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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 2024
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 23 January 2024 is set out on pages 5 to 27 of this circular. A letter from the Independent Board Committee of Changan Minsheng APLL Logistics Co., Ltd. is set out on pages 28 to 29 of this circular. A letter from Quam Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders of Changan Minsheng APLL Logistics Co., Ltd. is set out on pages 30 to 47 of this circular.

The notice for convening the EGM to be held at 10:00 a.m. on 19 February 2024 at the Conference Room, No.1881, Jinkai Road, Yubei District, Chongqing, the PRC is set out on pages 60 to 62 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, Wan Chai, 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 72 hours before the time appointed for holding the relevant meeting (i.e. before 10:00 a.m. on 16 February 2024) 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*

23 January 2024

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DEFINITIONS

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

“APLL”	APL Logistics Ltd.
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“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
“Changan Group”	Changan Automobile and its associates and China Changan and its associates
“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
“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 19 February 2024 at 10:00 a.m. for purposes of considering and approving, among others, the Non-Exempt Continuing Connected Transactions for 2024 and the major transaction regarding the deposit transaction with Zhuangbei Finance (and the respective caps or the maximum daily balance on the Deposit for 2024)

DEFINITIONS

“Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions”	the framework agreement entered into on 30 October 2023 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 2024 to 31 December 2026, individually or collectively (as the case may be), as more particularly set out in the paragraph headed “The Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions” in this circular
“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. Li Ming, Mr. Man Wing Pong and Ms. Chen Jing, 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 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction for 2024 (and the respective caps or the maximum daily balance on the Deposit for 2024)
“Independent Third Party(ies)”	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which is/are third party(ies) independent of the Company and its connected person(s) (as defined under the Listing Rules)
“Independent Shareholders”	shareholders of the Company that, in relation to the resolutions approving each of the Non-exempt Continuing Connected Transactions for 2024 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 2024 contemplated under the framework agreement with Minsheng Industrial and its associates, excludes Minsheng Industrial, Ming Sung (HK) and their respective associates
“Latest Practicable Date”	18 January 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited
“Major Transaction”	the non-exempt continuing connected transaction regarding the deposit transaction with Zhuangbei Finance
“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

DEFINITIONS

“Ming Sung (HK)”	Ming Sung Industrial Company (Hong Kong) Limited, a company established in Hong Kong with limited liability on 31 May 1949
“NFRA”	National Financial Regulatory Administration, the former China Banking and Insurance Regulatory Commission
“Non-Exempt Continuing Connected Transactions”	the non-exempt continuing connected transactions contemplated under each of the framework agreements as set out in the paragraph headed “The Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions” in this circular
“Non-Exempt Continuing Connected Transactions for 2024”	the continuing connected transactions to be conducted in 2024, as set out under the paragraph headed “Non-Exempt Continuing Connected Transactions for 2024 and the 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
“Proposed Cap(s)”	the proposed annual maximum limitation or the maximum daily balance of the Non-Exempt Continuing Connected Transactions for 2024 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)
“Quam Capital Limited” or “Independent Financial Advisor”	Quam Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities 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 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction for 2024 (and the respective caps or the maximum daily balance on the Deposit for 2024), and whether such transactions are in the interests of the Company and its Shareholders as a whole
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration
“Share(s)”	ordinary share(s) of the Company, with a par value of RMB1.00 each
“Shareholder(s)”	shareholder(s) of the Company

DEFINITIONS

“SIAMC”	China South Industries Assets Management Co., Ltd. * (南方工業資產管理有限責任公司), a limited liability company established in China
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“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.* (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

Wan Nianyong

Non-executive directors:

Che Dexi

Chen Wenbo

Jin Jie

Dong Shaojie

Registered Office:

No. 1881

Jinkai Road

Yubei District

Chongqing

The PRC

Independent non-executive directors:

Li Ming

Man Wing Pong

Chen Jing

Principal place of business

in Hong Kong:

16/F., 144-151

Singga Commercial Centre

Connaught Road West

Hong Kong

* *For identification purpose only*

23 January 2024

To the Shareholders

Dear Sir or Madam,

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2024
AND THE MAJOR TRANSACTION REGARDING THE DEPOSIT
TRANSACTION WITH ZHUANGBEI FINANCE;
AND
NOTICE OF EGM**

A. INTRODUCTION

Reference is made to the announcement dated 30 October 2023 in relation to, among other things, the Non-Exempt Continuing Connected Transactions for 2024 with each of Changan Automobile, China

LETTER FROM THE BOARD

Changan and Minsheng Industrial and their respective associates and the Major Transaction for 2024 in relation to the deposit transaction with Zhuangbei Finance.

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 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction for 2024 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 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction for 2024. The letter from the Independent Board Committee to the Independent Shareholders is included in this circular. Quam Capital Limited 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 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction for 2024 and whether such transactions are in the interests of the Company and its Shareholders as a whole. The letter of advice from Quam Capital Limited 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 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction for 2024;
- (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction for 2024; and
- (iii) a letter of advice from Quam Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction for 2024.

Shareholders are advised to read this circular carefully for details of the Non-Exempt Continuing Connected Transactions for 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction for 2024 (including the Proposed Cap for the Non-Exempt Continuing Connected Transactions for 2024 and the maximum outstanding daily balance on the Deposit for 2024).

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2024 AND THE MAJOR TRANSACTION REGARDING THE DEPOSIT TRANSACTION WITH ZHUANGBEI FINANCE

1. Background

Reference is made to the announcement of the Company dated 4 November 2020 and the circular of the Company dated 14 December 2020 in relation to, among other things, the framework agreements for non-exempt continuing connected transactions entered into between the Company and each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance on 4 November

2020, which had expired on 31 December 2023. In order to continue relevant business with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance and their respective associates after 31 December 2023, the Company renewed framework agreements with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance on 30 October 2023. Each of the framework agreements shall be for a term of three years from 1 January 2024 to 31 December 2026 (both days inclusive).

Same as the internal control measures adopted by the Company in the past three years, in order to provide a more appropriate level of the annual cap for each of the three financial years ending 31 December 2026 in relation to each of the Non-Exempt Continuing Connected Transactions contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the Company has estimated and will seek for approval by Independent Shareholders at the EGM for the Proposed Cap for each of the Non-Exempt Continuing Connected Transactions for 2024. With respect to the Proposed Cap for each of the two financial years ending 31 December 2026 in relation to the Non-Exempt Continuing Connected Transactions contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the Company will re-comply with the relevant Listing Rule requirements (including setting the Proposed Cap for each of the two financial years ending 31 December 2026, issuing announcement(s) and obtaining Independent Shareholders' approval).

As at the Latest Practicable Date, China Changan holds approximately 25.44% of the total issued share capital of the Company and 17.97% equity interests in Changan Automobile. In addition, CSGC holds 100% equity interests in China Changan and 14.22% equity interests in Changan Automobile. SIAMC, a wholly-owned subsidiary of CSGC, holds 5.10% equity interests in Changan Automobile. The ultimate shareholder of SIAMC is CSGC. The ultimate beneficial owner of CSGC is the SASAC of the State Council of the PRC. Zhuangbei Finance is a member company of CSGC in that CSGC holds 22.90% equity interests and China Changan holds 13.27% equity interests. The ultimate beneficial owner of Zhuangbei Finance is CSGC. As at the Latest Practicable Date, the Company holds approximately 0.81% equity interests in Zhuangbei Finance. Therefore, according to the Listing Rules, the transactions between the Group and each of China Changan, Changan Automobile, Zhuangbei Finance and their respective associates become connected transactions of the Company.

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

2. Transactions with Changan Group

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, 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, primarily automobile parts transportation.

LETTER FROM THE BOARD

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

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

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

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

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

With all the efforts, for the three years ended 31 December 2022, the transaction amount with business partners who are Independent Third Parties amounted to RMB974,535,000, RMB1,809,936,000 and RMB2,486,780,000, representing approximately 20.80%, 30.06% and 32.31% of the total revenue of the Group, respectively. As shown by those figures, the Group has been making progress in reducing heavy reliance on the business transactions with Changan Group during the past few years.

For the financial year ended 31 December 2022 and the six months ended 30 June 2023, the transaction amount with business partners who are Independent Third Parties amounted to approximately RMB2,486,780,000 (audited) and RMB1,378,571,000 (unaudited) respectively, representing approximately 32.31% and 34.60% of the Group's revenue for the financial year ended 31 December 2022 and the six months ended 30 June 2023. As indicated above, the revenue derived from Independent Third Parties increased by approximately by 2.29%, compared to the corresponding period of the previous year.

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

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

On 30 October 2023, the Company entered into the following framework agreements, each for a term of three years commencing on 1 January 2024 and expiring on 31 December 2026:

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

The transactions contemplated under each of the Framework Agreements for the Non-Exempt Continuing Connected Transactions shall be conducted on a non-exclusive basis. Separate written agreement(s) setting out the detailed terms shall be, if required, entered into between the relevant parties for each Non-Exempt Continuing Connected Transaction. Payment of each Non-Exempt Continuing Connected Transaction will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contract(s) to be entered into pursuant to the relevant framework agreements. The Framework Agreements for the Non-Exempt Continuing Connected Transactions, including the related Proposed Caps for each of the financial years ending 31 December 2026, are conditional upon the obtaining of approval from the Independent Shareholders in accordance with the provisions of the Listing Rules.

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

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

LETTER FROM THE BOARD

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 the Group 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. The internal comparison method is the method used by customers to select their suppliers. If the Group is the purchaser of the services, the Company will invite at least three suppliers, one of whom will be the connected person of the Company, to submit the bid documents with requirements as specified by the Group such as technical standards, business standards, price standards, service standards, etc. The supplier will be determined through internal price comparison that can provide the best price and on terms that are most preferable to the Group.
- (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:

LETTER FROM THE BOARD

(i) Parties responsible for preparing the bidding documents:

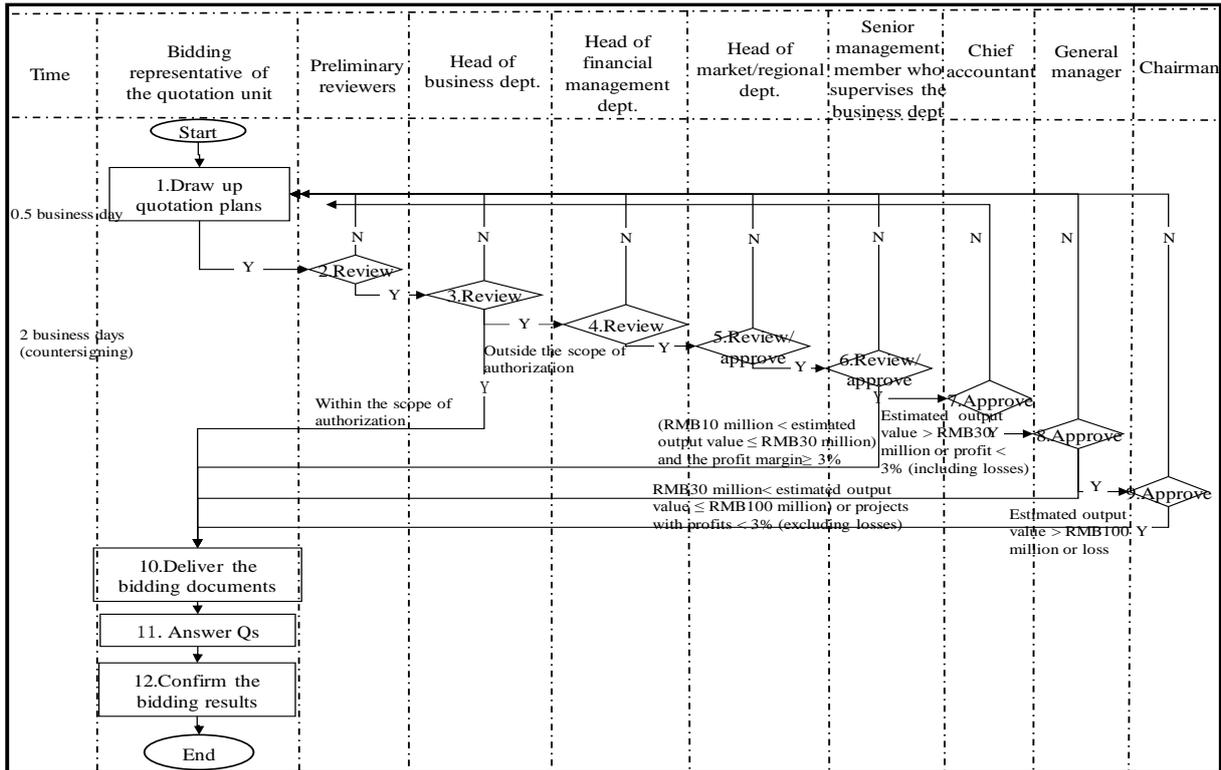
Role	Responsibility	Participants
Bidding representative of the quotation unit (at all levels)	<p>Bidding representative of the quotation unit (at all levels) shall be responsible for:</p> <ol style="list-style-type: none"> (1) clarifying any further information regarding bidding requirements in the process of quotation by maintaining communication with the customer; (2) gathering up the technical and operation plans and business plan as reviewed and approved, submit those documents in the manner as required by the customer; (3) initiating the quotation process, truthfully filling in the project operation analysis list (including but not limited to output value, profit, contract period, payment period and method to suppliers and customers, etc.) according to the quotation process requirements, and finally checking whether the project wins the bid; If it is, confirming the final quotation, cost, and supplier information, and if it is not, drawing up and uploading an analysis report; (4) selecting cooperative suppliers for the market collaborative development project and checking whether the supplier is a supplier in the library, if the business is developed with advantageous suppliers. 	Business development managers/commercial attaches/ marketing specialists/ marketing officers
Preliminary Reviewers	<p>The marketing manager/commercial manager shall be responsible for conducting the review of the business plan and operational risk assessment, etc. within the scope of authorization and compliance and legal assessment of market collaborative development projects and evaluation of suppliers out of the library.</p> <p>Head of the business department (at all levels) shall be responsible for reviewing project cost and capital occupation risk within the scope of authorization.</p>	Marketing manager, commercial manager, head of business department (at all levels)
Head of business department (at all levels)	<p>Head of the business unit shall be responsible for:</p> <ol style="list-style-type: none"> (1) reviewing and approving operating conditions, financial settlement risks, capital occupation, profit, etc. of projects with estimated contract output value \leq RMB10 million and profit margin \geq 3%; (2) reviewing the feasibility of business and technical plans of projects with estimated contract output value $>$ RMB10 million or profit margin $<$ 3% (including losses); (3) reviewing and approving the selection of supplier, if it is a collaborative development project. 	Head of the business department, deputy head of the department, commercial manager
Head of financial management department	Head of the financial management department is responsible for reviewing the operating conditions, financial settlement risks, capital occupation, profit, etc. of projects with estimated contract output value $>$ RMB10 million or profit margin $<$ 3% (including losses).	Head of financial management department

LETTER FROM THE BOARD

<p>Head of the market/regional management department (at all levels)</p>	<p>Head of the market management department is responsible for reviewing market risks and feasibility of projects with estimated contract output value > RMB10 million or profit margin < 3% (including losses) in the six major business lines (i.e., auto—finished vehicles logistics, auto—parts and components logistics, auto—spare parts logistics, auto—international logistics, non-automobile logistics and new ecology).</p> <p>Head of the regional management department is responsible for reviewing risks and feasibility of projects with estimated contract output value > RMB10 million or profit margin < 3% (including losses) in three business lines (i.e., auto—parts and components logistics, non-automobile logistics and new ecology).</p>	<p>Head of the market/regional management department (at all levels)</p>
<p>Senior management member who supervises the business department</p>	<p>Senior management member who supervises the business department is responsible for:</p> <p>(1) approving overall risks and feasibility of the project with (10 million yuan < estimated contract output value ≤ RMB30 million) and the profit margin ≥ 3%;</p> <p>(2) reviewing overall risks and feasibility of projects with estimated contract output value > RMB30 million or profit margin < 3% (including losses).</p>	<p>Senior management member</p>
<p>Chief accountant</p>	<p>Chief accountant is responsible for reviewing the investment budget, capital occupation, cost control, operating efficiency, etc. of projects with estimated contract output value > RMB30 million or profit margin < 3% (including losses) that need to be reported to the general manager and chairman.</p>	<p>Chief accountant</p>
<p>General Manager</p>	<p>General manager is responsible for</p> <p>(1) approving the overall feasibility of projects (RMB30 million < estimated contract output value ≤ RMB100 million) or projects with profit margin < 3% (excluding losses);</p> <p>(2) reviewing the overall feasibility of estimated contract output value > RMB100 million or loss.</p>	<p>General Manager</p>
<p>Chairman</p>	<p>Chairman is responsible for approving the overall feasibility of projects with estimated contract output value > RMB100 million or losses.</p>	<p>Chairman</p>

(ii) *Work flowchart regarding the bidding*

LETTER FROM THE BOARD



- (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 Company throughout the preceding financial year and confirm 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

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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 Finance Management 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 Finance Management 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 adjust the relevant annual caps according to the Listing Rules.
- (10) The Company's Audit and Legal Affairs Center, the Audit and Risk 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.

5. Pricing Policy, Historical Figures, Historical Caps, Proposed Caps for each of the Non-Exempt Continuing Connected Transactions for 2024 and Rationale

The caps in respect of each of the Non-Exempt Continuing Connected Transactions for 2024 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	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

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	<p>has established Bidding Quotation Process and Bidding Quote Management Procedures. Briefly, the Company’s Enterprise Technical Center will draw up the technical and operation plans whereas the Marketing Management Center 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 response to the bidding before the bidding representative will finally be informed of the bidding results.</p> <p>(2) Internal Compared Price: in determining the quote to be offered by the Group in internal compared pricing method, whenever practical and appropriate, the Company will comprehensively consider the feasibility of the project, and the Company’s knowledge on at least two competing third parties to ascertain whether and at what price the Group should participate in the project.</p> <p>(3) Cost-plus Price: to be determined with reference to a reasonable cost plus a reasonable profit margin. The Company will consider the labor cost, equipment operation cost, material inputs and etc. to comprehensively measure the cost. The profit margin for each project varies depending on the different technical requirements, staffing, resources commitment and location.</p> <p>If the Group does not have a choice in the pricing policy, the Group will endeavor to determine the price(s) based on cost-plus basis to ensure that the Group can achieve a reasonable profit in participating in the project(s).</p>			
Proposed cap and basis	Historical figures	Historical caps (for 2021-2023)	Proposed Cap for 2024	Basis of determination of the Proposed Cap for 2024
	<p>For the two years ended 31 December 2022, and 8 months ended 31 August 2023, RMB4,115,105,000 and RMB5,029,170,000 respectively</p>	<p>For the three years ended 31 December 2023, RMB5,000,000,000 and RMB6,000,000,000 respectively</p>	<p>For the year ending 31 December 2024, RMB7,000,000,000</p>	<p>After decline in Q1 2023, China’s auto market has been recovering to a steady growth from April. From January to August 2023, the automobile production volume and sales volume in the PRC were approximately 18,225,000 vehicles and 18,210,000 vehicles respectively, up by 7.4% and 8% year on year (http://www.caam.org.cn/chn/4/cate_30/con_5236151.html). The growth rate of Changan Automobile is higher than the industry average. From January to August 2023, the production volume and sales volume of Changan Automobile reached 1,589,678 vehicles and 1,632,800 vehicles respectively, increased by 12.75% and 11.43% year on year (http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000625&announcementId=1217775400&orgId=gssz0000625&announcementTime=2023-09-05). As a major logistics service provider of Changan Automobile, the Group expects to seize the opportunity and continue to provide logistics services for Changan Automobile and its associates in 2024 to maximize the revenue of the Group. The proposed annual cap for the year ending 31 December 2024 for provision of logistics services to Changan Automobile and its associates by the Group was determined after having considered: (i) the estimated transaction amount with Changan Automobile and its associates in 2023 is approximately RMB5.5 billion; (ii) the projected level of the incremental transaction amount with Changan</p>

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				<p>Automobile and its associates in 2024 is approximately RMB700 million thanks to that the export volume of Changan Automobile by sea is expected to increase to 250,000 units in 2024 from 180,000 units in 2023, with a growth rate of approximately 40%; (iii) Changan Automobile released its overseas strategy this year and will increase its overseas presence. In the second half of 2023, a subsidiary of Changan Automobile was established in Thailand and sales will start in 2024, and the Group is closely following up the pace of the customer to build its Thailand project. This project is estimated to generate a revenue close to RMB100 million in 2024 for the Group; and (iv) Changan Automobile released a new brand of new energy cars--Changan Qiyuan in August 2023, which will release such models as A05, A06, A07, Q05 and so on. Keep a moderate buffer to respond to the inherent volatility of the auto market and to accommodate any potential momentum increase in the launch of new models of Changan Automobile and its associates in 2024. With reference to the above factors, the Board is of the view that the proposed annual cap for the year ending 31 December 2024 is fair and reasonable.</p>
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2. Logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for car raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) provided by the Group to China Changan and its associates

Pricing policy	<p>Generally, the pricing of the logistics services to be provided by the Group is market driven. As the transactions contemplated under the framework agreement shall be conducted on a non-exclusive basis, the Group has specified marketing and client servicing teams to liaise with and ascertain whether any particular logistic service will be conducted by public tender. The pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order of this section:</p> <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 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 Center will draw up the technical and operation plans whereas the Marketing Management Center 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 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.
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	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).			
	Historical figures	Historical caps (for 2021-2023)	Proposed Cap for 2024	Basis of determination of the Proposed Cap for 2024
	For the two years ended 31 December 2022, and 8 months ended 31 August 2023, RMB89,002,000 RMB170,920,000 and RMB129,170,000 respectively	For the three years ended 31 December 2023, RMB120,000,000 RMB210,000,000 and RMB210,000,000 respectively	For the year ending 31 December 2024, RMB300,000,000	The Company has established steady business contact with China Changan and its associates and expects to continue to conduct business with China Changan and its associates for the upcoming year to maximize the revenue of the Group. The proposed annual cap for the year ending 31 December 2024 for the continuing connected transactions with China Changan and its associates is derived with reference to that (i) the estimated transaction amount with China Changan and its associates in 2023 is approximately RMB200 million; (ii) the projected level of the incremental transaction amount expected to be generated in 2024 is approximately RMB40 million, mainly from the provision of inbound logistics for Chongqing Tsingshan Industry Limited Liability Company and Sichuan Jian'an Industrial Co., Ltd., which are associates of China Changan, contributed by the growth of the production and sales volume of Changan Automobile; (iii) it is expected that the transaction amount in 2024 is approximately RMB50 million from provision of inbound logistics and transportation service to China Changan Automobile Group Co., Ltd. Chongqing Chassis System Branch and Southern TRW Chassis System Co., Ltd., which are associates of China Changan, and a newly established wholly-owned subsidiary of China Changan Chenzhi Technology Co., Ltd.; and (iv) a moderate buffer added to respond to fluctuations of the transaction amount with China Changan and its associates in 2024. Having considered the above factors, the Board is of the view that the proposed annual cap for 2024 for the provision of logistics services by the Group to China Changan and its associates in 2024 is fair and reasonable.
Proposed cap and basis				
3. Logistics services provided to the Group by Minsheng Industrial and its associates				
Pricing policy	The pricing of the services provided under the agreement shall be determined in accordance with the principles and order of this section: (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.			

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	<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	Historical figures	Historical caps (for 2021-2023)	Proposed Cap for 2024	Basis of determination of the Proposed Cap for 2024
	<p>For the two years ended 31 December 2022, and 8 months ended 31 August 2023, RMB175,103,000 RMB248,340,000 and RMB182,470,000 respectively</p>	<p>For the three years ended 31 December 2023, RMB250,000,000 RMB250,000,000 and RMB450,000,000 respectively</p>	<p>For the year ending 31 December 2024, RMB450,000,000</p>	<p>Minsheng Industrial and its associates have been providing waterway transportation services to the Group for years. Minsheng Industrial and its associates are equipped with ro-ro ships of various capacity and extensive shipping lines covering major ports along the Yangtze River, which can make up for the lack of direct resources of the Company along the Yangtze River to assist the Group in providing better services for customers. The Group intends to continue to purchase logistics services from Minsheng Industrial and its associates in 2024. The proposed annual cap for the year ending 31 December 2024 was arrived at after having regard to (i) the projected transaction amount with Minsheng Industrial and its associates in 2023 is approximately RMB300 million; (ii) the estimated incremental amount for purchase of services from Minsheng Industrial and its associates in 2024 is approximately RMB70 million due to that the export volume of Changan Automobile by sea is expected to increase to 250,000 units in 2024 from 180,000 units in 2023, with a growth rate of approximately 40%; (iii) considering the fluctuations of oil prices, keep a moderate buffer in response to increasing water transport cost due to a rise in oil prices; and (iv) a moderate buffer added to cater for potential incremental purchase amount caused by potential increase in logistics demand from Changan Automobile. With reference to the above factors, the Board is of the view that the proposed annual cap for the year ending 31 December 2024 is fair and reasonable.</p>
4. Settlement, deposits and loans, note discounting services to be provided by Zhuangbei Finance to the Group				
	<p>The fees and charges payable by the Group to Zhuangbei Finance under the framework agreement will be on terms not less favourable than the benchmark rates set by PBOC (if applicable) as well as those available from other independent commercial banks in the PRC and are determined on the following bases:</p>			

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Pricing policy	<ul style="list-style-type: none"> • Settlement services – the fees charged for the settlement services must not be higher than (i) the relevant benchmark charging rates set by PBOC (if applicable); and (ii) the fees charged by other independent commercial banks in the PRC for providing services of similar nature. • Deposit services – the interest rates for Deposits placed by the Group must not be lower than (i) the relevant benchmark interest set by PBOC; and (ii) the interest rates provided by other independent commercial banks in the PRC for deposits of similar nature and under similar terms. • Provision of loans – the interest rates for borrowings by the Group must not be higher than (i) the relevant benchmark interest rates set by PBOC; and (ii) the interest rates charged by other independent commercial banks in the PRC for borrowings of similar nature and under similar terms. • Note discounting services – the fees charged for the services and the interest rates for the note discounting services must not be higher than (i) the relevant benchmark charging rates (if applicable) and interest rates set by PBOC; and (ii) the fees and interest rates charged by other independent commercial banks in the PRC for providing note discounting services of similar nature and under similar terms. <p>The Company will adopt a series of measures to maintain the independence of the Company’s decision-making and the fairness of transaction prices. Relevant measures include, but are not limited to, the Company’s right to make independent decisions on transaction prices, and to understand and grasp market information through various means. In addition, 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 at least five quotes to be provided by independent third parties, including Industrial and Commercial Bank of China Limited, China Construction Bank Limited, Bank of China Limited, China Merchants Bank Co., Ltd. and Shanghai Pudong Development Bank Limited, where no security over assets of the Group is granted in respect of such services.</p>			
The maximum amount of Deposit (including interests) on a daily basis	Historical figures	Historical caps (for 2021-2023)	Proposed Cap for 2024	Basis of determination of the Proposed Cap for 2024
	For the two years ended 31 December 2022, and 8 months ended 31 August 2023, RMB189,724,000 RMB199,582,000 and RMB188,580,000 respectively	For the three years ended 31 December 2023, RMB190,000,000 RMB200,000,000 and RMB190,000,000 respectively	For the year ending 31 December 2024, RMB200,000,000	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 ending 31 December 2024 is determined after having considered (i) the historical maximum daily outstanding balance of deposits placed by the Group in Zhuangbei Finance for the eight months ended 31 August 2023 and the utilization rate of the 2023 annual cap; and (ii) As at 31 August 2023, the Group had a total deposit of approximately RMB1.165 billion. 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 31 August 2023. The Company is of the view that by allocating the Group’s cash among Zhuangbei Finance and other licensed banking institutions in the PRC such as China Merchants Bank, China Construction Bank and Industrial and Commercial Bank of China, the Group

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				<p>is able to reasonably reduce the financial risks of capital overconcentration while retaining the benefit of financial settlement through Zhuangbei Finance. As such, the Directors are of the view that the proposed annual cap for the year ending 31 December 2024 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 2024 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 sales of China passenger cars was 6.7% from January to August 2023 (http://www.caam.org.cn/chn/4/cate_30/con_5236151.html) which shows that the domestic automobile market is recovering and showing a momentum of steady growth. Changan CS75 ranked Top 10 Best Selling Cars in China in the first half of 2023. Deepal, a new energy vehicle brand of Changan Automobile, and Avatr, a high-end intelligent EV brand, all gain good response in the market. Changan Automobile released a new brand of new energy cars Changan Qiyuan in August 2023, which will release such models as A05, A06, A07, Q05 and so on. 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 include: (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. China Changan has recently established a wholly-owned subsidiary--Chenzhi Technology Co., Ltd., which will build its R&D centres in each of Chongqing, Shanghai and Chengdu, with products covering smart car braking, steering, suspension, lightweight and chassis integration etc.

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

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

The Group is a third-party automobile logistics service provider and provides comprehensive logistics solution for customers. However, the Group currently does not have any vessel or enough freight carriers to ensure an independent operation of business and 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 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. to the Group 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 NFRA 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 NFRA 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;

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 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, according to the current arrangement, the service fees charged or to be charged by normal commercial banks for the provision of settlement services, including account management, online banking system management, confirmation, etc., are fully waived by Zhuangbei Finance, which would significantly reduce the finance costs of the Group;

- (ii) The risk of the Deposit transaction with Zhuangbei Finance is further reduced by (i) the undertakings provided by Zhuangbei Finance, (ii) 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.;
- (iii) 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
- (iv) 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.

Connected transactions may affect the Company's ability to operate its business independently and reduce its resistance to external risks. Excessive connected transactions will reduce the Company's competitiveness and independence and make the Company overly dependent on connected parties.

The deposit transaction between Zhuangbei Finance and the Company may expose the Company to financial risk if there are material adverse changes in the financial or trading position of Zhuangbei Finance. The Company takes measures to control the potential risks to the deposits transaction between Zhuangbei Finance and the Company. For details, please refer to the section headed "Risks Control Relating to the Deposits Transaction under the Framework Agreement with Zhuangbei Finance" of this circular.

The Directors (including the independent non-executive Directors) are of the view that the Non-exempt Continuing Connected Transactions for 2024 and the Major Transaction for 2024 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 2024 and the Major Transaction for 2024 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 31 August 2023, the total deposit amount of the Group was approximately RMB1.165 billion and the deposit amount with Zhuangbei Finance was approximately RMB189 million, representing approximately 16% of the total deposit amount of the Group.

For the eight months period ended 31 August 2023, the deposit interest income from Zhuangbei Finance was approximately RMB3.41 million, representing approximately 29% of the total deposit interest income of the Group and approximately 0.06% of the Group's unaudited revenue during the corresponding period.

Therefore, the Company anticipates that the deposit interest income to be earned from Zhuangbei Finance for the year ending 31 December 2024 will not have any material impact to the Group's revenue, assets and liabilities.

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

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

- (i) provide to the Company, at any time, financial services with terms which are no less favourable than for comparable financial services provided to members of the CSGC 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 NFRA and that the major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the NFRA and other relevant laws and regulations;
- (v) report its business and financial positions to the Company twice a year, 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 NFRA 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 2024 with each of Changan Automobile, China Changan and their respective associates and the Major Transaction for 2024. Except for Mr. Xie Shikang, Mr. Wan Nianyong and Mr. Dong Shaojie, 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 2024 with each of Changan Automobile, China Changan and their respective associates and the Major Transaction for 2024, 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 2024 and the Major Transaction (including the Proposed Caps for 2024 and the maximum outstanding daily balance on the Deposit for 2024) thereby contemplated.

The Board has approved the proposal of Non-Exempt Continuing Connected Transactions for 2024 with Minsheng Industrial and its associates. Except for Mr. Che Dexi and Mr. Chen Wenbo, who being nominated by Minsheng Industrial and are therefore treated as the related Directors under the relevant PRC laws, are deemed to be interested in the Non-Exempt Continuing Connected Transactions for 2024 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 2024) 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 2024 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 2024 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 2024 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 2024 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 2024 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 limited liability company incorporated 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 sales of automobile and motorcycle components and parts; sales 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 NFRA. Zhuangbei Finance is a non-bank financial institution regulated by NFRA.

C. EGM

The EGM will be held for considering and approving, among others, the Non-Exempt Continuing Connected Transactions for 2024 and the Major Transaction for 2024.

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 2024 with each of Changan Automobile, China Changan and their respective associates and the Major Transaction for 2024, will abstain from voting on the relevant resolutions approving the relevant Framework Agreement for the 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 2024) 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%

LETTER FROM THE BOARD

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 2024 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 2024) thereby contemplated.

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 2024 and the Major Transaction for 2024 proposed at the EGM.

The notice of the EGM is set out on pages 60 to 62 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, Wan Chai, 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 72 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 2024 and the Major Transaction for 2024 (including the Proposed Cap for 2024 for each of Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2024) 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 Wednesday, 14 February 2024 to Monday, 19 February 2024, 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by no later than 4:30 p.m. on Friday, 9 February 2024. Holders of H Shares whose names are recorded in the register of members of the Company on Monday, 19 February 2024 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 28 to 29 of this circular, and which contains their recommendation in respect of the Non-Exempt Continuing Connected Transactions for 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction for 2024 (including the Proposed Cap for 2024 for each of the Non-Exempt

LETTER FROM THE BOARD

Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2024). The letter of advice from Quam Capital Limited 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 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction (including the Proposed Cap for 2024 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2024) and whether such transactions are in the interests of the Company and its Shareholders as a whole is set out on pages 30 to 47 of this circular.

The Independent Board Committee, having taken into account the advice of Quam Capital Limited, considers that the Non-Exempt Continuing Connected Transactions for 2024 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 2024) 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 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction (including the Proposed Cap for 2024 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2024).

The Directors (including the independent non-executive Directors) consider that (i) the transactions under the Non-Exempt Continuing Connected Transactions for 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction (including the Proposed Cap for 2024 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2024) are on 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 2024 and the Major Transaction (including the Proposed Cap for 2024 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2024) 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)

23 January 2024

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2024
AND THE 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 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction, details of which are set out in the letter from the Board contained in the circular ("**Circular**") of the Company to the Shareholders dated 23 January 2024, 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 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction requires the approval of the Independent Shareholders at the EGM.

We wish to draw your attention to the letter of advice from Quam Capital Limited set out on pages 30 to 47 of this circular. We have discussed the letter and the opinion contained therein with Quam Capital Limited.

LETTER FROM INDEPENDENT BOARD COMMITTEE

Having considered, among others, the factors and reasons considered by, and the opinion of, Quam Capital Limited, as stated in its aforementioned letter, we consider each of the transactions under the Non-Exempt Continuing Connected Transactions for 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction (including the Proposed Cap for 2024 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on Deposit for 2024) to be fair and reasonable insofar as the Independent Shareholders are concerned. We are of the view that each of the Non-Exempt Continuing Connected Transactions for 2024 with Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction (including the Proposed Cap for 2024 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2024) are on 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 19 February 2024 and thereby approve each of transactions under the Non-Exempt Continuing Connected Transactions for 2024 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Major Transaction (including the Proposed Cap for 2024 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2024).

Yours faithfully,

Mr. Li Ming

*Independent Non-executive
Director*

Mr. Man Wing Pong

*Independent Non-executive
Director*

Ms. Chen Jing

*Independent Non-executive
Director*

** For identification purpose only*

The following is the full text of a letter of advice from Quam Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2024 and the Major Transaction pursuant to the Framework Agreements for the Non-Exempt Continuing Connected Transactions, which has been prepared for the purpose of incorporation in this circular.



23 January 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2024
AND THE MAJOR TRANSACTION REGARDING THE DEPOSIT TRANSACTION
WITH ZHUANGBEI FINANCE**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2024 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, details of which are set in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 23 January 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the announcement of the Company dated 30 October 2023, the Company entered into the following framework agreements, each for a term of three years commencing on 1 January 2024 and expiring on 31 December 2026:

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

- (4) the framework agreement with Zhuangbei Finance, pursuant to which Zhuangbei Finance shall provide the Group with settlements, deposit and loans, note discounting services.

The existing annual caps in respect of the Non-Exempt Continuing Connected Transactions have expired on 31 December 2023. Accordingly, the Company and each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance, entered into the framework agreements on 30 October 2023 with a view to carry out the Non-Exempt Continuing Connected Transactions for the three years ending 31 December 2026.

As at the Latest Practicable Date, China Changan holds approximately 25.44% of the total issued share capital of the Company and 17.97% equity interests in Changan Automobile. In addition, CSGC holds 100% equity interests in China Changan and 14.22% equity interests in Changan Automobile. SIAMC, a wholly-owned subsidiary of CSGC, holds 5.10% equity interests in Changan Automobile. The ultimate shareholder of SIAMC is CSGC. The ultimate beneficial owner of CSGC is the SASAC of the State Council of the PRC. Zhuangbei Finance is a member company of CSGC in that CSGC holds 22.90% equity interests and China Changan holds 13.27% equity interests. The ultimate beneficial owner of Zhuangbei Finance is CSGC. As at the date of the Circular, the Company holds approximately 0.81% equity interests in Zhuangbei Finance. Therefore, according to the Listing Rules, the transactions between the Group and each of China Changan, Changan Automobile, Zhuangbei Finance and their respective associates constitute 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 SASAC of the PRC.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Li Ming, Mr. Man Wing Pong and Ms. Chen Jing, has been established to advise the Independent Shareholders as to (i) whether the entering into of the Non-Exempt Continuing Connected Transactions for 2024 is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Independent Shareholders as a whole; (ii) whether the terms of the Non-Exempt Continuing Connected Transactions for 2024 are normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned; (iii) whether the Proposed Cap in respect of each of the Non-Exempt Continuing Connected Transactions for 2024 have been fairly and reasonably arrived at; and (iv) how the Independent Shareholders should vote in respect of the proposed resolution at the EGM to approve the Non-Exempt Continuing Connected Transactions for 2024 (including the Proposed Cap for each of Non-Exempt Continuing Connected Transactions), taking into account our recommendation.

THE INDEPENDENT FINANCIAL ADVISER

As the independent financial adviser, our role is to give independent opinions to the Independent Board Committee and the Independent Shareholders as to (i) whether the entering into of the Non-Exempt Continuing Connected Transactions for 2024 is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Independent Shareholders as a whole; (ii) whether the terms of the Non-Exempt Continuing Connected Transactions for 2024 are normal commercial

terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned; (iii) whether the Proposed Cap in respect of each of the Non-Exempt Continuing Connected Transactions have been fairly and reasonably arrived at; and (iv) how the Independent Shareholders should vote in respect of the proposed resolution at the EGM to approve the Non-Exempt Continuing Connected Transactions for 2024 (including the Proposed Cap for each of Non-Exempt Continuing Connected Transactions).

Except for being appointed as independent financial adviser to the Company in respect of the Non-Exempt Continuing Connected Transactions for 2024, we have not acted as an independent financial adviser and have not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules 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 2024. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Non-Exempt Continuing Connected Transactions for 2024, and accordingly, are eligible to give independent advice and recommendations on the Non-Exempt Continuing Connected Transactions for 2024. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered and reviewed, among other things:

- (i) the Framework Agreements for the Non-Exempt Continuing Connected Transactions;
- (ii) the Circular;
- (iii) the annual report of the Company for the financial year ended 31 December 2022 (the “**Annual Report 2022**”) and the interim report of the Company for the six months ended 30 June 2023 (the “**Interim Report 2023**”); and
- (iv) the relevant market data and information available from public sources and the website of the Stock Exchange.

We have also relied on all relevant information and representations supplied, and the opinions expressed, by the Directors and the management of the Company (collectively, the “**Management**”) and discussed with them about the underlying assumptions in relation to the Non-Exempt Continuing Connected Transactions. We have assumed that all such information and representations contained or referred to in the Circular are true and accurate in all material respects as the date thereof. Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have also confirmed that, having made all reasonable enquiries and to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular, the omission of which make any statement in the Circular misleading. We have found no reason to doubt the truth, accuracy and completeness of

the information and representations provided to us by the Management, and they have confirmed that no material information have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading. Based on the reasonable steps we have taken as mentioned above, we have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, nor have we conducted an independent investigation into the business affairs, operations, financial position or future prospects of each of the Company, and any of their respective subsidiaries and associates and parties acting in concert with them.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2024, we have taken into account the following principal factors and reasons.

1. Information of the Group

1.1. Background information of the Group

The Group is principally engaged in supply chain management services for 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, tire sub-packaging and after sales logistics services, among others. Besides, the Company also provides non-automobile commodities transportation services.

1.2. Financial information of the Group

Set out below is a summary of the financial information of the Group for the two financial years ended 31 December 2021 (“**FY2021**”) and 31 December 2022 (“**FY2022**”) as extracted from the Annual Report 2022, and the six months ended 30 June 2022 (“**HY2022**”) and 30 June 2023 (“**HY2023**”) as extracted from the Interim Report 2023:

LETTER FROM QUAM CAPITAL LIMITED

	FY2021 <i>RMB'000</i> <i>(audited)</i>	FY2022 <i>RMB'000</i> <i>(audited)</i>	HY2022 <i>RMB'000</i> <i>(unaudited)</i>	HY2023 <i>RMB'000</i> <i>(unaudited)</i>
Revenue	6,020,899	7,697,350	3,439,961	3,984,312
- <i>Transportation of finished vehicles</i>	3,115,123	3,713,250	1,810,828	1,857,777
- <i>Supply chain management for vehicle raw materials, components and parts</i>	2,261,879	2,886,900	1,421,417	1,620,884
- <i>Sale of packing materials and the processing of tyres</i>	643,897	1,097,200	207,716	505,651
Profit for the year / period	42,109	46,516	25,140	28,176

	As at 31 December 2021 <i>RMB'000</i> <i>(audited)</i>	As at 31 December 2022 <i>RMB'000</i> <i>(audited)</i>	As at 30 June 2023 <i>RMB'000</i> <i>(unaudited)</i>
Total assets	4,176,276	4,916,259	5,378,248
- <i>Cash and cash equivalents</i>	992,314	755,717	1,035,924
Total liabilities	2,080,203	2,754,385	3,188,915
Net assets	2,096,073	2,161,874	2,189,333

Comparison between FY2021 and FY2022

The revenue of the Group increased from approximately RMB6,020.9 million for FY2021 to approximately RMB7,697.4 million for FY2022, representing an increase of approximately 27.8%. According to the Annual Report 2022, the increase of revenue of the Group was mainly attributable to the increase in the sales volume of its major customer being Changan Automobile, resulting in the corresponding growth in the demand of finished vehicles transportation from the Group, and the corresponding increase in the demand for supply chain management services of automobile raw materials and components and parts.

The Group recorded a net profit of approximately RMB42.1 million and RMB46.5 million for FY2021 and FY2022 respectively, representing an increase of approximately 10.5%. The increase was mainly due to the significant increase in the revenue as aforementioned.

Comparison between HY2022 and HY2023

The revenue of the Group increased from approximately RMB3,440.0 million for HY2022 to approximately RMB3,984.3 million for HY2023, representing an increase of approximately 15.8%, which attributed to measures such as market expansion. According to the Interim Report 2023, the increase of revenue of the Group was mainly attributable to the increased sales of packaging materials and the processing of tyres by approximately 143.4% from approximately RMB207.7 million for HY2022 to approximately RMB505.7 million for HY2023.

The Group recorded a net profit of approximately RMB25.1 million and RMB28.2 million for HY2022 and HY2023 respectively. The increase was mainly due to the increase in the revenue as aforementioned and the implementation of the cost-effectiveness programme and market expansion.

The Group's net assets remained relatively stable at approximately RMB2.1 billion, RMB2.2 billion and RMB2.2 billion as at 31 December 2021 and 2022 and 30 June 2023, respectively.

1.3. Outlook of the Group

While the automobile industry in the PRC has been affected by uncertainties in the international community and changing domestic and international situations, for example, changes in energy prices, foreign exchange rate fluctuations, Russia-Ukraine conflict and tightened monetary policy in the United States, the automobile market in the PRC is obtaining support from the PRC government. The PRC government has recently implemented or is going to implement a number of measures to support the automobile market in the PRC, including but not limited to (i) preferential tax policies and subsidies for vehicles purchasing, (ii) stabilising the consumption of automobile by not allowing to stipulate any new rules limiting purchase volume, and encouraging areas to extend the limit on purchase volume of vehicles, and (iii) encouraging the retirement of vehicles that produce emissions not in accordance with the emission standards and conditionally launching old-for-new scheme in order to expedite the retirement of substandard or old vehicles. According to the China Association of Automobile Manufacturers (http://www.caam.org.cn/chn/4/cate_32/con_5236151.html), from January to August 2023, the automobile production volume and sales volume in the PRC increased by approximately 7.4% and 8% as compared with the corresponding period in 2022. According to the 《汽車行業穩增長工作方案(2023 - 2024 年)》 published by the PRC government (https://www.gov.cn/zhengce/zhengceku/202309/content_6901733.htm), the automobile industry in the PRC targeted to achieve the sales of automobile of approximately 27 million units for 2023, representing a growth of approximately 3% as compared to 2022.

In particular, the production and sales of new energy vehicles continued to present a high growth and the production and market share of Chinese passenger car brands increased significantly. Auto exports continued to grow rapidly, showing a rising international competitiveness of Chinese brands. In June 2023, three PRC government departments including the Ministry of Finance, the State Administration of Taxation, and the Ministry of Industry and Information Technology jointly issued the Announcement on Continuing and Optimising the Policy for the Reduction of New Energy Vehicle Purchase Tax (https://www.gov.cn/zhengce/zhengceku/202306/content_6887734.htm), stating that the validity of the policy of reduction and exemption of purchase tax of new energy vehicles will be extended up to 31 December 2027 from 31 December 2023. It is expected that the new energy vehicles will continue to maintain rapid growth.

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

2.1. Information of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance

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

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 principally engaged in accepting enterprises deposit, and processing financial activities such as enterprise loan and fund raising as approved by NFRA. Zhuangbei Finance is a non-bank financial institution regulated by NFRA.

2.2. Reasons for and benefits of the Non-Exempt Continuing Connected Transactions for 2024

2.2.1. Logistics services provided by the Group to Changan Automobile and its associates

Since the establishment of the Company, the Group has had maintained a business relationship with Changan Automobile. Provision of logistics services to Changan Automobile and its associates by the Group occupies 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 maintain such source of revenue.

According to announcement of Changan Automobile, for the 11 months ended 30 November 2023, the production volume and sales volume of Changan Automobile reached approximately 2.36 million vehicles and 2.34 million vehicles, representing an increase of approximately 14.8% and 11.9% as compared with the corresponding period in 2022. It is expected that the logistics demand of Changan Group will increase taking into account the sales performance of the Changan Automobile products and the new cars brands released recently. Changan CS75 has ranked Top 10 Best Selling Cars in China in the first half of 2023. Deepal, a new energy vehicle brand of Changan Automobile, and Avatr, a high-end intelligent EV brand, have received good response in the market. Changan Automobile also released a new brand of new energy cars, Changan Qiyuan, in August 2023, which will release such models as A05, A06, A07, Q05 and so on. Therefore, the Board is of the view, and we concur, that the continuing connected transaction with respect to the provision of logistics services to Changan Automobile and its associates is in the interests of the Company and its Shareholders as a whole, and is in the ordinary and usual course of business of the Group.

2.2.2. Logistics services provided by the Group to China Changan and its associates

According to the Letter from the Board, the Group's development strategies include (i) taking root in automobile logistics, which is the foundation of the Group, and continuously consolidating the existing traditional business and further exploring the rest of the logistics demand of Changan Group by improving the Group's logistics technology, service quality and logistics network; (ii) taking 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; and (iii) gradually exploring non-automobile logistics business on top of the automobile logistics business to diversify the revenue portfolio of the Group.

China Changan is a large enterprise with businesses mainly ranging from parts and components to automobile retail, including parts production such as automobile engines, transmissions, power components, chassis, shock absorbers, supercharges, pistons and so on. According to the Letter from the Board, China Changan has also established a wholly-owned subsidiary which will build its research and development centres in each of Chongqing, Shanghai and Chengdu, with products covering smart

car braking, steering, suspension, lightweight and chassis integration, etc. 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 relationships with several member companies of China Changan, by providing logistics services such as automobile parts distribution, transportation, storage, etc. Therefore, the Board is of the view, and we concur, that the continuing connected transaction with respect to the provision of logistics services to China Changan and its associates is in the interests of the Company and its Shareholders as a whole, and is in the ordinary and usual course of business of the Group.

2.2.3. Logistics services provided to the Group by Minsheng Industrial and its associates

According to the Letter from the Board, the Group is an automobile logistics service provider for providing comprehensive logistics solution to customers but it 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 equipped with ro-ro ships of various volumes and car transporters that is compliant with the relevant regulation and has extensive, well-established logistics network across the country. In addition, Minsheng Industrial and its associates have been providing various logistics services such as waterway transportation of cars and car components and parts, finished vehicles transportation by road, customs clearance, container transportation, etc. for many years.

The purchase of logistics services from Minsheng Industrial and its associates would support the smooth running of the Group's primary business and enable the Group to provide its customers with quality services and maximize revenue. Based on the above, the Board is of the view, and we concur, that the continuing connected transaction with respect to the provision of logistics services to the Group by Minsheng Industrial and its associates is in the interest of the Company and its Shareholders as a whole, and is in the ordinary and usual course of business of the Group.

2.2.4. Deposit transaction between the Group and Zhuangbei Finance

Zhuangbei Finance is a non-banking financial institution in the PRC as approved by NFRA and is established with capital contribution from member companies of CSGC for purpose of centralizing capital management and optimizing capital efficiency within the CSGC. According to the Letter from the Board, Zhuangbei Finance has been providing financial services for member companies of CSGC for years and 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. According to the Letter from the Board, the service fees charged or to be charged by normal commercial banks for the provision of settlement services, including account management, online banking system management, confirmation, etc. are fully waived by Zhuangbei Finance, which would reduce the finance costs of the Group.

Zhuangbei Finance is regulated by the PBOC and the NFRA and provides its services in accordance with and in compliance of the rules and operational requirements of these regulatory authorities. The pricing policies of Zhuangbei Finance are subject to guidelines set by PBOC. Based on our review of public records on NFRA website (<https://xkz.cbirc.gov.cn/jr/>), we noted that the relevant licenses and permits of Zhuangbei Finance remain valid and effective as at the Latest Practicable Date, and we did

not notice any non-compliance records of Zhuangbei Finance.

Based on our discussion with the Management and review of bank records, we understand that the Group has also maintained deposits in several other licensed banks such as China Merchants Bank, China Construction Bank, Industrial and Commercial Bank of China, etc. Therefore, we consider that the entering into of the framework agreement regarding deposit transaction with Zhuangbei Finance provides the Group an additional option in allocating deposits among the regulated financial institutions for reducing the financial risks of capital overconcentration, while retaining the benefits of efficient financial settlement. Based on the above, we are of the view that the deposit transaction with Zhuangbei Finance is in the interest of the Company and its Shareholders as a whole, and is in the ordinary and usual course of business of the Group.

2.3. Principal terms of the Non-Exempt Continuing Connected Transactions for 2024

To assess the fairness and reasonableness of the terms of the Framework Agreements for the Non-Exempt Continuing Connected Transactions 2024, we have considered the following:

2.3.1. Logistics services provided by the Group to Changan Automobile and its associates

According to the terms of the framework agreement with Changan Automobile, the pricing of the logistics services to be provided by the Group is market driven and shall be no less favourable to the Group than the pricing provided to Independent Third Parties for similar services. The transactions contemplated under the framework agreement shall be conducted on a non-exclusive basis. According to the Group's pricing policy, 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 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 also established the Bidding Quotation Process and Bidding Quote Management Procedures. Based on our review of such documents and the Letter from the Board, the Company's Enterprise Technical Center will draw up the technical and operation plans whereas the Marketing Management Center 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 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

For pricing 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, etc. to comprehensively measure the cost. The profit margin for each project varies depending on the different technical requirements, staffing, resources commitment and location. When adopting the cost-plus approach to arrive at the price for provision of logistics services, the Group will initially gather necessary information including the technical specification and operational requirements, etc. regarding the logistics services from potential customers. Based on the customers' requirements, the Group will devise the prices after having taken into account all the direct fixed and variable costs (cost of materials, labour cost, and other overhead expenses) associated with the services, with a mark-up to the cost. The mark-up represents the gross profit of the Group.

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 each pricing methodology above (i.e. bidding price, internal compared price and cost-plus price), we have obtained and reviewed the documents in relation to the pricing process for one sample transaction randomly selected during the entire period of FY2021, FY2022 and eight months ended 31 August 2023 for the logistics services provided by the Group to Changan Automobile and its associates. During this review exercise, nothing has come to our attention that the Group's pricing policy had not been adhered to. Considering that (i) the sample transactions were selected on a random basis and we did not set other criteria in the sampling process; and (ii) the Group has been providing logistics services to Changan Automobile for a number of years under a consistent pricing policy, we consider the number of samples sufficient to provide fair and representative samples for our assessment.

Based on the above, we are of the view that, the Group's provision of logistics services to Changan Automobile and its associates has in the past been carried out at arm's length and is in accordance with the Company's internal pricing policy. We are also of the view that the transaction terms are normal commercial terms, and are fair and reasonable.

2.3.2. Logistics services provided by the Group to China Changan and its associates

According to the terms of the framework agreement with China Changan, the pricing of the logistics services to be provided by the Group is market driven and shall be no less favourable to the Group than the pricing provided to Independent Third Parties for similar services. The transactions contemplated under the framework agreement shall be conducted on a non-exclusive basis. The pricing policy for services provided under the agreement is the same as those discussed under section 2.3.1 above.

For each pricing methodology of internal compared price and cost-plus price, we have obtained and reviewed the documents in relation to the pricing process for one sample transaction randomly selected during the entire period of FY2021, FY2022 and eight months ended 31 August 2023 for the logistics services provided by the Group to China Changan and its associates. During this review exercise, nothing has come to our attention that the Group's pricing policy had not been adhered to. Considering that (i) the sample transactions were selected on a random basis and we did not set other criteria in the sampling process; and (ii) the Group has been providing logistics services to China Changan for a number of years under a consistent pricing policy, we consider the number of samples sufficient to provide fair and representative samples for our assessment. Based on our discussion with the Management, we understand that there was no transaction which has adopted the bidding pricing methodology in respect of the provision of logistics services by the Group to China Changan and its

associates during FY2021, FY2022 and eight months ended 31 August 2023.

Based on the above, we are of the view that, the Group's provision of logistics services to China Changan and its associates has in the past been carried out at arm's length and is in accordance with the Company's internal pricing policy. We also consider that the transaction terms are normal commercial terms, and are fair and reasonable.

2.3.3. Logistics services provided to the Group by Minsheng Industrial and its associates

According to the terms of the framework agreement with Minsheng Industrial, the pricing of the logistics services to be provided to the Group by Minsheng Industrial and its associates shall be no less favourable to the Group than the pricing provided from Independent Third Parties for similar services. The transactions contemplated under the framework agreement shall be conducted on a non-exclusive basis. According to the Group's pricing policy, the pricing of the services provided under the agreement shall be determined in accordance with the principles and order 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 Group has established the Bidding Quote Management Procedures. Based on our review of such document and the Letter from the Board, in terms of procurement through bidding, the Company shall publish announcements 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.

In relation to internal compared pricing methodology above, we have obtained and reviewed the documents in relation to the pricing process for one sample transaction randomly selected during the entire period of FY2021, FY2022 and eight months ended 31 August 2023 for the logistics services provided by the Minsheng Industrial and its associates to the Group. During this review exercise, we noted that the pricing offered by Minsheng Industrial's associated company was the lowest among more than two quotations from competing independent third parties, and nothing has come to our attention that the Group's pricing policy had not been adhered to. Considering that (i) the sample transaction was selected on a random basis and we did not set other criteria in the sampling process; and (ii) the Group has been purchasing logistics services from Minsheng Industrial for a number of years under a consistent pricing policy, we consider the number of samples sufficient to provide a fair and representative sample for our assessment.

Based on our discussion with the Management, we understand that there was no transaction which has adopted the bidding pricing methodology in respect of the provision of logistics services to the Group

by Minsheng Industrial and its associates during FY2021, FY2022 and eight months ended 31 August 2023. According to the Letter from the Board, at present, there are only a few suppliers who have the qualification and capability to provide Yangtze River automobile related transportation services. Therefore, 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.

Based on the above, we are of the view that, the provision of logistics services to the Group by Minsheng Industrial and its associates has in the past been carried out at arm's length and is in accordance with the Company's internal policies. We also consider that the transaction terms are normal commercial terms, and are fair and reasonable.

2.3.4. Deposit transaction between the Group and Zhuangbei Finance

As Zhuangbei Finance is a regulated financial institution, the pricing policies of Zhuangbei Finance are subject to guidelines set by PBOC. According to the terms of the framework agreement and the Group's pricing policy, the interest rates for Deposits placed by the Group shall 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.

In relation to the above, we have obtained and reviewed the agreement between the Group and Zhuangbei Finance signed in September 2023 which set out the interest rate for current account deposits for one-year period from September 2023. We noted that the agreed interest rate was higher than (i) the relevant benchmark interest set by PBOC (<http://www.pbc.gov.cn/zhengcehuobisi/125207/125213/125440/125838/125885/125896/index.html>); and (ii) the interest rates published by other independent commercial banks that the Group had maintained a bank account in September 2023 for similar nature of deposits (including Industrial and Commercial Bank of China Limited (<https://icbc.com.cn/column/1438058341686722587.html>), China Construction Bank Limited (http://store.ccb.com/chn/personal/interestv3/rmbdeposit_dw.shtml), Bank of China Limited (https://www.boc.cn/fimarkets/lilv/fd31/202309/t20230901_23679836.html), China Merchants Bank Co., Ltd. (<https://fin.paas.cmbchina.com/fininfo/firmrate>) and Shanghai Pudong Development Bank Limited (https://per.spdb.com.cn/rate_query/201511/t20151119_23933.shtml)).

In addition, pursuant to the framework agreement, Zhuangbei Finance undertakes to the Company that it will:

- (i) provide to the Company, at any time, financial services with terms which are no less favourable than for comparable financial services provided to members of the CSGC 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 NFRA and that the major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the NFRA and other relevant laws and regulations;
- (v) report its business and financial positions to the Company twice a year, 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.

Based on the above, we are of the view that the interest of the Group under the deposit transaction with Zhuangbei Finance is safeguarded by the terms of the framework agreement and we also consider that the terms are normal commercial terms, and are fair and reasonable.

2.4. Annual Caps

The table below sets out the historical transaction amounts of the Non-Exempt Continuing Connected Transactions for FY2021, FY2022 and the eight months ended 31 December 2023 (“**8MFY2023**”), the annual caps for the respective year and the respective Proposed Cap for the year ending 31 December 2024 (“**FY2024**”):

	FY2021	FY2022	8MFY2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<i>Logistics services provided by the Group to Changan Automobile and its associates</i>			
Transaction amount	4,115,105,000	5,029,170,000	3,374,550,000
Annual cap for the year	5,000,000,000	6,000,000,000	7,000,000,000
Utilisation rate	82.3%	83.8%	N/A
Proposed Cap for FY2024	7,000,000,000		
<i>Logistics services provided by the Group to China Changan and its associates</i>			
Transaction amount	89,002,000	170,920,000	129,170,000
Annual cap for the year	120,000,000	210,000,000	210,000,000
Utilisation rate	74.2%	81.4%	N/A
Proposed Cap for FY2024	300,000,000		

LETTER FROM QUAM CAPITAL LIMITED

Logistics services provided to the Group by Minsheng Industrial and its associates

Transaction amount	175,103,000	248,340,000	182,470,000
Annual cap for the year	250,000,000	250,000,000	450,000,000
Utilisation rate	70.0%	99.3%	N/A
Proposed Cap for FY2024	450,000,000		

Deposit transaction between the Group and Zhuangbei Finance

Maximum amount of Deposit (including interests) on a daily basis	189,724,000	199,582,000	188,580,000
Annual cap for the year	190,000,000	200,000,000	190,000,000
Utilisation rate	99.9%	99.8%	N/A
Proposed Cap for FY2024	200,000,000		

2.4.1. Logistics services provided by the Group to Changan Automobile and its associates

With reference to the Letter from the Board, the Proposed Cap for the provision of logistics services to Changan Automobile and its associates by the Group was determined after having considered (i) the estimated transaction amount with Changan Automobile and its associates in FY2023 of approximately RMB5.5 billion; (ii) the projected level of the incremental transaction amount in FY2024 of approximately RMB0.8 billion; and (iii) a moderate buffer to respond to the inherent volatility of the auto market and to accommodate any potential momentum increase in the launch of new models of Changan Automobile and its associates in FY2024.

To assess the fairness and reasonableness of the Proposed Cap, we have discussed with the Management about the basis and underlying assumptions. Having considered that:

- (i) the projected transaction amount for FY2023 of approximately RMB5.5 billion is fair and reasonable when compared to the annualized transaction amount for FY2023 calculated based on the actual transaction amount for the 11 months ended 30 November 2023 (“11MFY2023”) of approximately RMB4.9 billion according to the Management’s figures, and taking into account the growth in production and sales volume of Changan Automobile of approximately 14.8% and 11.9% for 11MFY2023 as compared with the corresponding period in 2022;
- (ii) the projected increase in transaction amount for FY2024 of approximately RMB0.8 billion was determined based on the Group’s understanding on the business plans of Changan Automobile and its associates after their discussion with the management of the Changan Group. As disclosed in the Letter from the Board, it is noted that (a) the export volume of Changan Automobile by sea is expected to increase to 250,000 units in FY2024 from 180,000 units in FY2023, representing a growth rate of approximately 40%; (b) Changan Automobile released its overseas strategy recently and will increase its overseas presence. In the second half of 2023, a subsidiary of Changan Automobile was established in Thailand and sales is expected to commence in 2024; and (c) Changan Automobile released a new brand of new energy cars,

Changan Qiyuan, in August 2023, which will release such models as A05, A06, A07, Q05 and so on. Based on the above and taking into account the historical growth of transaction amount, we consider that the projected increase in transaction amount for FY2024 is fair and reasonable;

- (iii) a moderate buffer amount of approximately RMB0.7 billion is fair and reasonable to cover any unforeseeable circumstances which may occur in FY2024, in particular, in view of the uncertainties which may affect the PRC automobile market and the uncertainties in various newly implemented business growth strategies of Changan Automobile.

We are of the view that the Proposed Cap for the logistics services provided by the Group to Changan Automobile and its associates has been determined on a fair and reasonable basis. In addition, we noted that the historical annual caps for this transaction for FY2021 and FY2022 were mostly utilized, which indicates that the historical caps have also been fairly and reasonably arrived at by the Group.

2.4.2. Logistics services provided by the Group to China Changan and its associates

With reference to the Letter from the Board, the Proposed Cap for the provision of logistics services to China Changan and its associates by the Group was determined after having considered (i) the estimated transaction amount with China Changan and its associates in FY2023 of approximately RMB200 million; (ii) the projected level of the incremental transaction amount in FY2024 of approximately RMB90 million; and (iii) a moderate buffer to respond to fluctuations of the transaction amount with China Changan and its associates in FY2024.

To assess the fairness and reasonableness of the Proposed Cap, we have discussed with the Management about the basis and underlying assumptions. Having considered that:

- (i) the projected transaction amount for FY2023 of approximately RMB200 million is fair and reasonable when compared to the annualized transaction amount for FY2023 calculated based on the actual transaction amount for 11MFY2023 of approximately RMB184.4 million according to the Management's figures;
- (ii) the projected increase in transaction amount for FY2024 of approximately RMB90 million was determined based on the Group's understanding on the business plans of China Changan and its associates after their discussion with the management of the Changan Group. As disclosed in the Letter from the Board, it is expected that (a) an incremental transaction amount of approximately RMB40 million will be derived from the provision of inbound logistics for Chongqing Tsingshan Industry Limited Liability Company and Sichuan Jian'an Industrial Co., Ltd., which are associates of China Changan, due to the expected growth of the production and sales volume of Changan Automobile; (b) an incremental transaction amount of approximately RMB50 million will be derived from the provision of inbound logistics and transportation service to China Changan Automobile Group Co., Ltd. Chongqing Chassis System Branch and Southern TRW Chassis System Co., Ltd., which are associates of China Changan, and a newly established wholly-owned subsidiary of China Changan Chenzhi Technology Co., Ltd. Based on the above and taking into account the historical growth of transaction amount, we consider that the projected increase in transaction amount for FY2024 is fair and reasonable;

- (iii) a moderate buffer amount of approximately RMB10 million is fair and reasonable to cover any unforeseeable circumstances which may occur in FY2024.

We are of the view that the Proposed Cap for 2024 for the logistics services provided by the Group to China Changan and its associates has been determined on a fair and reasonable basis. In addition, we noted that the historical annual caps for this transaction for FY2021 and FY2022 were mostly utilized, which indicates that the historical caps have also been fairly and reasonably arrived at by the Group.

2.4.3. Logistics services provided to the Group by Minsheng Industrial and its associates

With reference to the Letter from the Board, the Proposed Cap for the provision of logistics services to the Group by Minsheng Industrial and its associates was determined after having considered (i) the estimated transaction amount with Minsheng Industrial and its associates in FY2023 of approximately RMB300 million; (ii) the projected level of the incremental transaction amount in FY2024 of approximately RMB70 million; and (iii) a moderate buffer to respond to potential increase in water transport cost when oil prices rise and potential increase in purchase amount caused by potential increase in logistics demand from Changan Automobile in FY2024.

To assess the fairness and reasonableness of the Proposed Cap, we have discussed with the Management about the basis and underlying assumptions. Having considered that:

- (i) the projected transaction amount for FY2023 of approximately RMB300 million is fair and reasonable when compared to the annualized transaction amount for FY2023 calculated based on the actual transaction amount for 11MFY2023 of approximately RMB231.1 million according to the Management's figures;
- (ii) the projected increase in transaction amount for FY2024 of approximately RMB70 million was determined based on the Group's understanding on the business plans of Changan Automobile after their discussion with the management of the Changan Group, considering that the demand for the logistics services provided by Minsheng Industrial is mainly driven by the logistics demand from Changan Automobile. As disclosed in the Letter from the Board, it is expected that an incremental transaction amount of approximately RMB70 million will be derived from the increase in export volume of Changan Automobile by sea to 250,000 units in 2024 from 180,000 units in 2023, with a growth rate of approximately 40%. Based on the above, and taking into account the historical growth of transaction amount, we consider that the projected increase in transaction amount for FY2024 is fair and reasonable;
- (iii) a moderate buffer amount of approximately RMB80 million is fair and reasonable to cover any unforeseeable circumstances which may occur in FY2024, in view of (a) the uncertainties that may affect the PRC automobile market, in particular, the fluctuations in oil prices which may potentially affect the water transport cost. During the 11 months ended 30 November 2023, the daily closing WTI crude oil prices have experienced large fluctuation between US\$66.74 per barrel and US\$93.84 per barrel; and (b) the uncertainties in various newly implemented business growth strategies of Changan Automobile.

We are of the view that the Proposed Cap for the logistics services provided to the Group by Minsheng Industrial and its associates has been determined on a fair and reasonable basis. In addition, we noted that the historical annual caps for this transaction for FY2021 and FY2022 were mostly utilized, which indicates that the historical caps have also been fairly and reasonably arrived at by the Group.

2.4.4. Deposit transactions between the Group and Zhuangbei Finance

With reference to the Letter from the Board, the Proposed Cap for the deposit transactions between the Group and Zhuangbei Finance (i.e. the maximum amount of Deposit (including interests) on a daily basis) was determined after having considered (i) the historical maximum daily outstanding balance of Deposit placed by the Group in Zhuangbei Finance for the 8MFY2023 and the utilization rate for the annual cap for FY2023; and (ii) the total deposit of approximately RMB1.165 billion held by the Group as at 31 August 2023.

To assess the fairness and reasonableness of the Proposed Cap, we have discussed with the Management about the basis and underlying assumptions. Having considered that (i) the Proposed Cap represents only less than 20% of the Group's total deposit amount as at 31 August 2023; and (ii) the historical maximum amount of Deposit (including interests) on a daily basis for FY2021, FY2022 and 8MFY2023 remained relatively stable at approximately RMB190 million to RMB200 million, we are of the view that the Proposed Cap for the deposit transactions between the Group and Zhuangbei Finance of RMB200 million has been determined on a fair and reasonable basis.

Independent Shareholders should note that the Proposed Caps represent an estimate based on information currently available and that the actual utilization and sufficiency of the Proposed Caps would depend on a number of factors, including but not limited to, the actual demand of the Group's services. The Proposed Caps have no direct relationship to, nor should be taken to have any direct bearing on, the Group's financial or potential financial performance.

3. INTERNAL CONTROL MEASURES

As discussed under section 2.3 above, the Company has adopted internal control measures to ensure that the Non-Exempt Continuing Connected Transactions for 2024 are carried out in accordance with the Group's pricing policies and to ensure the transactions are conducted on normal commercial terms.

In addition, as stated in the Letter from the Board, the Company has also adopted other internal control measures to safeguard the interest of the Company and the Shareholders as a whole. For example, the external auditors of the Company will conduct an interim review and year-end audit for each financial year, and will issue their opinion and letter to the Board in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the preceding financial year pursuant to the Listing Rules. In addition, according to the Listing Rules, the independent non-executive Directors of the Company will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm the transactional amounts and terms of the transactions in the annual report of the Company.

According to the Annual Report 2022, we noted that the Company had received confirmation letters from the independent non-executive Directors that the continuing connected transactions of the Company for FY2022 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. Further, the Board also confirmed that the external auditor of the Company has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions for FY2022.

For details of all relevant internal control measures of the Group, please refer to the Letter from the Board. We are of the view that appropriate measures have been in place to govern that the Non-Exempt Continuing Connected Transactions for 2024 will be conducted in the interest of the Company and its Shareholders as a whole.

RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that (i) the entering into of the Non-Exempt Continuing Connected Transactions for 2024 are in the ordinary and usual course of business of the Group, and in the interests of the Company and the Independent Shareholders as a whole; (ii) the terms of the Non-Exempt Continuing Connected Transactions for 2024 are normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned; and (iii) the Proposed Cap in respect of each of the Non-Exempt Continuing Connected Transactions for 2024 have been fairly and reasonably arrived at.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution(s) to approve (i) each of the Non-Exempt Continuing Connected Transactions for 2024 (including the Proposed Cap for each of the Non-Exempt Continuing Connected Transactions for 2024) at the EGM.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Leo Chan
Head of Corporate Finance

Mr. Leo Chan is the Head of Corporate Finance of Quam Capital Limited and is licensed under the SFO as a Responsible Officer to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Chan has approximately 27 years of experience in corporate finance.

** 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 three years ended 31 December 2022 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 have been disclosed in the following documents:

- 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.
- Annual report of the Company for the year ended 31 December 2021 published on 28 April 2022 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800866.pdf>), please refer to pages 59 to 150.
- Annual report of the Company for the year ended 31 December 2022 published on 27 April 2023 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042700878.pdf>), please refer to pages 59 to 166.
- Interim report of the Company for the six months ended 30 June 2023 published on 15 September 2023 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0915/2023091500461.pdf>), please refer to pages 1 to 21.

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.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

3. Indebtedness

As at the close of business on 30 November 2023, 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 RMB139,376,000 of the lease liabilities were unsecured, unguaranteed, and repayable within more than one year and approximately RMB35,508,000 were unsecured, unguaranteed and repayable within one year; and

- (ii) long-term payables of approximately RMB161,350,000, of which approximately RMB82,800,000 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 loan balances of approximately RMB78,550,000, in which RMB55,442,000 were unsecured and unguaranteed and RMB23,108,000 were secured.

Save as disclosed above, as at the close of business on 30 November 2023, 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 2023 Interim Report of the Company, for the six months ended 30 June 2023, thanks to measures such as market expansion contributing to increased revenue, the Group recorded total revenue of approximately RMB3,984,312,000, with an increase of approximately 15.82% year on year. For the six months ended 30 June 2023, 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 Group has made sound progress by implementing the cost-effectiveness programme and market expansion. The Group's gross profit margin and net profit margin were 4.08% (for six months ended 30 June 2022: 5.02%) and 0.71% (for six months ended 30 June 2022: 0.73%), respectively. The profit attributable to the equity holders of the Company for the six months ended 30 June 2023 increased to approximately RMB28,135,000 from approximately RMB19,266,000 in the corresponding period of last year.

In 2023, the global economy saw rising inflation and downward pressure on the economy, and the domestic economy faced the triple pressure of shrinking demand, supply shocks, and weakening expectations. However, with the promotion of a series of policies for restoring and stabilizing economic growth coming into effect, China's economy recovered continuously and is expected to maintain within a reasonable range.

The automobile industry in 2023 experienced reduction first and growth followed. In the first quarter of 2023, the production and sales volume of cars declined as impacted by the withdrawal of the policy of halved car purchase tax, increases in sales volume at the end of last year driven by promotion measures taken by carmakers and the traditional Spring Festival holiday. Since April 2023, the automobile industry has seen a moderate recovery attributed to measures such as price reduction and other promotion measures introduced by various local governments. With the cumulative effects of the policies adopted to stabilize the economy, coupled with the continuation of car purchase subsidies granted by local governments, price reduction for promotion and other measures, the production volume and sales volume of cars in China in 2023 are expected to reach a record high of exceeding 30 million vehicles, among which, the production volume and sales volume of new energy cars are expected to exceed 9 million vehicles. The export volume of cars is expected to be close to 5 million vehicles and the market share of passenger cars of independent brands has stabilized at more than 50%. The automobile industry in China is expected to have a promising prospects, with smart and electric technologies and global layout to be a popular trend.

Looking forward to the first half of 2024, China's economy is expected to maintain a stable growth. It is predicted that new energy vehicles will continue to maintain a rapid growth. At the same time, thanks to advanced technologies and improved quality of the cars manufactured in China, export volume of cars is also expected to maintain a rapid growth. Changan Automobile, the core customer of the Company, released a new brand of new energy cars Changan Qiyuan in August 2023, which will release such models as A05, A06, A07, Q05 and so on. In addition, Changan Automobile released its overseas strategy in 2023 and will increase its overseas presence. In the second half of 2023, a subsidiary of Changan Automobile was established in Thailand. These are expected to bring an increase in the production and sales volume of Changan Automobile in 2024, which will drive its automotive logistics demand to continue to grow. Accordingly, the provision of logistics services to Changan Automobile by the Company is expected to increase in 2024.

But at the same time, we must also see the challenges that we will face. On the one hand, many logistics companies are strengthening their network and capacity resource layout, marching towards integrated supply chain logistics and automobile logistics, and the market competition is becoming increasingly fiercer. On the other hand, the auto industry is in a period of change, and the negative impact of the price wars of major car makers has transmitted to the entire supply chain, thus the Company has and will continue to face enormous pressure. With the continuous and in-depth development of technologies such as the Internet of Things, big data, and artificial intelligence, automobile logistics will gradually transform towards being intelligent and digital. The Company will actively explore the application of new technologies in logistics scenarios to improve efficiency, reduce costs, innovate service models and provide customized services to meet the increasingly diverse needs of customers and improve customer satisfaction and loyalty.

In the first half of 2024, keeping up with market changes and industry development trends, the Company will strengthen innovation in technologies and service model to improve the efficiency of the entire supply chain to further improve its own competitiveness. The Company will seize the opportunities to expand the market, actively respond to cost crease, and strengthen cooperation with all parties in the supply chain to provide customers with more efficient and better logistics services.

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) (H Shares)	-	31.75%	25.44%
China Changan Automobile Group Company Limited (“China Changan”)	Beneficial owner	41,225,600(L) (H Shares)	-	31.75%	25.44%
Kintetsu World Express, Inc.	Interest of a controlled corporation	32,399,200(L) (H Shares)	-	24.96%	19.99%
APL Logistics Ltd. (“APL Logistics”)	Beneficial owner	32,399,200(L) (H Shares)	-	24.96%	19.99%
Chongqing Luzuofu Equity Fund Management Co., Ltd.	Interest of a controlled corporation	32,219,200(L) (Domestic Shares and Non-H Foreign Shares)	100%	-	19.88%
Minsheng Industrial (Group) Co., Ltd. (“Minsheng Industrial”) (note 1)	Beneficial owner	25,774,720(L) (Domestic Shares)	80%	-	15.90%
Minsheng Industrial	Interest of a controlled corporation	6,444,480(L) (Non-H Foreign Shares)	20%	-	3.98%
Ming Sung Industrial Company (Hong Kong), Limited (“Ming Sung (HK)”) (note 1)	Beneficial owner	6,444,480(L) (Non-H Foreign Shares)	20%	-	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. Che Dexi Standing Deputy General Manager of Minsheng Shipping Co., Ltd.
- b. Chen Wenbo Deputy General Manager of Minsheng Shipping Co., Ltd.
- c. Jin Jie Corporate Finance Director of APL Logistics Ltd.

Supervisors

- d. Wang Huaicheng Supervisor of member companies of CSGC
- e. Ang Lai Fern Manager of Financial Accounting and Reporting in APLL Global Support Services (M) Sdn. Bhd.
- f. Yang Gang 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 2022, being the date to which the latest published audited accounts of the Company and its subsidiaries were made up to.

4. MATERIAL LITIGATION

Litigation 1

The Company and Chongqing Supply and Marketing Automobile Trading Co., Ltd.* (“SMAT”) entered into a storage supervision agreement, which stipulates, among others, that the Company shall provide vehicle storage supervision services to SMAT, for a term of one year. The Company entrusted above business to Chongqing Yaohang Logistics Co., Ltd.* (“Yaohang Logistics”) which is responsible for storage supervision. In April 2022, a total of 105 vehicles was stolen. SMAT filed lawsuits with Chongqing Yubei District People’s Court (“Yubei District Court”). On 21 December 2022, Yubei District Court accepted the case of contract disputes and froze a total of over RMB30 million in the Company’s bank account.

The Company has engaged a law firm to represent the case. On 20 July 2023, the Yubei District Court opened a session and adjourned until it notifies the next session. The Company will keep up with the follow-up arrangements to actively respond to the lawsuit.

Yaohang Logistics has made a written commitment to the Company that it will undertake to bear all direct responsibilities and related direct expenses in the case, including but not limited to litigation fees and attorney fees.

After seeking legal advice from the Company's external lawyers, the management believes that the Company will be less likely to eventually bear the liability for compensation, and the possibility of impairment of the assets/contingent liabilities is relatively small. The Company will keep the shareholders and potential investors of the Company informed of any further material development by way of announcement as and when appropriate. Please refer to the announcement of the Company dated 30 December 2022 and the Litigation 2 referred to on Page 130 of the Results Announcement for the year ended 31 December 2022 of the Company published on 30 March 2023 for further details.

Litigation 2

On 18 August 2022, CMAL Bo Yu Transportation Co., Ltd. Tongnan Branch ("Bo Yu Transportation Tongnan Branch"), a wholly-owned subsidiary of the Company, entered into a cargo transportation agreement (the "Agreement") with Zhongcun Materials Trading Yunnan Co., Ltd. ("Zhongcun Materials Trading"), a limited liability company incorporated in the People's Republic of China (the "PRC"), to provide coal transportation services to it and payment under the Agreement shall be payable by Zhongcun Materials Trading to Bo Yu Transportation Tongnan Branch within 2 months after completion of the services contemplated under the Agreement and account checking between two parties. On 18 August 2022, Zhongcun Coal Mine ("Zhongcun Coal Mine") of Qujing City, Yunnan Province, the PRC, the parent company of Zhongcun Material Trading, issued a letter of guarantee (the "Guarantee") in favour of Bo Yu Transportation Tongnan Branch, stipulating that Zhongcun Coal Mine, as the guarantor, shall assume an irrevocable joint liability to Bo Yu Transportation Tongnan Branch for all debts due and owing by Zhongcun Materials Trading to Bo Yu Transportation Tongnan Branch arising out of the performance of the Agreement. The scope of the Guarantee includes, but is not limited to, the creditor's rights, interest, penalties, and expenses for claiming the creditor's rights (including but not limited to litigation fees, arbitration fees, attorney fees, etc.) and all other expenses payable.

After the signing of the Agreement, Bo Yu Transportation Tongnan Branch fulfilled all rights and obligations as agreed on or about 6 January 2023. However, despite repeated requests, Zhongcun Materials Trading failed to settle the transportation fees in full as agreed and owed, as of 13 November 2023, Bo Yu Transportation Tongnan Branch the sum of RMB38,791,900 being the transportation fees. On 8 September 2023, Bo Yu Transportation Tongnan Branch, Zhongcun Material Trading and Zhongcun Coal Mine reached a civil ruling ((2023) Yun 0302 Su Qian Tiao Que No. 438) under the ruling of the Qilin District People's Court of Qujing City, Yunnan Province, the PRC ("Qujing Court"). It is agreed that Zhongcun Materials Trading will pay Bo Yu Transportation Tongnan Branch the outstanding transportation fees in the sum of RMB38,791,900 and capital occupation fees caused by overdue payment in the sum of RMB3,037,100, totaling RMB41,829,000 (the "Debts") before 30 September 2023. Zhongcun Coal Mine shall assume joint liability for paying the Debts.

Since Zhongcun Materials Trading failed to pay the said sum of RMB41,829,000 being the outstanding transportation fees and capital occupation fees as stipulated in the civil ruling, Bo Yu Transportation Tongnan Branch applied to Qujing Court for enforcement after repeatedly urging Zhongcun Materials Trading and Zhongcun Coal Mine for payment of the Debts. On 6 November 2023, Qujing Court accepted the enforcement application of Bo Yu Transportation Tongnan Branch (case no.: (2023) Yun 0302 Zhi No. 6293), requesting Zhongcun Materials Trading to pay the Debts, and Zhongcun Coal Mine to assume joint liability for paying the Debts to Bo Yu Transportation Tongnan Branch. Currently, the Company is taking active measures to collect the Debts from Zhongcun Materials Trading and Zhongcun Coal Mine and will make further announcements to keep the shareholders and potential investors of the Company informed of any significant development on the litigation as and when appropriate.

Please refer to the announcement dated 13 November 2023 for further details.

Save as disclosed above, as at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any material litigation or arbitration and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company and its subsidiaries.

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
Quam Capital Limited	Quam Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Quam Capital Limited 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, Quam Capital Limited did not have any direct or indirect interest in any assets which had been since 31 December 2022 (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 2022 (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, APL Logistics Ltd. ("APL Logistics"), 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 APL Logistics, for so long as, among other things, APL Logistics held not less than 20% of the total issued Shares in the Company and the Company remained listed on the Stock Exchange, APL Logistics 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. APL Logistics also agreed not to solicit the Company's business with Changan Group or the Company's other than 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 APL Logistics 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.

China Changan acquired all the shares in the Company held by Changan Industry Company on 9 March 2016. The obligations under the non-competition undertakings signed by Changan Industry Company were assumed by China Changan since 9 March 2016.

The Company received the confirmation in March 2023 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. Yuan Quan 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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 2020, 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) 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 2020, 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 2020, 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; and
- (d) the Real Estate Purchase and Sale Agreement entered between Shenyang Changyou Supply Chain Co., Ltd. ("Shenyang Changyou"), a non-wholly owned subsidiary of the Company, and Shenyang Changyou Auto Parts Co., Ltd. on 29 July 2022 for the acquisition of certain land and property located in Dadong District, Shenyang, the PRC at a consideration of RMB68,522,400.

** 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 2024-2026;

- 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 Quam Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- d) the material contracts referred to in the section headed “10. MATERIAL CONTRACTS” in Appendix II; and
- e) the written consent referred to in the section headed “5. CONSENT OF EXPERT” in 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 Monday, 19 February 2024 at 10:00 a.m., to consider and approve (if thought fit) the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the framework agreement entered into between the Company and Chongqing Changan Automobile Co., Ltd. *重慶長安汽車股份有限公司 (“**Changan Automobile**”) on 30 October 2023 and the conduct of non-exempt continuing connected transactions regarding 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 Changan Automobile and its associates for three years ending 31 December 2026, and the proposed cap of RMB7,000,000,000 for the year ending 31 December 2024 in relation thereto (note 6);
2. To consider and approve the framework agreement entered into between the Company and China Changan Automobile Group Company Limited *中國長安汽車集團有限公司 (“**China Changan**”) on 30 October 2023 and the conduct of the non-exempt continuing connected transactions regarding 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 and its associates for three years ending 31 December 2026, and the proposed cap of RMB300,000,000 for the year ending 31 December 2024 in relation thereto (note 6);

3. To consider and approve the framework agreement entered into between the Company and Minsheng Industrial (Group) Co., Ltd. *民生實業（集團）有限公司 (“**Minsheng Industrial**”) on 30 October 2023 and the conduct of the non-exempt continuing connected transactions regarding the purchase of logistics services from Minsheng Industrial and its associates by the Company and its subsidiaries for three years ending 31 December 2026, and the proposed cap of RMB450,000,000 for the year ending 31 December 2024 in relation thereto (note 6); and
4. To consider and approve the framework agreement entered into between the Company and China South Industries Group Finance Co., Ltd. *兵器裝備集團財務有限責任公司 (“**Zhuangbei Finance**”) on 30 October 2023 and the conduct of the non-exempt continuing connected transactions and major transaction regarding the provision of settlement, deposits and loans, and note discounting services by Zhuangbei Finance to the Company and its subsidiaries for three years ending 31 December 2026, and the proposed maximum daily balance on the deposits (i.e. RMB200,000,000) for the year ending 31 December 2024 under the framework agreement (note 6).

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

Chongqing, the PRC
23 January 2024

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 Wednesday, 14 February 2024 to Monday, 19 February 2024, 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by no later than 4:30 p.m. on Friday, 9 February 2024. Holders of H shares whose names are recorded in the register of members of the Company on Monday, 19 February 2024 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) 72 hours before the commencement of the EGM (i.e. before 10:00 a.m. on Friday, 16 February 2024).

(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 30 October 2023 and the circular of the Company dated 23 January 2024.

(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 and Mr. Wan Nianyong as executive directors; (2) Mr. Che Dexi, Mr. Chen Wenbo, Ms. Jin Jie and Mr. Dong Shaojie as non-executive directors; (3) Mr. Li Ming, Mr. Man Wing Pong and Ms. Chen Jing as independent non-executive directors.

** For identification purpose only*