the currently available internal resources of the Group, are of the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least twelve months from the date of publication of this circular.

3. Indebtedness

As at the close of business on 31 October 2021, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had outstanding indebtedness as follows:

- (i) lease liabilities represent payment for right of using underlying assets, of which approximately RMB48,670,000 of the lease liabilities were unsecured, unguaranteed, and repayable within more than one year and approximately RMB15,910,000 were unsecured, unguaranteed and repayable within one year;
- (ii) long-term payables of approximately RMB82,240,000, of which approximately RMB79,640,000 were financial lease liabilities of Shenyang Changyou, a non-wholly owned subsidiary of the Company, which was secured by the payables of the Group and not guaranteed, and approximately RMB2,600,000 were unsecured and unguaranteed special payables for research and development projects; and
- (iii) bills payable with an aggregate amount of approximately RMB52,300,000 were secured by the pledged deposits of RMB5,230,000 and not guaranteed.

Save as disclosed above, as at the close of business on 31 October 2021, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, apart from intra-group liabilities and normal trade payables in the normal course of business, the Group did not have any secured or guaranteed debts, debt securities (issued and outstanding, or authorised or otherwise created but unissued), term loans, borrowings or similar indebtedness, including bank overdrafts, liabilities under acceptance (other than normal trade bills), acceptance credits, obligation under a hire-purchase contract, mortgages, charges, guarantee or other material contingent liabilities.

4. Financial and Trading Prospects

As disclosed in the 2021 Interim Report of the Company, for the six months ended 30 June 2021, affected by decline in production and sales of automobiles by customers, the Group recorded a total revenue of approximately RMB3,162,044,000, representing an increase of approximately 72.93% as compared with the corresponding period of last year. For the six months ended 30 June 2021, though with fiercer competition in the domestic automotive market, lower logistics service prices, higher operating costs and human resources costs and other unfavorable factors, the auto industry has enjoyed the increase in its sales volume. With the bigger sales volume of the Group's major customer, Changan Automobile, and the implementation of the cost-effectiveness programme and market expansion, the Company has made sound fruits. The Group's gross profit margin and net profit margin slightly increased to 5.13% (for six months ended 30 June 2020: 3.17%) and 0.36% (for six months ended 30 June 2020: negative 2.15%) respectively. The profit attributable to the equity holders of the Company for the six months ended 30 June 2021 increased to approximately RMB4,372,000 from approximately negative RMB43,318,000 in the corresponding period of last year.

From a global perspective, benefiting from the acceleration of vaccination, continued policy support, and the economic growth becoming more adaptable to the pandemic and other factors, the process of global economic recovery is accelerating, and the recovery of major economies has shown a strong momentum, presenting imbalance and stark differences. From a domestic perspective, the national economy performs stably overall, in particular, new growth drivers are being fostered, and enterprises' production is expanding, but there are gaps in different industries. The foundations for a sustained economic recovery need to be strengthened, and China's economic development still faces great pressure and challenges.

The automobile industry in the first half of 2021 shows that though passenger cars have experienced chip shortages and the increase in raw material prices, the sales volume was over 10,000,000 units. The cumulative sales volume of new energy vehicles was up to the level of 2019, in which the sales volume of pure electric vehicles was over 1,000,000 units with the penetration rate up to 9.4% in the first half of 2021 from 5.4% in early 2021. As the global market is recovering, China's automobile exports reached 828,000 units in the first half of 2021, increased by 1.1 times year on year. Chinese automobile brands have become more competitive. In the second half of 2021, chip supply will be a major concern in production, and greater cost pressure caused by the big increase in raw material prices and other factors will also affect the auto industry. With complex and changing domestic and international situations, the prospect of the auto industry needs to be viewed with caution.

In the second half of 2021, as stability comes with changes and changes come with opportunities, there will be a bright future with great challenges. The Company takes the business plan of having the courage to innovate and create as its overarching principle, and is committed to building itself with "high technology, high vitality, high efficiency, big brand, and high quality". Guided by the principles of "all for customers, all for market, all for frontline, and all for growth", and taking "grasping key points, focusing on high-end, preventing risks and working hard" as its key, the Company strives to implement its "service-oriented strategy", makes self-improvements and expands the market to push itself towards a first-class green intelligent logistics and supply chain provider.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this circular misleading.

2. DISCLOSURE OF INTEREST

(a) Directors and Supervisors of the Company

As at the Latest Practicable Date, none of the Directors, chief executive and the Supervisors of the Company have any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position in which they would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons, other than a Director, chief executive, or Supervisor of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of shares capital carrying rights to vote in all circumstances, at general meetings of the Company; or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholders	Capacity	Number of Shares	Percentage of Domestic Shares (non-H Foreign Shares Included)	Percentage of H Shares	Percentage of Total Registered Share Capital
China South Industries Group Co., Ltd.	Interest of a controlled corporation	41,225,600(L) (Domestic Shares)	38.51%	-	25.44%
China Changan Automobile Group Company Limited ("China Changan")	Beneficial owner	41,225,600(L) (Domestic Shares)	38.51%	-	25.44%

Kintetsu World Express, Inc.	Interest of a controlled corporation	33,619,200(L) (Non-H Foreign Shares)	31.40%	-	20.74%
APL Logistics Ltd. ("APL Logistics")	Beneficial owner	33,619,200(L) (Non-H Foreign Shares)	31.40%	-	20.74%
重慶盧作孚股權基金 管理有限公司	Interest of a controlled corporation	32,219,200(L) (Domestic Shares and Non-H Foreign Shares)	30.09%	-	19.88%
Minsheng Industrial (Group) Co., Ltd. ("Minsheng Industrial") (<i>note 1</i>)	Beneficial owner	25,774,720(L) (Domestic Shares)	24.07%	-	15.90%
Minsheng Industrial	Interest of a controlled corporation	6,444,480(L) (Non-H Foreign Shares)	6.02%	-	3.98%
Ming Sung Industrial Company (Hong Kong), Limited ("Ming Sung (HK)") (<i>note 1</i>)	Beneficial owner	6,444,480(L) (Non-H Foreign Shares)	6.02%	-	3.98%

Note 1: Ming Sung (HK) is the subsidiary of Minsheng Industrial.

Note 2: (L) – long position, (S) – short position, (P) - Lending Pool.

Save as disclosed above, the Company is not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the Shares and underlying shares of the Company as at the Latest Practicable Date as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no director or supervisor is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Division 2 and 3 of Part XV of the SFO:

Directors

- a. Chen Wenbo Deputy General Manager of Minsheng Shipping Co., Ltd.
- b. William K Villalon President of APL Logistics Ltd.
- c. Che Dexi Standing Deputy General Manager of Minsheng Shipping Co., Ltd.
- d. Man Hin Wai Paul Regional Vice President, North Asia of APL Logistics Ltd.
- e. Xia Lijun Head of the General Office of China Changan

Supervisors

- f. Wang Huaicheng Supervisor of member companies of CSG
- g. Jin Jie Corporate Finance Director of APL Logistics Ltd.
- h. Yang Gang Deputy Director of Financial Department of Minsheng Shipping Co., Ltd.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company and its subsidiaries since 31 December 2020, being the date to which the latest published audited accounts of the Company and its subsidiaries were made up to.

4. MATERIAL LITIGATION

On 27 August 2021, CMAL Bo Yu Transportation Co., Ltd. Tongnan Branch* (Bo Yu Transportation Tongnan Branch), a wholly-owned subsidiary of the Company, filed civil lawsuits as claimant with Shenzhen Longhua District People's Court ("Longhua District Court") for an order that Shenzhen LingDao Car Life Service Co., Ltd. Zhongshan Branch*, Shenzhen LingDao Car Life Service Co., Ltd. Zhuhai Branch*, Shenzhen LingDao Car Life Service Co., Ltd. Foshan Branch*, Huhhot LingDao Car Service Co., Ltd.*, Lanzhou LingMai Car Service Co., Ltd.* and Yinchuan

LingDao Car Service Co., Ltd. * (the aforesaid six companies are collectively referred to as the “Defendants”) shall settle the balance, service charge, storage fee and attorney fee, which were paid by Bo Yu Transportation Tongnan Branch, liquidated damages and other costs owing to Bo Yu Transportation Tongnan Branch in a total amount of RMB96,106,933.36, and for an order that Shenzhen LingDao Car Life Service Co., Ltd.* and Shenzhen Baoneng Investment Group Co., Ltd. shall assume joint and several guarantee liabilities for paying the outstanding amount owing to Bo Yu Transportation Tongnan Branch.

On 8 September 2021, Longhua District Court has accepted the cases on file. The amounts of the frozen bank accounts can cover the Company’s initial litigation request (as of 31 August 2021). Please refer to the announcement of the Company dated 10 September 2021.

5. CONSENT OF EXPERT

The following expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or statements and references to its name and logo in the form and context in which they are included:

Name	Qualification
Gram Capital	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital was not beneficially interested in the share capital of the Company and its subsidiaries nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company and its subsidiaries.

As at the Latest Practicable Date, Gram Capital did not have any direct or indirect interest in any assets which had been since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company had entered into any service contract with the Company or its subsidiaries which does not expire or is not terminable by the Company and its subsidiaries within one year without payment of compensation, other than statutory compensation.

7. DIRECTORS' OR SUPERVISORS' INTERESTS IN THE COMPANY AND ITS SUBSIDIARIES' ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company had any interest in any assets which have been since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Company.

8. COMPETING INTERESTS

Before the listing of the H shares on the GEM of the Stock Exchange, the Company's Shareholders, Changan Industry Company, APLL, Minsheng Industrial and Ming Sung (HK), had all entered into non-competition undertakings with the Company in favor of the Company. Please further refer to the Prospectus issued by the Company on 16 February 2006 for such undertakings.

Pursuant to the non-competition undertakings given by each of Changan Industry Company (previously known as Changan Co.), and Minsheng Industrial and Ming Sung (HK), each of Changan Industry Company, and Minsheng Industrial and Ming Sung (HK) undertook and guaranteed to the Company, among other things, that so long as the shareholding interest in the Company held by Changan Industry Company and its associates (in the case the undertakings provided by Changan Industry Company) and by Minsheng Industrial and Ming Sung (HK) (in the case of the undertakings provided by Minsheng Industrial and Ming Sung (HK)) did not fall below 20% and the Company remained listed on the Stock Exchange,

1. each of them should not and should procure their associates not to, within China,
 - (a) whether individually or with other persons, directly or indirectly engage or participate in any form of businesses (including but not limited to investments, joint venture or cooperation) that constitute or may constitute competitions with the businesses that the Company were carrying on; and
 - (b) provide support in any form to persons other than the Company to engage in businesses that constitute or might constitute with the business that the Company were carrying on.
2. where direct or potential competition arose in the course of developing business between Changan Industry Company or, as the case may be, Minsheng Industrial or Ming Sung (HK) and the Company, they should give the Company the priority to choose except:
 - (a) the Company had expressly indicated to give up the business opportunity;
 - (b) the Company did not possess the ability to obtain the business opportunity independently;

- (c) the Company's business contract may not be continued and was abandoned by the client;
or
 - (d) the business opportunity fell outside the Company's scope of business.
3. Where the Company requested assistance from Changan Industry Company or, as the case may be, Minsheng Industrial or Ming Sung (HK), priority would be given to the Company under the same terms by utilizing its resources to support the Company in securing business.
 4. Where the Company obtained the business independently, the Company should give the priority to cooperate with Changan Industry Company or, as the case may be, Minsheng Industrial or Ming Sung (HK) under the same terms.

Pursuant to the non-competition undertakings given by APLL, for so long as, among other things, APLL held not less than 20% of the total issued Shares in the Company and the Company remained listed on the Stock Exchange, APLL would not offer automotive logistics services which constituted the Company's Core Business (i.e. in-plant logistics, finished product logistics and after-market logistics services in respect of finished automotive manufacturing or assembly plants which were provided by the Company as of 15 January 2005 directly to the Company's customers in China) to the Company's then existing customers, who, as of 15 January 2005, were receiving automotive logistics services from the Company in China. APLL also agreed not to solicit the Company's business with Changan Group or the Company's other then existing customers as of 15 January 2005 unless those customers ceased to be the Company's customers.

Up to the Latest Practicable Date, the non-competition undertaking given by each of Changan Industry Company and APLL is still effective. As of the end of 2011, since the aggregate shareholding in the Company held by Minsheng Industrial and Ming Sung (HK) (together with their respective associates) fell below 20%, the non-competition undertaking signed between the Company and Minsheng Industrial and Ming Sung (HK) became ineffective.

The Company received the confirmation in March 2020 regarding the above-mentioned non-competition undertakings from each of APL Logistics and China Changan.

Save for the disclosure stated above, none of the director(s) or substantial shareholder(s) of the Company had any interest in any business that competes or may compete with the Group.

9. MISCELLANEOUS

- a. Mr. Huang Xuesong is the company secretary of the Company.
- b. The legal address of the Company is No.1881, Jinkai Road, Yubei District, Chongqing, the PRC. The H Share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- c. In the case of any discrepancy, the English text of this circular shall prevail over the Chinese text.

10. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular, the following contracts, not being contracts entered into the ordinary course of business, were entered into by the Group which are or may be material:

- (a) the sale and purchase agreement entered into between Industries Financing (as the purchaser), Shenyang Changyou, a non-wholly owned subsidiary of the Company, (as the purchaser) and Shanghai Hofmann (as the vendor) on 20 October 2021, pursuant to which Industries Financing would acquire the Production Line from Shanghai Hofmann at the consideration of RMB83,888,000 and Shenyang Changyou would be the lessee of the Production Line;
- (b) (a) the sale and purchase agreement entered into between Industries Financing (as the purchaser), Shenyang Changyou (as the purchaser) and Lead Intelligent (as the vendor) on 20 October 2021, pursuant to which Industries Financing would acquire the AS/RS from Lead Intelligent at the consideration of RMB20,880,000 and Shenyang Changyou would be the lessee of the AS/RS;
- (c) the finance lease agreement entered into between Shenyang Changyou and Industries Financing on 20 October 2021, pursuant to which Shenyang Changyou agreed to rent and Industries Financing agreed to lease the Production Line and the AS/RS from Industries Financing at the total rent which should not exceed RMB130,280,000 and a lump sum payment of contract security deposit in the sum of RMB4,190,720 and handling fee in the sum of RMB523,840;
- (d) the joint venture agreement entered into between the Company and FAW Logistics Co., Ltd. (“FAW Logistics”) on 1 March 2021, pursuant to which the parties established a joint venture by the name of Chongqing Changxiang Supply Chain Technology Co., Ltd. (“Changxiang Supply Chain”) with a capital contribution of RMB14,000,000. Pursuant to the terms of the joint venture agreement, the Company shall own 70% equity interest of Changxiang Supply Chain, and FAW Logistics shall own 30% equity of Changxiang Supply Chain; and
- (e) the capital increase and shareholders agreement entered into between the Company and Hubei Port Group Co., Ltd., Wuhan Changjiang Zhilian Port Development Co., Ltd.* (“Changjiang Zhilian”) and, Wuhan Changxin Hengyuan Group Co., Ltd.* (Changxin Hengyuan) on 23 July 2021, pursuant to which the Company acquired part of the equity of Wuhan Changjiang Zhilian Port Development Co., Ltd.* (“Changjiang Zhilian”) by investing RMB14.1 million. Hubei Port Group Co., Ltd., Changxin Hengyuan and the Company hold 34%, 19% and 47% of the equity of Changjiang Zhilian respectively.

* *For identification purpose only*

11. DOCUMENTS ON DISPLAY

Copies of the following documents are available on the Stock Exchange's website and the Company's own website for a period of 14 days from the date of this circular:

- a) the Framework Agreements for the Non-Exempt Continuing Connected Transactions for 2021~2023;
- b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- c) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular; and
- d) the material contracts referred to in item 10 of this Appendix II.

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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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (“EGM”) of Changan Minsheng APLL Logistics Co., Ltd. (the “**Company**”) will be held at the Company’s Conference Room, No.1881, Jinkai Road, Yubei District, Chongqing, the People’s Republic of China on Thursday, 23 December 2021 at 10:00 a.m., to consider and approve (if thought fit) the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the proposed cap of RMB6,000,000,000 for the year ending 31 December 2022 in relation to the provision of logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for car raw materials, components and parts) by the Company and its subsidiaries to Chongqing Changan Automobile Co., Ltd. * 重慶長安汽車股份有限公司 (“**Changan Automobile**”) and its associates contemplated under the framework agreement entered into between the Company and Changan Automobile on 4 November 2020 and that the said framework agreement is hereby confirmed and ratified (note 6);
2. To consider and approve the proposed cap of RMB210,000,000 for the year ending 31 December 2022 in relation to the provision of logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for car raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) by the Company and its subsidiaries to China Changan Automobile Group Company Limited* 中國長安汽車集團有限公司 (“**China Changan**”) and its associates contemplated under the framework agreement entered into between the Company and China Changan on 4 November 2020 and that the said framework agreement is hereby confirmed and ratified (note 6);

3. To consider and approve the proposed cap of RMB250,000,000 for the year ending 31 December 2022 in relation to the purchase of logistics services from Minsheng Industrial (Group) Co., Ltd.* 民生實業（集團）有限公司 (“**Minsheng Industrial**”) and its associates by the Company and its subsidiaries contemplated under the framework agreement entered into between the Company and Minsheng Industrial on 4 November 2020 for the purpose of purchasing logistics services from Minsheng Industrial and its associates and that the said framework agreement is hereby confirmed and ratified (note 6);
4. To consider and approve proposed maximum daily balance on the deposits (i.e. RMB200,000,000) for the year ending 31 December 2022 in relation to the provision of deposit services by China South Industries Group Finance Co., Ltd. (formerly China South Industries Group Finance Co., Ltd.)* 兵器裝備集團財務有限責任公司 (“**Zhuangbei Finance**”) to the Company and its subsidiaries contemplated under the framework agreement entered into between the Company and Zhuangbei Finance on 4 November 2020 and that the said framework agreement is hereby confirmed and ratified (note 6).

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

Chongqing, the PRC
7 December 2021

Notes:

(1) In order to determine the shareholders of H shares who will be entitled to attend the EGM, the Company will suspend registration of transfer of shares from Monday, 20 December 2021 to Thursday, 23 November 2021, both days inclusive. In order to qualify to attend the EGM and to vote thereat, non-registered holders of H shares of the Company whose transfer documents have not been registered must deposit the transfer documents accompanied by relevant share certificates with the Company's H share registrar's transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 17 December 2021. Holders of H shares whose names are recorded in the register of members of the Company on Thursday, 23 December 2021 are entitled to attend and vote at the EGM.

(2) A shareholder who has the right to attend and vote at the EGM is entitled to appoint a proxy or proxies (whether or not a member) in writing to attend and vote on his behalf. In the event more than one proxy is appointed, the instruments of appointment should indicate the class and number of Shares the proxies are representing.

The instrument appointing a proxy must be made in writing under the hand of the appointor or his attorney duly notarized in writing. If the appointor is a legal person, the relevant instrument must bear the chop of the legal person, or submitted in person by a director or duly authorized person.

The instrument of appointment must be delivered to the Company's H share registrar Computershare Hong Kong Investor Services Limited (in respect of H shares) or the office of the board of directors of the Company (in respect of domestic Shares, including non-H foreign Shares) 24 hours before the commencement of the EGM (i.e. before 10:00 a.m. on Wednesday, 22 December 2021).

(3) Shareholders and their proxies should show their documents of identity when attending the EGM.

(4) After the completion and delivery of the form of proxy, a shareholder may still attend and vote at the EGM.

(5) Shareholders attending the EGM will be responsible for their own travelling and accommodation expenses.

(6) For details, please refer to the announcement of the Company dated 29 September 2021 and the circular of the Company which is expected to be despatched to shareholders on or about Tuesday, 7 December 2021.

(7) Time and dates in this notice are Hong Kong time and dates.

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

** For identification purpose only*