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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)

**(I) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2018
AND MAJOR TRANSACTION; AND**

**(II) THE PROPOSED AMENDMENTS TO THE ARTICLES OF
ASSOCIATION OF THE COMPANY**

**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 29 November 2017 is set out on pages 4 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 Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders of Changan Minsheng APLL Logistics Co., Ltd. is set out on pages 30 to 46 of this circular.

The notice for convening the EGM to be held at 10:00 a.m. on 15 December 2017 at the Conference Room, No.1881, Jinkai Road, Yubei District, Chongqing, the PRC together with the relevant reply slip and proxy form, have been dispatched to Shareholders on 30 October 2017.

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 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of the H Shares only) or the office of the Board of the Company at No.1881, Jinkai Road, Yubei District, Chongqing, the PRC (Zip Code: 401122) (for the holders of the Domestic Shares only (in respect of domestic shares, including non-H foreign shares)), as soon as possible and in any event not less than 24 hours before the time appointed for holding the relevant meeting (i.e. before 10:00 a.m. on 14 December 2017) 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*

29 November 2017

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DEFINITIONS

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

“APLL”	APL Logistics Ltd.
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“CBRC”	China Banking Regulatory Commission
“Changan Automobile”	Chongqing Changan Automobile Co., Ltd. (重慶長安汽車股份有限公司), a joint stock company established in China on 31 October 1996, the shares of which are listed on the A and B share markets of the Shenzhen Stock Exchange
“Changan Industry Company”	Chongqing Changan Industry (Group) Co., Ltd. (重慶長安工業(集團)有限責任公司), a limited liability company established in China on 28 October 1996, formerly known as Changan Automobile Company (Group) Limited (長安汽車(集團)有限責任公司)
“China Changan”	China Changan Automobile Group Co., Ltd. (中國長安汽車集團股份有限公司), a joint stock limited company established in the PRC on 26 December 2005, former name was China South Industries Automobile Corporation (中國南方工業汽車股份有限公司).
“China” or “PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Company”	Changan Minsheng APLL Logistics Co., Ltd. (重慶長安民生物流股份有限公司)
“CSG”	China South Industries Group Corporation (中國南方工業集團公司), a company established in the PRC on 1 July 1999 with limited liability
“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
“Directors”	directors of the Company
“EGM” or “2017 First EGM”	the first extraordinary general meeting of 2017 of the Company to be convened at 10:00 a.m. on 15 December 2017 at the Conference Room, No.1881, Jinkai Road, Yubei District, Chongqing, the PRC for purposes of considering and approving, among others, each of the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the respective annual caps for each of Non-Exempt Continuing Connected Transactions for 2018 and major transaction and the proposed amendments to the Articles of Association

DEFINITIONS

“Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions”	the framework agreement entered into on 30 October 2017 by the Company with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance, all of such agreements shall be for a term of three years from 1 January 2018 to 31 December 2020, individually or collectively (as the case may be)
“Gram Capital” or “Independent Financial Advisor”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions for 2018 and major transaction (including the Proposed Cap and the maximum outstanding daily balance on the Deposits)
“GEM”	the growth enterprise market
“Group”	the Company and its subsidiaries from time to time
“GB1589 policy”	the national policy (as amended from time to time) stipulating, among others, the limits of dimensions, axle load and mass for motor vehicles, trailers and combined vehicles for the purpose of regulating oversized and overloading vehicles promulgated by the Ministry of Transport of the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee comprising of Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun, all of whom are independent non-executive directors of the Company, formed to advise the Independent Shareholders in connection with the Non-Exempt Continuing Connected Transactions for 2018 and major transaction (including the Proposed Caps and the maximum outstanding daily balance on the Deposits for 2018)
“Independent Shareholders”	shareholders of the Company, other than China Changan and its associates in relation to the resolutions approving each of the Non-exempt Continuing Connected Transactions for 2018 contemplated under each of the framework agreements with China Changan, Changan Automobile, Zhuangbei Finance and (when applicable) their respective associates, and Minsheng Industrial, Ming Sung (HK) and their respective associates in relation to the resolution approving the Non-exempt Continuing Connected Transactions for 2018 contemplated under the framework agreement with Minsheng Industrial and its associates
“Latest Practicable Date”	24 November 2017, 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 on The Stock Exchange of Hong Kong Limited
“Minsheng Industrial”	Minsheng Industrial (Group) Co., Ltd. (民生實業(集團)有限公司), a limited liability company established in China on 10 October 1996
“Ming Sung (HK)”	Ming Sung Industrial Co., (HK) Limited (香港民生實業有限公司), a company established in Hong Kong with limited liability on 31 May 1949

DEFINITIONS

“Non-Exempt Continuing Connected Transactions”	the non-exempt continuing connected transactions contemplated under each of framework agreements as set out in the paragraph headed “Non-Exempt Continuing Connected Transactions” in this circular
“Non-Exempt Continuing Connected Transactions for 2018”	the continuing connected transactions to be conducted in 2018, as set out under the paragraph headed “Non-Exempt Continuing Connected Transactions for 2018 and Major Transaction” in this circular, individually or collectively (as the case may be)
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PBOC”	The People’s Bank of China
“Proposed Cap(s)”	the proposed annual maximum cap(s) of the Non-Exempt Continuing Connected Transactions for 2018 and the maximum outstanding daily balance on the Deposit, individually or collectively (as the case may be)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	Shareholder(s) of the Company
“Shares”	ordinary shares of the Company, with a par value of RMB1.00 each
“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”	Binqi Zhuangbei Group Financial Limited Liability Company (兵器裝備集團財務有限責任公司)
“%”	per cent



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
Lu Xiaozhong
William K Villalon
Shi Jinggang

Non-executive directors:

Tan Hongbin
Danny Goh Yan Nan
Li Xin

Independent non-executive directors:

Chong Teck Sin
Poon Chiu Kwok
Jie Jing
Zhang Yun

Registered Office:

Liangjing Village
Yuanyang Town
Yubei District
Chongqing
The PRC

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

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

* *For identification purpose only*

29 November 2017

To the Shareholders

Dear Sir or Madam,

**(I) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2018
AND MAJOR TRANSACTION; AND**

**(II) THE PROPOSED AMENDMENTS TO THE ARTICLES OF
ASSOCIATION OF THE COMPANY**

A. INTRODUCTION

Reference is made to the announcement of the Company dated 30 October 2017 in relation to, among other things, (i) the Non-Exempt Continuing Connected Transactions for 2018 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2018 and major transaction with Zhuangbei Finance; and (ii) the proposed amendments to the Articles of Association of the Company.

LETTER FROM THE BOARD

Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders' approval in relation to (i) the Non-Exempt Continuing Connected Transactions for 2018 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2018 and major transaction with Zhuangbei Finance; and (ii) the proposed amendments to the Articles of Association 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 2018 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2018 and major transaction with Zhuangbei Finance. The letter from the Independent Board Committee to the Independent Shareholders is included in this circular. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Non-Exempt Continuing Connected Transactions for 2018 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2018 and major transaction with Zhuangbei Finance and whether such transactions are in the interests of the Company and its Shareholders as a whole. The letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders is also included in this circular.

The purposes of this circular are to provide you with:

- (i) further information in relation to the Non-Exempt Continuing Connected Transactions for 2018 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2018 and major transaction with Zhuangbei Finance;
- (ii) the proposed amendments to the Articles of Association of the Company;
- (iii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2018 and major transaction; and
- (iv) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2018 and major transaction.

Independent Shareholders are advised to read this circular carefully for details of (i) the Non-Exempt Continuing Connected Transactions for 2018 and Major Transaction; and (ii) the Proposed Amendments to the Articles of Association of the Company before making their decision as regards voting.

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2018 AND MAJOR TRANSACTION

I. Non-Exempt Continuing Connected Transactions

1. Background

Reference is made to the announcement of the Company dated 14 November 2014 and the circular of the Company dated 12 December 2014 in relation to the continuing connected transactions with each of Changan Automobile, Minsheng Industrial, Zhuangbei Finance and (when applicable) their respective associates. At the 2014 Second Extraordinary General Meeting of the Company held on 30 December 2014, the Independent Shareholders approved the continuing connected transactions with each of Changan Automobile, Minsheng Industrial, Zhuangbei Finance and (when applicable) their respective associates and the annual caps for the three years ending 31 December 2017 contemplated under the framework agreements therein mentioned.

LETTER FROM THE BOARD

China Changan is a substantial shareholder of the Company, holding approximately 25.44% of the total issued share capital of the Company, besides, China Changan also holds 40.88% equity interests of Changan Automobile. CSG holds 77% equity interests of China Changan. Zhuangbei Finance is a member company of CSG in that CSG holds a 22.9% equity interest in Zhuangbei Finance and China Changan holds a 10.54% equity interest in Zhuangbei Finance. As at the Latest Practicable Date, the Company holds approximately 0.81% equity interests in Zhuangbei Finance. Therefore, China Changan, Changan Automobile, Zhuangbei Finance and (when applicable) their respective associates are connected persons 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.

Changan Group CCT

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:

- (1) 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; and
- (2) 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.

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, it is typical that a substantial part of the logistics services will be provided by related entity(ies) with 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. Therefore, if Changan Group ceases to use or substantially reduces the use of the Group's logistics services and 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 the 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.

Apart from the above, the Group plans to explore more non-automobile logistics businesses and multimodal transportation (多式聯運) businesses.

Minsheng Industrial CCT

With respect to the Non-exempt Continuing Connected Transactions with Minsheng Industrial and its associates (“**Minsheng Industrial CCT**”), the Group mainly purchase logistics services (including water transportation, finished vehicle ro-ro transportation, automobile components and parts container transportation, road transportation, station operation services) from Minsheng Industrial and its associates.

As a professional third-party logistics enterprise, the Group is dedicated to providing integrated logistics solution for our customers. Currently, the Group does not have its own vessel and is unable to provide water transportation for our customers independently. In addition, the Group’s own freight carriers are insufficient for its road transportation. Minsheng Industrial, on the other hand, owns many vessels and car carriers. Minsheng Industrial has its own stations and warehouses in the vicinity of various ports and is able to provide transshipment services to the Group, thus it is of commercial benefits to the Group to conduct the Minsheng Industrial CCT.

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

On 30 October 2017, the Company entered into the following framework agreements, each for a term of three years commencing on 1 January 2018 and expiring on 31 December 2020:

- (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 annual caps for 2018, 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.

3. Internal Control Measures to ensure the continuing connected transactions be conducted in accordance with the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions

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

- (1) The pricing in relation to the provision of logistics services to our customers is largely market driven. The price for outsourced logistics business is primarily determined by internal control comparison method, whereas the price for newly outsourced business is primarily determined by bidding process.
- (2) In respect of purchasing logistics services by the Group, the Group has to adhere to the process of procurement set out in the Group's Procurement Management Procedure of Bidding and Compared Pricing. The Company will sign the implementation contract(s) governed by the relevant framework agreement(s).
- (3) When bidding or compared pricing method is adopted, all the specification documents will be made public to potential bidders, with all primary terms of relevant contracts clearly set out therein, so as to ensure that the terms obtained are no less favourable than the terms offered to or by independent third parties.
- (4) The external auditors of the Company will conduct an interim review and year-end audit for each financial year, and will issue their opinion and letter to the Board in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the preceding financial year pursuant to the Listing Rules. In addition, according to the Listing Rules, the independent non-executive Directors of the Company will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm on the transactional amounts and terms of the transactions in the annual report of the Company.
- (5) The Supervisory Committee are also responsible for, among others, supervising on the continuing connected transactions of the Company and reviewing the fairness of the transactions and whether the pricing of the transactions is fair and reasonable.
- (6) The Company's internal control and risk management departments, the Audit Committee of the Company and the Supervisory Committee shall each conduct random internal assessments on the internal control measures and the financial information of the Company, in order to ensure that the internal control measures in respect of the connected transactions remain complete and effective. Furthermore, they convene meetings at least twice a year to discuss and assess the implementation of connected transactions. Meanwhile, the legal and contract management departments shall conduct prudent review and appraisal of the contracts entered into by the Company, the operational and management departments shall monitor the transactional amounts in a timely manner and manage the compliance during the process of business operations.
- (7) In addition, the Company has formulated a series of internal rules and regulations on connected transaction management, internal control management handbook and internal control assessment management methods, to ensure that the pricing mechanism is transparent and the implementation of such pricing mechanism is subject to strict scrutiny by the Group and that connected transactions are conducted in fair and reasonable manner and in all respect in the best interests of the Company and its shareholders as a whole.

II. Non-exempt Continuing Connected Transactions for 2018 and Major Transaction

In order to provide a more appropriate level of the annual cap for each of 2018, 2019 and 2020 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 2017 First EGM the annual cap in relation to the Non-Exempt Continuing Connected Transactions for 2018. With respect to the annual cap for each of 2019 and 2020 in relation to the Non-Exempt Continuing Connected Transactions for 2019 and 2020 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the Company will re-comply with the relevant Listing Rule requirements under Chapter 14A with respect to the annual caps for 2019 and 2020 (including issuing announcement(s) and obtaining Independent Shareholders' approval) before the commencement of year 2019 and/or 2020.

1. Pricing Policy, Historical Figures, Historical Caps (2015-2017), Proposed Cap for 2018 and Rationale

The caps in respect of each of the Non-Exempt Continuing Connected Transactions and major transaction for the year ending 31 December 2018 are set out as follows:

1. Logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for car raw materials, components and parts) provided by the Group to Changan Automobile and its associates				
Pricing policy	<p>Generally, the pricing of the logistics services to be provided by the Group is market driven. The pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order of this section:</p> <p>(1) Bidding Price: the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. The Company has established Bidding Quotation Process and Bidding Quote Management Procedures. Briefly, the Company's enterprise technical department will draw up the technical and operation plans whereas the marketing and customer service department will provide business plan and the two departments will collaborate in preparing the bidding document in accordance with the specific requirements of our customers. Bidding representative of the Company will deliver the bidding offer and follow up on the bidding process. The Company will set up a working group to assist the bidding representative in the response to the bidding before the bidding representative will finally be informed of the bidding results.</p> <p>(2) Internal Compared Price: in determining the quote to be offered by the Group in internal compared pricing method, whenever practical and appropriate, the Company will comprehensively consider the feasibility of the project, and the Company's knowledge on at least two competing third parties to ascertain whether and at what price the Group should participate in the project.</p> <p>(3) Cost-plus Price: to be determined with reference to a reasonable cost plus a reasonable profit margin. The Company will consider the labor cost, equipment operation cost, material inputs and etc. to comprehensively measure the cost. The profit margin for each project varies depending on the different technical requirements, staffing, resources commitment and location.</p> <p>If the Group does not have a choice in the pricing policy, the Group will endeavor to determine the price(s) based on cost-plus basis to ensure that the Group can achieve a reasonable profit in participating in the project(s).</p>			
	Proposed caps and basis	Historical figures	Historical caps (for 2015~2017)	Proposed Cap for 2018
	For the two years ended 31 December 2016, and 9 months ended 30 September 2017, RMB5,388,286,000, RMB6,125,342,000 and RMB4,330,970,000	For the three years ending 31 December 2017, RMB7,500,000,000, RMB10,500,000,000 and RMB12,500,000,000 respectively	For the year ending 31 December 2018, RMB8,500,000,000	In accordance with the statistics from China Association of Automobile Manufacturers, the production and sales volume from January to September 2017 were 20,349,000 and 20,225,000 vehicles, with a year-on-year growth of 4.8%

LETTER FROM THE BOARD

<p>respectively</p>			<p>and 4.5% respectively, maintaining a slight growth. It is expected that the production and sales volume in the PRC for the year of 2018 will keep a certain level of growth. The Board considers that, under the background of increasing average income and continuously improved living standards, the production and sales volume of automobile for 2018 in China will continue to grow. As the largest logistics service provider of Changan Automobile, the service capability and quality of the Group have been recognized by Changan Automobile, and has built a long-term cooperation with Changan Automobile. The Board expects that the Company's logistics businesses in various manufacturing plants of Changan Automobile will continue to increase.</p> <p>The production and sales volume of Changan Automobile and its associates are estimated to have certain growth. In addition, the Group plans to expand tire assembly businesses and after sales logistics businesses. The tire assembly project of the Company currently provides tire assembly and distribution services for Changan Ford, as well as warehousing services for such suppliers as Goodyear Tire Co., Ltd., Chongqing Zhongnan Aluminum Wheel Co., Ltd. and Shanghai Michelin Tires Co., Ltd. It plans to provide an integrated service for tire industry chain, including the provision of an integrated solution for customers, and to expand the tire assembly businesses of Hebei Changan, Hefei Changan, Nanjing Changan and Chongqing base of Changan Automobile. The Company's supply chain after-sales services mainly include the</p>
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LETTER FROM THE BOARD

				provision of automobile parts after-sales services for Changan Ford. The market share of Changan Automobile local brand is large, and the Company will focus on exploring the provision of Changan automobile parts after-sales services. Therefore, the Board believes that it is reasonable to set such a cap for the purpose of further expansion of transaction amount and the maximization of the Company's revenue generated from such services.
2. Logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for car raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) provided by the Group to China Changan and its associates				
Pricing policy	<p>Generally, the pricing of the logistics services to be provided by the Group is market driven. The pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order of this section:</p> <p>(1) Bidding Price: the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. The Company has established Bidding Quotation Process and Bidding Quote Management Procedures. Briefly, the Company's enterprise technical department will draw up the technical and operation plans whereas the marketing and customer service department will provide business plan and the two departments will collaborate in preparing the bidding document in accordance with the specific requirements of our customers. Bidding representative of the Company will deliver the bidding offer and follow up on the bidding process. The Company will set up a working group to assist the bidding representative in the response to the bidding before the bidding representative 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 caps and basis	Historical figures	Historical caps	Proposed Cap for 2018
	N/A	N/A	For the year ending 31 December 2018, RMB300,000,000	On 9 March 2016, China Changan became a substantial shareholder of the Company officially. In 2017, the Company successfully developed business projects with Sichuan Jianan Industrial Co. Ltd. ("Sichuan Jianan") which is a branch company of China Changan. Its business mainly covers the

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				<p>production and sales of auto parts and components, including products such as the front and rear axle of light-duty vehicle, automotive parts and components (passenger car suspension and rear axle). The Company is currently providing warehousing and distribution services including the nationwide transportation services of finished products for Sichuan Jianan. The Company plans to further explore the inbound logistics and other businesses of the supply chain with Sichuan Jianan.</p> <p>The Board believes that with the strong support from China Changan and the deepened relationship with each other, the business cooperation between the Group and China Changan and its associates will increase, and the potential businesses will be further developed. Therefore, the Board believes that the annual cap set for the year ending 31 December 2018 conforms to the actual business exploration and development needs of the Group.</p>
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3. Logistics services provided to the Group by Minsheng Industrial and its associates

Pricing policy	<p>The pricing of the services provided under the agreement shall be determined in accordance with the principles and order of this section:</p> <p>(1) Bidding Price: the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. According to the Bidding Quote Management Procedures, in terms of procurement through bidding, the Company shall publish announcements at such public media as China Bidding to invite bidders. The Group will screen and select bidders whom the Group considers can undertake the procurement with relevant qualification and capability.</p> <p>(2) Internal Compared Price: the price will be determined by the Company or its subsidiaries (as the case may be) by comparing internally the quote offered by Minsheng Industrial or its associate (as the case may be) and the quote offered by at least two independent third parties. 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 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 2015-2017)	Proposed Cap for 2018	Basis of determination of the Proposed Cap for 2018
	For the two years ended 31 December 2016, and 9 months ended 30 September 2017, RMB447,458,000, RMB374,138,000	For the three years ending 31 December 2017, RMB1,000,000,000, RMB1,200,000,000 and RMB1,400,000,000	For the year ending 31 December 2018, RMB1,000,000,000	Under the influence of GB1589 policy (<i>Limits of Dimensions, Axle Load and Mass for Motor Vehicles, Trailers and Combined Vehicles</i>) (“ GB1589 policy ”), the Company’s regulation on

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	<p>and RMB226,100,000 respectively</p>	<p>respectively</p>	<p>the dimensions, axle load and mass for motor vehicles, trailers and combined vehicles has been tightened to regulate the oversized and overloaded vehicles. The capacity of car transporters for road transport is reduced to 6-10 vehicles using the new model of car transporter from the original highest of 24 vehicles using the old model of car transporter, representing a decrease of more than 50% in loading capacity. The regulation would result in a substantial increase in costs of the Group. In order to reduce costs, the Group will increase the proportion of water or water-land combined transportation for finished vehicle transportation accordingly. As a main waterway transportation service supplier of the Company, Minsheng Industrial can guarantee the waterway transportation needs of the Group under the influence of GB1589 policy. Minsheng Industrial is equipped with complete waterway transportation network, has abundant experience in waterway transportation, and is familiar with the Group's business. The stable service price and relative low cost in waterway and road transportation of Minsheng Industrial can meet the needs of the Group, as well as the Group's customers. Minsheng Industrial increased investments in the Ro-Ro ships recently, which can resolve the Group's urgent needs for low-cost transportation means. Therefore, the Group expects to increase its procurement of water or water-land combined transportation from Minsheng Industrial and its associates for 2018. The Board believes that it is reasonable to set the annual cap for the year ending 31 December 2018 and continue to purchase logistics services from Minsheng Industrial and its associates.</p>
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4. Settlement, deposits and loans, note discounting services to be provided by Zhuangbei Finance to the Group

Pricing policy	<p>The fees and charges payable by the Group to Zhuangbei Finance under the framework agreement will be on terms not less favourable than the benchmark rates set by PBOC (if applicable) as well as those available from other independent commercial banks in the PRC and are determined on the following bases:</p> <ul style="list-style-type: none"> • Settlement services – the fees charged for the settlement services must not be higher than (i) the relevant benchmark charging rates set by PBOC (if applicable); and (ii) the fees charged by other independent commercial banks in the PRC for providing services of similar nature. • Deposit services – the interest rates for Deposits placed by the Group must not be lower than (i) the relevant benchmark interest set by PBOC; and (ii) the interest rates provided by other independent commercial banks in the PRC for deposits of similar nature and under similar terms. • Provision of loans – the interest rates for borrowings by the Group must not be higher than (i) the relevant benchmark interest rates set by PBOC; and (ii) the interest rates charged by other independent commercial banks in the PRC for borrowings of similar nature and under similar terms. • Note discounting services – the fees charged for the services and the interest rates for the note discounting services must not be higher than (i) the relevant benchmark charging rates (if applicable) and interest rates set by PBOC; and (ii) the fees and interest rates charged by other independent commercial banks in the PRC for providing note discounting services of similar nature and under similar terms. <p>When Zhuangbei Finance provides note discounting and loan services to the Group, the conditions for providing such services by Zhuangbei Finance to the Group shall be on normal commercial terms and no less favorable than those to be provided by independent third parties, where no security over assets of the Group is granted in respect of such services.</p>
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The maximum amount of Deposit (including interests) on a daily basis	Actual amounts of the historical highest daily outstanding balances of Deposit (including interests)	Historical caps (for 2015-2017)	Proposed Cap for 2018	Basis of determination of the Proposed Cap for 2018
	For the two years ended 31 December 2016, and 9 months ended 30 September 2017, RMB363,065,000, RMB556,778,000 and RMB494,810,000 respectively	For the three years ended 31 December 2017, RMB700,000,000, RMB700,000,000 and RMB700,000,000, respectively	For the year ending 31 December 2018, RMB450,000,000	As a non-banking financial institution in mainland China, Zhuangbei Finance has strong funds and renowned credibility. The proposed annual cap on the maximum amount of Deposit (including interests on a daily basis to be placed by the Group with Zhuangbei Finance) are arrived at after considering the historical highest daily outstanding balances of deposit placed by the Group with Zhuangbei Finance and the overall treasury requirements of the Group. The Group expects that the proposed annual cap would meet the funding management purposes of the Group for the year ending 31 December 2018.

2. Reasons for and Benefits of the Non-Exempt Continuing Connected Transactions for 2018 and Major Transaction

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

The Group provides a variety of logistics services mainly for car manufacturers and car component suppliers in China. As a major customer of the Group, Changan Automobile and its associates have established long-term cooperation relationships with the Group. The Group expects to provide Changan Automobile and its associates with quality logistics services including finished vehicle transportation, tire assembly, and supply chain management for car raw materials, components and parts so as to maximize the Group's the revenue generated from such services. In addition, the Directors consider the non-exempt continuing connected transactions with Changan Automobile and its associates to be in conformity with the Group's principal businesses and development strategies. Therefore, the Directors expect the Group to continuously conduct the transactions with Changan Automobile and its associates.

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

China Changan officially became one of the substantial shareholders of the Company on 9 March 2016, holding approximately 25.44% of the equity interests of the Company. With closer connection to the member companies of China Changan, the Group's contact with them would be more frequent and the Group will have the opportunity to explore more business so as to expand the Group's business volume. The Company is currently exploring various businesses from the branches of China Changan, including the finished product export business of Sichuan Jianan, the nationwide transportation and warehousing business of Chengdu Huachuan Electric Parts Co., Ltd. (starter motor and alternating current generator), the transportation business of Sichuan Ningjiang Shanchuan Machinery Co., Ltd (shock absorber, back support). Meanwhile, the Company is also exploring the non-auto industry chain business within CSG, including medicine logistics and optical electronics products. All of these are expected to bring further increase in revenue of the Group.

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

Under the influence of GB1589 policy, the percentage of water transportation, amongst other ways of transportation adopted by the Group, continues to increase. With the increase of our clients' businesses, the demand of the Group for water-land combined transportation will increase accordingly. As the largest logistics service provider of Changan Automobile, the Group needs to purchase huge volume of waterway transportation services from Minsheng Industrial and its associates on a continuing basis so as to satisfy clients' demands. The Company has established long-term cooperation relationships with Minsheng Industrial and its associates. Minsheng Industrial has transacted with the Company previously. In addition, Minsheng Industrial has extensive experience in providing transportation services which meet the needs of the Group. Therefore, the Directors expect the Group to continuously enter into transactions with Minsheng Industrial.

With respect to the deposit transaction between the Group and Zhuangbei Finance

Zhuangbei Finance is a non-banking financial institution in the PRC. With the support of an affluent capital base and renowned credibility among the member companies with CSG, it can provide the Group with more stable replenishment funds. In addition, the major customers of the Group are member companies within CSG and they all have maintained accounts with Zhuangbei Finance. it would be possible for the Company to reduce the time cost 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 payable than those payable to external banks.

- (i) Zhuangbei Finance is regulated by PBOC and CBRC, and subject to rules and requirements no less stringent or exacting than those regulating the operation of commercial banks in the PRC, Zhuangbei Finance is able to provide the Group with standard and regulated services;
- (ii) Zhuangbei Finance has higher capital adequacy ratio than other independent commercial banks in the PRC and is able to offer the Company steady funds which will pose less risk to the Company;
- (iii) The Company has been depositing with Zhuangbei Finance and is rather satisfied with its services, and has established a long-term relationship with Zhuangbei Finance since 2009. The Board considers it to be beneficial to the Company to continue to enter into the Non-exempt Continuing Connected Transactions with Zhuangbei Finance as such transactions have facilitated and will continue to facilitate the operation and growth of the Company's business.

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

The Directors (including the independent non-executive Directors) are of the view that the Non-exempt Continuing Connected Transactions 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 and the Proposed Caps 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.

3. Financial Effects of the Deposit Transaction on the Group

As at 30 June 2017, the total deposit amount of the Group was approximately RMB1,182,682,553.08 and the deposit amount with Zhuangbei Finance was approximately RMB159,090,679.04, representing approximately 13.45% of the total deposit amount of the Group.

For the six months period ended 30 June 2017, the deposit interest income from Zhuangbei Finance was approximately RMB1,949,802.51, representing approximately 31.47% of the total deposit interest income of the Group and approximately 1.98% of the Group's profit before tax during the corresponding period.

Therefore, the Company anticipates that the deposit interest income to be earned from Zhuangbei Finance for the year ending 31 December 2018 will not have any material impact to the Group's earnings, assets and liabilities.

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

In order to safeguard the interest of the Company and its Shareholders regarding the Deposit placed or to be placed from time to time with Zhuangbei Finance under the framework agreement with Zhuangbei Finance, Zhuangbei Finance has provided an undertaking for, among other things, ensuring the safety of the Deposit. Pursuant to the Undertaking provided by Zhuangbei Finance on 30 October 2017, Zhuangbei Finance undertakes to the Company that it will:

- (i) provide to the Company, at any time, financial services with terms which are no less favourable than for comparable financial services provided to members of the CSG Group; and those of the comparable financial services the Company may obtain from other financial institutions;
- (ii) ensure that the Financial Operation Licence (金融許可證) and other business permits, approvals and filings, etc. have been lawfully obtained by Zhuangbei Finance and will remain valid and effective;

- (iii) ensure the safe operations of its fund settlement and clearance network, assure the safety of funds, control the risk exposure and safety of the Deposit and will satisfy the requirements for the payment of the Deposit;
- (iv) ensure the strict compliance with the risk monitoring indicators for financial institutions promulgated by the CBRC and that the major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBRC and other relevant laws and regulations;
- (v) report its business and financial positions to the Company regularly, co-ordinate with the auditors of the Company in the course of their audit work to enable the Company to fulfill the requirements of the Listing Rules; and
- (vi) on happening of new, or special event that may possibly affect the Company, Zhuangbei Finance shall proactively inform the Company on a timely basis.

In order to further safeguard the interests of the Shareholders, the Group will adopt certain guidelines and principles in monitoring, amongst other things, the Deposit arrangements. These include an assessment of the fund operation and control of risk exposure of Zhuangbei Finance and evaluation of its services provided through its reports to be obtained regularly as mentioned above.

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 to be conducted by the independent non-executive Directors, the auditors of the Company and strict compliance with the risk monitoring by the CBRC 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.

5. Board of Directors' Views

The Board has approved the proposals of Non-Exempt Continuing Connected Transactions for 2018 with each of Changan Automobile, China Changan and their respective associates and the Non-Exempt Continuing Connected Transactions for 2018 and major transactions with Zhuangbei Finance. Except for Mr. Xie Shikang, Mr. Shi Jinggang and Mr. Li Xin, who being the directors nominated by China Changan 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 2018 with each of Changan Automobile, China Changan and their respective associates and the Non-Exempt Continuing Connected Transactions for 2018 and major transaction with Zhuangbei Finance, none of the other Directors has abstained from voting on the relevant resolutions approving the Non-Exempt Continuing Connected Transactions Framework Agreements with each of Changan Automobile, China Changan and their respective associates (including the Proposed Caps) and the Non-Exempt Continuing Connected Transactions for 2018 and major transaction with Zhuangbei Finance and the transactions (including the maximum outstanding daily balance on the Deposit) thereby contemplated.

The Board has approved the proposal of Non-Exempt Continuing Connected Transactions for 2018 with Minsheng Industrial and its associates. Except for Mr. Lu Xiaozhong and Mr. Tan Hongbin, who being the directors nominated by Minsheng Industrial and are therefore treated as the related Directors under the relevant PRC laws, who are deemed to be interested in the Non-Exempt Continuing Connected Transactions for 2018 with Minsheng Industrial and its associates, none of the other Directors has abstained from voting on the relevant resolution approving the Non-Exempt Continuing Connected Transactions Framework Agreements with Minsheng Industrial and its associates and the transactions thereby contemplated.

6. Implication under the Listing Rules

Since one or more of the applicable percentage ratio of the Non-Exempt Continuing Connected Transactions for 2018 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions as calculated under Rule 14.07 of the Listing Rules are above 5%, the Non-Exempt Continuing Connected Transactions for 2018 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 2018 under the framework agreement with Zhuangbei Finance in relation to the settlement, deposit and loans, note discounting services 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 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 in relation to the settlement, deposit and loans, note discounting services are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirement as these constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial services.

Under the Listing Rules, the transactions relating to the provision of settlement service to the Group by Zhuangbei Finance contemplated under the framework agreement with Zhuangbei Finance in relation to the settlement, deposit and loans, note discounting services are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements as the annual amount for the settlement services is expected to be less than HK\$3,000,000.

7. General Information

The Company is a foreign-invested limited liability company incorporated in the PRC and provides a variety of logistics services mainly for car manufacturers and car component and parts suppliers in China.

APLL engages in supply chain management services.

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

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

Minsheng Industrial engages in transportation via rivers and by sea.

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

C. THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

In accordance with relevant requirements regarding the incorporation of Party building work into articles of association of enterprises and comprehensively promoting the construction of enterprises put forward by the State-owned Assets Supervision and Administration Commission of the State Council, and having taken into consideration the actual conditions of the Company and on a prudent, appropriate and necessary basis, the Board proposes to make relevant amendments to the Articles of Association of the Company.

In respect of the proposed addition of Articles 101, 102 and 105 to the Articles of Association, as advised by the Company's PRC legal advisers, the decisions of the Board could not be overridden by the organization of the Party Committee in accordance with applicable provisions of PRC laws.

The amendments of the Articles of Association are subject to approval by the Shareholders at the 2017 First EGM by way of special resolution and the approval from the relevant PRC government authorities.

The proposed amendments to the Articles of Association are set out as follows:

No.	Existing Articles	Proposed Amendments	Note
1 .	<p>Article 6 The Articles of Association of the Company was passed as an extraordinary resolution at the Shareholders' Meeting on Feb. 22, 2005 and went into effect upon the registration for amendment at Chongqing Municipal Administration for Industry and Commerce after the Company first issued 55,000,000 overseas listed foreign shares (including 5,000,000 existing shares sold by the shareholders of State-owned shares) ("H Shares") in Hong Kong and was listed on the Growth Enterprise Market (hereinafter referred to as "GEM") of Stock Exchange of Hong Kong Limited (hereinafter referred to as "SEHK").</p> <p>The Articles of Association of the Company is made in pursuance with the <i>Company Law, the Prerequisite Clauses of Articles of Association of Companies Seeking a Listing outside China</i> No. (1994) 21 (hereinafter referred to as the "Prerequisite Clauses") issued by State Council Securities Commission and State Commission for Restructuring Economic System on Aug. 27, 1994 and the Advice on Supplementary Amendments to Articles of Association of Companies listed in Hong Kong No. [1995] 1 issued by the Overseas Listing Department of China Securities Regulatory</p>	<p>Article 6 The Articles of Association of the Company was passed as an extraordinary resolution at the Shareholders' Meeting on Feb. 22, 2005 and went into effect upon the registration for amendment at Chongqing Municipal Administration for Industry and Commerce after the Company first issued 55,000,000 overseas listed foreign shares (including 5,000,000 existing shares sold by the shareholders of State-owned shares) ("H Shares") in Hong Kong and was listed on the Growth Enterprise Market (hereinafter referred to as "GEM") of Stock Exchange of Hong Kong Limited (hereinafter referred to as "SEHK").</p> <p>The Articles of Association of the Company is made in pursuance with the <i>Company Law, the Constitution of the Communist Party of China (《中國共產黨章程》)</i>, the <i>Prerequisite Clauses of Articles of Association of Companies Seeking a Listing outside China</i> No. (1994) 21 (hereinafter referred to as the "Prerequisite Clauses") issued by State Council Securities Commission and State Commission for Restructuring Economic System on Aug. 27, 1994 and the Advice on Supplementary Amendments to Articles of Association of Companies listed in Hong Kong No. [1995] 1 issued by the</p>	

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	<p>Commission and State Commission for Restructuring Economic System on April 3, 1995.</p> <p>These Articles of Association of the Company shall replace any previous ones once it goes into effect.</p> <p>The Articles of Association of the Company shall be a legally binding document that regulates the Company's organization and activities, the rights and obligations between the Company and its shareholders as well as among the shareholders once it goes into effect.</p>	<p>Overseas Listing Department of China Securities Regulatory Commission and State Commission for Restructuring Economic System on April 3, 1995.</p> <p>These Articles of Association of the Company shall replace any previous ones once it goes into effect.</p> <p>The Articles of Association of the Company shall be a legally binding document that regulates the Company's organization and activities, the rights and obligations between the Company and its shareholders as well as among the shareholders once it goes into effect.</p>	
2 .	None	<p><u>Article 8</u> <u>As provided by the Constitution of the Communist Party of China, the Company shall establish an organization of the Communist Party of China (the "Party"), in which the Party organization (the "Party Committee") shall play the core leadership role and core political role, providing direction, managing the overall situation and ensuring implementation. The Company shall establish the working institutions of the Party, which shall be equipped with sufficient staff to deal with the affairs of the Party and be provided with sufficient funds to operate the Party organization.</u></p>	<p>This article is inserted after Article 7 of the existing Articles of Association. The numbering of the subsequent articles will be re-numbered accordingly, which shall include the relevant adjustments to the numbering of other provisions quoted in relevant provisions accordingly.</p>
3 .	None	<p style="text-align: center;"><u>Chapter 10 Party Committee</u></p> <p><u>Article 101 The Company shall establish a Party Committee as the Party organization of Company. The Party Committee shall consist of one secretary and several other members. In principle, the chairman of the Board of Directors of the Company and the secretary of the Party Committee shall be the same person. In principle, a full-time deputy secretary shall be designated to be in charge of the Party building work of the Company. Eligible members of the Party Committee can join the Board of Directors, the Supervisory Committee and</u></p>	<p>This Chapter is inserted after Chapter 9 of the existing articles of association. The numbering of the subsequent Chapter will be re-numbered accordingly, which shall include the relevant adjustments to the numbering of other provisions quoted in relevant provisions accordingly.</p>

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		<p><u>the senior management of the Company through legal procedures, while eligible Party members of the Board of Directors, the Supervisory Committee and the senior management can also join the Party Committee in accordance with relevant rules and procedures. Meanwhile, a commission for discipline inspection shall be established in accordance with relevant requirements.</u></p> <p><u>Article 102 The Party Committee of the Company shall,</u></p> <ol style="list-style-type: none"><u>(1) ensure and supervise the Company's implementation of policies and guidelines of the Party and the State, and implement major strategic decisions of the Central Committee of the Party and the State Council, as well as important work arrangements of higher-level Party organizations;</u><u>(2) uphold the integration of the principle that the Party manages the officials with the function of the board of directors in the lawful selection of the management and with the lawful exercise of authority of appointment, promotion and demotion of personnel by the management. The Party Committee shall deliberate and give opinions on the proposed candidates nominated by the Board of Directors or the General Manager or recommend to the Board of Directors or the General Manager the candidates to be nominated as well as assess the proposed candidates and give opinions collectively</u>	
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		<p>with the Board of Directors upon inspection over such candidates;</p> <p>(3) study and discuss reform, development and stability of the Company, and substantial matters on operation and management of the Company as well as material issues relating to the interests of the Company's staff, and provide advice and recommendations in this regard;</p> <p>(4) assume primary responsibility to run the Party comprehensively with strict discipline; lead the Company's ideological and political work, united front work, creation of spiritual civilization, creation of corporate culture as well as mass organizations such as the labor union and the Communist Youth League(共青團); play a leading role in the construction of a clean and honest government and support the disciplinary committee in fulfilling its responsibility of supervision earnestly.</p>	
4 .	<p>Article102 The Board of Directors shall be accountable to the shareholders at general meetings, and shall exercise the following functions and powers:</p> <p>(1)to be responsible for the convening of and reporting to the Shareholders Meeting;</p> <p>(2)to implement the resolutions passed by the Shareholders' Meeting;</p> <p>(3)to determine the Company's business plans and investment proposals;</p>	<p>Article1025 The Board of Directors shall be accountable to the shareholders at general meetings, and shall exercise the following functions and powers:</p> <p>(1) to be responsible for the convening of and reporting to the Shareholders Meeting;</p> <p>(2) to implement the resolutions passed by the Shareholders' Meeting;</p> <p>(3) to determine the Company's business plans and investment</p>	

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<p>(4) to formulate the Company’s preliminary and final annual financial budgets;</p> <p>(5) to formulate the Company’s profit distribution proposal and loss recovery proposal;</p> <p>(6) to make plans for the Company’s increasing or decreasing its registered capital and issuing bonds;</p> <p>(7) to formulate plans for the Company’s merger, division, changing of forms and dissolution;</p> <p>(8) to decide on the Company’s internal management structure;</p> <p>(9) to appoint or remove the Company’s General Manager and secretary to the Board of Directors, and to engage or remove the Company’s deputy general manager, person(s) in charge of the finance department, other senior management and senior directors according to the nomination of the General Manager, and to decide on their remuneration and payment method;</p> <p>(10) to formulate the Company’s basic management system;</p> <p>(11) to formulate proposals for any amendment to the Company’s Articles of Association;</p> <p>(12) to formulate plans for the Company’s acquisition or sale of major assets;</p> <p>(13) in compliance with the relevant laws and regulations, to exercise the Company’s right to finance and loan as well as mortgage, rent, contract for or transfer the Company’s major assets and authorizing General Manager and Vice General</p>	<p>proposals;</p> <p>(4) to formulate the Company’s preliminary and final annual financial budgets;</p> <p>(5) to formulate the Company’s profit distribution proposal and loss recovery proposal;</p> <p>(6) to make plans for the Company’s increasing or decreasing its registered capital and issuing bonds;</p> <p>(7) to formulate plans for the Company’s merger, division, changing of forms and dissolution;</p> <p>(8) to decide on the Company’s internal management structure;</p> <p>(9) to appoint or remove the Company’s General Manager and secretary to the Board of Directors, and to engage or remove the Company’s deputy general manager, person(s) in charge of the finance department; <u>and</u> other senior management and senior directors according to the nomination of the General Manager, and to decide on their remuneration and payment method;</p> <p>(10) to formulate the Company’s basic management system;</p> <p>(11) to formulate proposals for any amendment to the Company’s Articles of Association;</p> <p>(12) to formulate plans for the Company’s acquisition or sale of major assets;</p> <p>(13) in compliance with the relevant laws and regulations, to exercise</p>
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<p>Manager to exercise the foregoing rights within certain scope;</p> <p>(14) to propose at the Shareholders' Meeting the engagement or replacement of an accounting firm for the audit of the Company's accounts;</p> <p>(15) to exercise any other functions and powers conferred upon by the Shareholders' Meeting and the Articles of Association of the Company.</p> <p>Resolutions regarding Clause (6), Clause (7) and Clause (11) above shall be passed by over two thirds of the total number of the Directors, and resolutions in relation to the rest of the circumstances above shall be passed by over half of the total number of the Directors.</p> <p>The Board may exercise any power that the Articles of Association of the Company does not provide for the Shareholders' Meeting to exercise. The Board shall observe the Articles of Association of the Company and rules made by the Shareholders' Meeting from time to time; however, they will not invalidate the Board's previous valid actions.</p>	<p>the Company's right to finance and loan as well as mortgage, rent, contract for or transfer the Company's major assets and authorizing General Manager and Vice General Manager to exercise the foregoing rights within certain scope;</p> <p>(14) to propose at the Shareholders' Meeting the engagement or replacement of an accounting firm for the audit of the Company's accounts;</p> <p>(15) <u>to listen to the opinions of the Party Committee of the Company before making decisions on material issues of the Company;</u></p> <p>(156) to exercise any other functions and powers conferred upon by the Shareholders' Meeting and the Articles of Association of the Company.</p> <p>Resolutions regarding Clause (6), Clause (7) and Clause (11) above shall be passed by over two thirds of the total number of the Directors, and resolutions in relation to the rest of the circumstances above shall be passed by over half of the total number of the Directors.</p> <p>The Board may exercise any power that the Articles of Association of the Company does not provide for the Shareholders' Meeting to exercise. The Board shall observe the Articles of Association of the Company and rules made by the Shareholders' Meeting from time to time; however, they will not invalidate the Board's previous valid actions.</p>	
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LETTER FROM THE BOARD

5.	<p>Article 117 The General Manager shall be held accountable to the Board of Directors and exercise the following functions and powers:</p> <ol style="list-style-type: none"> (1) to operate and manage the Company as well as implement resolutions of the Board; (2) to implementing the Company's annual operation and investment plan; (3) to make plans for the structuring of the Company's internal management departments; (4) to formulate the Company's basic management system; (5) to formulate regulations for the Company; (6) to propose to appoint or remove Vice General Managers, CFO and senior directors of the Company; (7) to decide to appoint or remove management staff except those that shall be appointed or removed by the Board; (8) to decide the rewards and punishments, promotions, pay raises, appointments, employment, removal and dismissal of the Company's employees; (9) to represent the Company to handle major business as authorized by the Board; (10) to Exercise other functions and powers conferred upon by the Articles of Association of the Company and the Board. 	<p>Article 117<u>120</u> The General Manager shall be held accountable to the Board of Directors and exercise the following functions and powers:</p> <ol style="list-style-type: none"> (1) to operate and manage the Company as well as implement resolutions of the Board; (2) to implementing the Company's annual operation and investment plan; (3) to make plans for the structuring of the Company's internal management departments; (4) to formulate the Company's basic management system; (5) to formulate regulations for the Company; (6) to propose to appoint or remove Vice General Managers; <u>and</u> CFO and senior directors of the Company; (7) to decide to appoint or remove management staff except those that shall be appointed or removed by the Board; (8) to decide the rewards and punishments, promotions, pay raises, appointments, employment, removal and dismissal of the Company's employees; (9) to represent the Company to handle major business as authorized by the Board; (10) to exercise other functions and powers conferred upon by the Articles of Association of the Company and the Board.
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LETTER FROM THE BOARD

The Board considers that the proposed amendments are in the interest of the Company and its Shareholders as a whole. Advice has been obtained from independent legal advisers confirming that the proposed amendments to the Articles of Association conform with the laws of the PRC and the requirements of the Listing Rules. The Board is of the view that there is nothing unusual about the proposed amendments for a company listed in Hong Kong and that the amended Articles of Association comply with the laws of the PRC and the Listing Rules requirements.

The Board of Directors proposes the Shareholders to, at the EGM, approve the authorisation to the Board of Directors and the person(s) delegated by the Board of Directors to, subject to the aforesaid amendment requirements and in accordance with requirements and recommendations of the relevant regulatory authorities, further adjust and amend the Articles of Association, and to complete the registration of changes and file the same at the Industrial and Commercial Bureau and other relevant government authorities after the completion of amendments to the Articles of Association when the above amended provisions of the Articles of Association are submitted to regulatory authorities for approval. If the aforesaid amendments are approved at the EGM, the Board of Directors will authorise the Chairman of the Board of Directors of the Company to make the decision and attend to the aforesaid matters.

D. 2017 FIRST EGM

The EGM will be held for considering and approving, amongst other, the Non-Exempt Continuing Connected Transactions for 2018 and major transaction and the proposed amendments to the Articles of Association of the Company.

China Changan and its associates (holding 41,225,600 Shares 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 2018 with each of Changan Automobile, China Changan and their respective associates, and the Non-Exempt Continuing Connected Transactions for 2018 and major transaction with Zhuangbei Finance, will abstain from voting in the relevant resolutions approving relevant Framework Agreement for the Non-Exempt Continuing Connected Transactions with each of Changan Automobile, China Changan and Zhuangbei Finance (including the relevant Proposed Caps and the maximum outstanding daily balance on the Deposits).

Minsheng Industrial (holding 25,774,720 Shares or approximately 15.90% of the equity interest in the Company as at the Latest Practicable Date), Ming Sung (HK) (holding 6,444,480 Shares or approximately 3.98% of the equity interest in the Company as at the Latest Practicable Date) and their respective associates, who are involved in, or interested in the Non-Exempt Continuing Connected Transactions for 2018 with Minsheng Industrial and its associates, will abstain from voting in the resolution approving relevant Framework Agreement for the Non-Exempt Continuing Connected Transaction with Minsheng Industrial (including the relevant Proposed Cap) .

The notice of the EGM, together with the relevant reply slip and proxy form, have been issued to Shareholders. 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 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of the H Shares only) or the office of the Board of the Company at No.1881, Jinkai Road, Yubei District, Chongqing, the PRC (Zip Code: 401122) (for the holders of the Domestic Shares only (in respect of domestic shares, including non-H foreign shares)), as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM (i.e. before 10:00 a.m. on 14 December 2017).

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 the Non-exempt Connected Transactions for 2018 and major transaction 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.

LETTER FROM THE BOARD

The resolution regarding the Proposed Amendments to the Articles of Association of the Company will be passed by way of special resolution and voting will be taken by way of a poll in accordance with the requirements of the Listing Rules.

E. 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 15 November 2017 to 15 December 2017, both days inclusive. Holders of H Shares whose names are recorded in the register of members of the Company on 15 December 2017 are entitled to attend and vote at the EGM.

F. 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 2018 and major transaction. The letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Non-Exempt Continuing Connected Transactions for 2018 and major transaction and whether such transactions are in the interests of the Company and its Shareholders as a whole is set out on pages 30 to 46 of this circular.

The Independent Board Committee, having taken into account the advice of Gram Capital, considers that the Non-Exempt Continuing Connected Transactions for 2018 and major transaction are fair and reasonable so far 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 the Non-Exempt Continuing Connected Transactions for 2018 and major transaction (including the Proposed Caps and the maximum outstanding daily balance on the Deposits).

The Directors (including the independent non-executive Directors) consider that the Non-Exempt Continuing Connected Transactions for 2018 and major transaction by way of ordinary resolutions are 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 regarding the Non-Exempt Continuing Connected Transactions for 2018 and major transaction (including the Proposed Caps and the maximum outstanding daily balance on the Deposits) to be proposed at the EGM as set out in the notice of the EGM.

The Directors consider that the Proposed Amendments to the Articles of Association of the Company by way of special resolution are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders vote in favor of the special resolution regarding the Proposed Amendments to the Articles of Association of the Company.

G. OTHER INFORMATION

Your attention is drawn to (i) the financial information of the Group and (ii) the general information set out in Appendix 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)

29 November 2017

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2018 AND MAJOR TRANSACTION

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 2018 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates, the Non-Exempt Continuing Connected Transactions for 2018 and major transaction with Zhuangbei Finance, details of which are set out in the letter from the Board contained in the circular ("**Circular**") of the Company to the Shareholders dated 29 November 2017, of which this letter forms a part. Terms defined in the 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 2018 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates, the Non-Exempt Continuing Connected Transactions for 2018 and major transaction with Zhuangbei Finance, require the approval of the Independent Shareholders at the EGM.

We wish to draw your attention to the letter of advice from Gram Capital set out on pages 30 to 46 of the Circular. We have discussed the letter and the opinion contained therein with Gram Capital.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, inter alia, the factors and reasons considered by, and the opinion of, Gram Capital, as stated in its aforementioned letter, we consider the Non-Exempt Continuing Connected Transactions for 2018 and major transaction to be fair and reasonable so far as the Independent Shareholders are concerned. We are of the view that the Non-Exempt Continuing Connected Transactions for 2018 and major transaction are of normal commercial terms and in the ordinary and usual course of business of the Company, and are 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 15 December 2017 and thereby approve the Non-Exempt Continuing Connected Transactions for 2018 and major transaction.

Yours faithfully,

Mr. Chong Teck Sin

Independent Non-executive Director

Mr. Jie Jing

Independent Non-executive Director

Mr. Poon Chiu Kwok

Independent Non-executive Director

Ms. Zhang Yun

Independent Non-executive Director

** For identification purpose only*

LETTER FROM GRAM CAPITAL

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



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

29 November 2017

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

Dear Sirs,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2018 AND MAJOR TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 29 November 2017 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 30 October 2017, the Company entered into the Framework Agreements for the Non-Exempt Continuing Connected Transactions with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance, each for a term of three years commencing on 1 January 2018 and expiring on 31 December 2020.

With reference to the Board Letter, each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance is a connected person of the Company and the Non-Exempt Continuing Connected Transactions constitute continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under the Listing Rules. In addition, the deposit transaction contemplated under the Framework Agreement for the Non-Exempt Continuing Connected Transactions with Zhuangbei Finance (the “**Deposit Transaction**”) also constitutes a major transaction of the Company and is subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements.

The Independent Board Committee comprising Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Framework Agreements for the Non-Exempt Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Non-Exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve Framework Agreements for the Non-Exempt Continuing Connected Transactions and the transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Mr. Graham Lam was the person signing off the opinion letter from the independent financial adviser contained in the circular dated 11 November 2016 in respect of a connected and discloseable transaction of the Company. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides that, apart from the advisory fee to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

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

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Changan Automobile, China Changan, Minsheng Industrial, Zhuangbei Finance or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Non-exempt Continuing Connected Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. BACKGROUND

The Non-Exempt Continuing Connected Transactions

On 30 October 2017, the Company entered into the following Framework Agreements for the Non-Exempt Continuing Connected Transactions:

- (a) the Framework Agreement for the Non-Exempt Continuing Connected Transactions with Changan Automobile (the “**Changan Automobile CCT Agreement**”), 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 (the “**Changan Automobile CCT**”);
- (b) the Framework Agreement for the Non-Exempt Continuing Connected Transactions with China Changan (the “**China Changan CCT Agreement**”), 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 (the “**China Changan CCT**”);
- (c) the Framework Agreement for the Non-Exempt Continuing Connected Transactions with Minsheng Industrial (the “**Minsheng Industrial CCT Agreement**”), pursuant to which the Group shall purchase logistics services from Minsheng Industrial and its associates (the “**Minsheng Industrial CCT**”); and
- (d) the Framework Agreement for the Non-Exempt Continuing Connected Transactions with Zhuangbei Finance (the “**Zhuangbei Finance CCT Agreement**”), pursuant to which Zhuangbei Finance shall provide the Group with settlements, deposit and loans and note discounting services.

Information on the Group

With reference to the Board Letter, the Company is a foreign-invested limited liability company incorporated in the PRC and provides a variety of logistics services mainly for car manufacturers and car component and parts suppliers in China.

Set out below is the extract of the consolidated financial information of the Group for the six months ended 30 June 2017 and the two years ended 31 December 2016 as extracted from the interim report of the Company for the six months ended 30 June 2017 (the “**2017 Interim Report**”) and the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”):

LETTER FROM GRAM CAPITAL

	For the six months ended 30 June 2017	For the year ended 31 December 2016	For the year ended 31 December 2015	Change from 2015 to 2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	
Revenue	3,024,216	6,822,195	6,056,284	12.65
Gross profit	214,611	488,322	597,115	(18.22)
Profit for the period/year	70,835	139,637	264,258	(47.16)

As depicted by the above table, the Group recorded revenue of approximately RMB6.82 billion for the year ended 31 December 2016 (“**FY2016**”), representing an increase of approximately 12.65% as compared to that for the year ended 31 December 2015 (“**FY2015**”). With reference to the 2016 Annual Report, the increase of automobile production volume and sales volume of the Group’s customers in FY2016 promoted the growth in logistics service volume of the Group. Affected by the GB1589 Policy which was implemented in July 2016 and increasing human resources and the tumbling logistics service prices, the Group’s profit for FY2016 amounted to RMB139.64 million, representing a decrease of approximately 47.16% as compared to that for FY2015.

With reference to the 2017 Interim Report, the Group would strive to stabilize the traditional business with greater efforts in the second half of 2017. By upholding the value creation strategy based on the cost-efficiency as the core principle, adhering to the working guidelines of “reform, strictness, professionalism and honesty” and enhancing quality operation to face up to challenges, the Company hope to forge a solid foundation for the long-term development of the Company.

Information on China Changan

With reference to the Board Letter, China Changan is a joint stock limited company established in the PRC on 26 December 2005. It is a substantial Shareholder. 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.

Information on Changan Automobile

With reference to the Board Letter, Changan Automobile produces and sells automobiles and is a major customer of the Group. China Changan also holds 40.88% equity interests of Changan Automobile.

Information on Minsheng Industrial

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

Information on Zhuangbei Finance

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

CSG holds 77% equity interests of China Changan. Zhuangbei Finance is a member company of CSG. As at the Latest Practicable Date, the Company holds approximately 0.81% equity interests in Zhuangbei Finance.

2. THE CHANGAN AUTOMOBILE CCT

Reasons for the Changan Automobile CCT

With reference to the Board Letter, the Group provides a variety of logistics services mainly for car manufacturers and car component suppliers in China. As a major customer of the Group, Changan Automobile and its associates have established long-term cooperation relationships with the Group. The Group expects to provide Changan Automobile and its associates with quality logistics services including finished vehicle transportation, tire assembly, and supply chain management for car raw materials, components and parts so as to maximize the Group's revenue generated from such services. In addition, the Directors consider the non-exempt continuing connected transactions with Changan Automobile and its associates to be in conformity with the Group's principal businesses and development strategies. Therefore, the Directors expect the Group to continuously conduct the transactions with Changan Automobile and its associates. Upon our enquiry, the Management advised us that the Group had provided various logistics services to Changan Automobile for over ten years.

As advised by the Management, the transaction amount of the Company with Changan Automobile was positively correlated with the production volume of Changan Automobile. In line with Changan Automobile's plan to increase its annual production volume in 2018, the Company will continuously expand its current business volume with Changan Automobile.

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

Principal terms of the Changan Automobile CCT

The following table summarises the principal terms of the Changan Automobile CCT:

Parties	(i) The Company; and (ii) Changan Automobile
Subject of the transaction	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
Term	From 1 January 2018 to 31 December 2020
Pricing policy	Subject to client's request, the pricing of the services provided under the agreement shall be determined in accordance with the principles and order below (the " Changan Automobile CCT Pricing Policy "): For the procurement of logistics services from the Group, Changan Automobile or its associate (as the case may be) may request the Group to (1) participate in bidding process; or (2) provide quotation for Changan Automobile's or its associate's internal comparison. If Changan Automobile or its associate (as the case may be) do not request a bidding process or internal quotations comparison, the Group will determine the price on a cost-plus basis.

(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 established bidding quotation process and administration on bidding quotation. Briefly, the Company's enterprise technical department draws up technical and operation plans whereas marketing and customer service department provide business plan and the two departments collaborate in preparing the bidding document in accordance with the specific requirements of the Company's customers. The Company's bidding representative delivers bidding offer and follows up on the bidding process. The Company set up a working group to assist the bidding representative in response to the bidding before obtaining bidding results.

(2) Internal compared price: The price will be determined by Changan Automobile or its associate (as the case may be) by comparing internally the quote offered by the Company or its subsidiaries (as the case may be) and the quote offered by several independent third parties. In determining the quote to be offered by the Group in internal compared pricing method, the Company considers the feasibility of the project and applies cost-plus basis (as detailed below) to offer quote. Starting from 2018, whenever practicable and appropriate, the Company will also consider the Group'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 considers 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.

For our due diligence purpose, we obtained (i) a set of bidding documents in relation to the bidding process for the provision of supply chain management services; (ii) the quotation requests issued by associate of Changan Automobile and the corresponding confirmation on selection of the Company for the provision of certain supply chain management services, which indicated the participation of the Group in the bidding process for the provision of supply chain management services to Changan Automobile and its associates and that the Group had provided quotation for them to compare with other services providers; and (iii) the cost-plus pricing calculations of relevant business departments to access the cost-plus price of certain projects. Nothing came to our attention that caused us to believe that the pricing under the aforementioned documents was not complied with the Changan Automobile CCT Pricing Policy.

With reference to the 2016 Annual Report and as confirmed by the Management of the Company, the independent non-executive Directors have reviewed, among other things, the Non-Exempt Continuing Connected Transactions for the year ended 31 December 2016 (the "INED Review") and confirmed, among other things, that the Non-Exempt Continuing Connected Transactions were: (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole (the "INED Confirmation").

LETTER FROM GRAM CAPITAL

With reference to the 2016 Annual Report and as confirmed by the Management, the Company's auditor was engaged by the Board to review (the "**Auditor Review**") and report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the auditor of the Company confirmed to the Board that, among other things, the Non-Exempt Continuing Connected Transactions for the year ended 31 December 2016: (i) have received the approval from the Board and/or the general meeting; (ii) are in accordance with the pricing policies of the Company; (iii) have been entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have not exceeded the annual cap disclosed in the previous announcements (the "**Auditor Confirmation**").

With reference to the Board Letter, the Company had established a series of internal control measures in order to ensure that the pricing mechanism and terms of the transaction 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 whole. Details of the aforesaid internal control measures are set out under the section headed "Internal control measures to ensure the continuing connected transactions be conducted in accordance with the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions" in the Board Letter.

Having considered the aforesaid internal control measures, the INED Confirmation and the Auditor Confirmation, we have no doubt on the effectiveness of the internal control measures. We also consider that the effective implementation of the internal control measures would help to ensure fair pricing of the Changan Automobile CCT in compliance with the Changan Automobile CCT Pricing Policy.

In light of the above, we consider that the terms of the Changan Automobile CCT Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Basis of the Changan Automobile Cap

The table below demonstrates the historical amounts, existing annual caps and the Proposed Cap for the Changan Automobile CCT (the "**Changan Automobile Cap**"):

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Historical amounts	5,388,286,000	6,125,342,000	4,330,970,000 ^(Note)
Existing annual caps	7,500,000,000	10,500,000,000	12,500,000,000
	For the year ending 31 December 2018		
	<i>RMB</i>		
Changan Automobile Cap	8,500,000,000		

Note: The figure is for the nine months ended 30 September 2017.

The following is the basis of determining of the Changan Automobile Cap as extracted from the Board Letter: In accordance with the statistics from China Association of Automobile Manufacturers, the number of automobile production and sales from January to September 2017 were approximately 20,349,000 and 20,225,000 vehicles, represented year-on-year growth of approximately 4.8% and 4.5% respectively. The Company expects that the production and sales volume in the PRC for the year of 2018 will keep a certain level of growth. The Board considers that, under the background of

increasing average income and continuously improved living standards, the production and sales volume of automobile for 2018 in China will continue to grow. As the largest logistics service provider of Changan Automobile, the service capability and quality of the Group have been recognized by Changan Automobile, and has built a long-term cooperation with Changan Automobile. The Board expects that the Company's logistics businesses in various manufacturing plants of Changan Automobile will continue to increase. The production and sales volume of Changan Automobile and its associates are estimated to have certain growth.

In addition, the Group plans to expand tire assembly businesses and after sales logistics businesses. The tire assembly project of the Company currently provides tire assembly and distribution services for Changan Ford, as well as warehousing services for suppliers such as 大連固特異輪胎有限公司 (Dalian Goodyear Tire Co., Ltd.*), 重慶中南鋁合金輪轂有限公司 (Chongqing Zhongnan Aluminum Wheel Co., Ltd.*) and 上海米其林輪胎股份有限公司 (Shanghai Michelin Tires Co., Ltd.*) The Group plans to provide an integrated service for tire industry chain, including the provision of an integrated solution for customers, and to expand the tire assembly businesses of 河北長安汽車有限公司 (Hebei Changan Automobile Co., Ltd.*), 合肥長安汽車有限公司 (Hefei Changan Automobile Co., Ltd.*), 南京長安汽車有限公司 (Nanjing Changan Automobile Co., Ltd.*), and the Chongqing base of Changan Automobile.

The Company's supply chain after sales services mainly include the provision of automobile parts after-sales services for Changan Ford. Since the market share of Changan Automobile local brand is large, the Company will focus on exploring the provision of Changan Automobile parts after-sales services.

Therefore, the Board believes that it is reasonable to set such a cap for the purpose of further expansion of transaction amount and the maximization of the Company's revenue generated from such services.

To assess the fairness and reasonableness of the Changan Automobile Cap for the year ending 31 December 2018, we (i) studied the statistics on China automobile industry; (ii) discussed the Group's plans to expand tire assembly businesses and after sales logistics businesses with the Management; and (iii) discussed with the Management regarding the basis and assumptions underlying the projections of the Changan Automobile Cap.

According to an article published by Export.gov (an website managed by The U.S. Department of Commerce's International Trade Administration), China continues to be the world's largest vehicle market with sales of over 28 million units in 2016, a year-on-year growth of 9% from 2015. In April 2017, the Ministry of Industry and Information Technology, National Development and Reform Commission and Ministry of Science and Technology of the PRC jointly released 《汽車產業中長期發展規劃》 (*Automobile Mid and Long Term Development Plan**), which aims to make China a "strong" auto power within ten years by various measures.

During our discussion with the Management, we were advised by the Management that Changan Automobile recorded average annual growth rate of approximately 9.7% in sales of automobiles from 2014 to 2016, and the growth is expected to continue in coming years. The Management believes that the business volume with Changan Automobile will increase along with the sales growth of Changan Automobile.

Taken into account the aforesaid basis of determination of the Changan Automobile Cap, we concur with the Directors that the Changan Automobile Cap is fair and reasonable.

Shareholders should note that as the Changan Automobile Cap under the Changan Automobile CCT Agreement is relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2018, and they do not represent forecasts of revenue or income incurred from Changan Automobile CCT. Consequently, we express no opinion as to how closely the actual revenue or income to be incurred under the Changan Automobile CCT will correspond with the Changan Automobile Cap.

3. THE CHINA CHANGAN CCT

Reasons for the China Changan CCT

With reference to the Board Letter, China Changan officially became a substantial Shareholder on 9 March 2016, holding approximately 25.44% of the equity interests of the Company. With closer connection to the member companies of China Changan, the Group's contact with them would be more frequent and the Group will have the opportunity to explore more business so as to expand the Group's business volume. The Company is currently exploring various businesses from the branches of China Changan, including (i) the finished product export business of Sichuan Jianan; (ii) the nationwide transportation and warehousing business of Chengdu Huachuan Electric Parts Co., Ltd. (starter motor and alternating current generator); and (iii) the transportation business of Sichuan Ningjiang Shanchuan Machinery Co., Ltd (shock absorber, back support). Meanwhile, the Company is also exploring the non-auto industry chain business within CSG, including medicine logistics and optical electronics products. All of these are expected to bring further increase in revenue of the Group.

Having also taken into account the China Changan CCT's substantial potential to contribute revenue to the Group, we concur with the Directors that the entering into the China Changan CCT is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Principal terms of the China Changan CCT

The following table summarises the principal terms of the China Changan CCT:

Parties	(i) The Company; and (ii) China Changan
Subject of the transaction	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
Term	From 1 January 2018 to 31 December 2020
Pricing policy	Subject to client's request, the pricing of the services provided under the agreement shall be determined in accordance with the principles and order below: For the procurement of logistics services from the Group, China Changan or its associate (as the case may be) may request the Group to (1) participate in bidding process; or (2) provide quotation for China Changan's or its associate's internal comparison. If China Changan or its associate (as the case may be) do not request a bidding process or internal quotations comparison, the Group will determine the price on a cost-plus basis. (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 established bidding quotation process and administration on bidding quotation. Briefly, the Company's enterprise technical department draws up technical and operation plans whereas marketing and customer

service department provide business plan and the two departments collaborate in preparing the bidding document in accordance with the specific requirements of the Company's customers. The Company's bidding representative delivers bidding offer and follows up on the bidding process. The Company set up a working group to assist the bidding representative in response to the bidding before obtaining bidding results.

(2) Internal Compared Price: The price will be determined by China Changan or its associate (as the case may be) by comparing internally the quote offered by the Company or its subsidiaries (as the case may be) and the quote offered by several independent third parties. In determining the quote to be offered by the Group in internal compared pricing method, the Company considers the feasibility of the project and applies cost-plus basis (as detailed below) to offer quote. Whenever practicable and appropriate, the Company will also consider the Group'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 considers 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.

With reference to the Board Letter, the Company had established a series of internal control measures in order to ensure that the pricing mechanism and terms of the transaction 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 whole. Details of the aforesaid internal control measures are set out under the section headed "Internal control measures to ensure the continuing connected transactions be conducted in accordance with the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions" in the Board Letter.

Having considered the above, we concur with the Directors that the terms of the China Changan CCT Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Basis of the China Changan Cap

The Proposed Cap for the China Changan CCT (the "**China Changan Cap**") for the year ending 31 December 2018 is RMB300,000,000.

The following is the basis of determining of the China Changan Cap as extracted from the Board Letter: On 9 March 2016, China Changan became a substantial Shareholder officially. In 2017, the Company successfully developed business projects with Sichuan Jianan which is a branch company of China Changan. Sichuan Jianan's business mainly covers the production and sales of auto parts and components, including products such as the front and rear axle of light-duty vehicle, automotive parts and components (passenger car suspension and rear axle). The Company is currently contracted to provide warehousing and distribution services including the nationwide transportation services of finished products for Sichuan Jianan. The Company plans to further explore the inbound logistics and other businesses of the supply chain with Sichuan Jianan. The Board believes that with the strong support from China Changan and the deepened relationship with each other, the business cooperation between the Group and China Changan and its associates will increase, and the potential businesses will be further developed. Therefore, the Board believes that the China Changan Cap set for the year ending 31 December 2018 conforms to the actual business exploration and development needs of the Group.

To assess the fairness and reasonableness of the China Changan Cap for the year ending 31 December 2018, we discussed with the Management of the Company the basis and assumptions underlying the projections of the China Changan Cap.

During our discussion with the Management, we understood that after China Changan became a substantial Shareholder, the Group had access to the resources from various subsidiaries of China Changan. As advised by the Management, the Group established client relationship with a subsidiary of China Changan in 2017. Such client is expected to procure substantial amount of logistics services from the Group in 2018. Having also taken into account of the expected amount of logistics services procurement by other subsidiaries of China Changan and buffer for unforeseeable circumstances, the China Changan Cap was set at RMB300,000,000 for the year ended 31 December 2018.

Taken into account the aforesaid basis of determination of the China Changan Cap, we concur with the Directors that the China Changan Cap is fair and reasonable.

Shareholders should note that as the China Changan Cap under the China Changan CCT Agreement is relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2018, and they do not represent forecasts of revenue or income incurred from China Changan CCT. Consequently, we express no opinion as to how closely the actual revenue or income to be incurred under the China Changan CCT will correspond with the China Changan Cap.

4. THE MINSHENG INDUSTRIAL CCT

Reasons for the Minsheng Industrial CCT

With reference to the Board Letter, under the influence of the GB1589 Policy which was implemented in July 2016, the percentage of water transportation, amongst other ways of transportation adopted by the Group, continues to increase. With the increase of the businesses of the Company's clients, the Group's demand for water-land combined transportation will increase accordingly. As the largest logistics service provider of Changan Automobile, the Group needs to purchase huge volume of waterway transportation services from Minsheng Industrial and its associates on a continuing basis so as to satisfy Changan Automobile's demand. The Company had established long-term cooperation relationships with Minsheng Industrial and its associates and Minsheng Industrial transacted with the Company previously. In addition, Minsheng Industrial has extensive experience in providing waterway transportation services which meet the Group's needs. Therefore, the Directors expect the Group to continuously enter into transactions with Minsheng Industrial.

With reference to the website of Minsheng Industrial, in 2014, Minsheng Industrial has 18 Ro-Ro ships for automobile transportation, which can provide 12,300 standard parking spaces in total. Recently, the market share of Minsheng's Ro-Ro transportation for automobiles reached about 70% in Chongqing.

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

Principal terms of the Minsheng Industrial CCT

The following table summarises the principal terms of the Minsheng Industrial CCT:

Parties	(i) The Company; and (ii) Minsheng Industrial
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Subject of the transaction Logistics services provided to the Group by Minsheng Industrial and its associates

Term From 1 January 2018 to 31 December 2020

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. According to the Company's 《投標報價管理程序》 (*Bidding Quote Management Procedures**), in terms of procurement through bidding, the Company publishes announcements at public media such as 中國採購與招標網 (*China Procurement and Bidding Website**, "**China Bidding**") to invite bidders. The Group screens and selects bidders who can undertake the procurement with relevant qualification and capability.

(2) **Internal Compared Price:** Pursuant to the Company's 《比價採購定點定價管理程序》 (*Compared Pricing Management Procedures**), 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. In terms of internal compared pricing, the Group chooses the lowest quotes offered among the eligible participants as its procurement price.

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.

For our due diligence purpose, we requested and obtained from the Company over 5 sets of price comparison documents for certain logistics services provided by Minsheng Industrial or its associate and independent third party to the Group. We noted that the prices charged by Minsheng Industrial or its associate are comparable to those offered by independent third party to the Group for the same services.

As aforementioned, (i) the independent non-executive Directors had conducted the INED Review and provided the INED Confirmation regarding the Non-Exempt Continuing Connected Transactions; (ii) the auditor of the Company had conducted the Auditor Review and provided the Auditor Confirmation regarding the Non-Exempt Continuing Connected Transactions; and (iii) the Company has established a series of internal control measures in order to ensure that the pricing mechanism and terms of the transaction 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 whole.

Having considered the above, we concur with the Directors that the terms of the Minsheng Industrial CCT Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Basis of the Minsheng Cap

The table below demonstrates the historical amounts, existing annual caps and the Proposed Cap for the Minsheng Industrial CCT (the “Minsheng Cap”):

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Historical amounts	447,458,000	374,138,000	226,100,000 ^(Note)
Existing annual caps	1,000,000,000	1,200,000,000	1,400,000,000
	For the year ending 31 December 2018		
	<i>RMB</i>		
Minsheng Cap	1,000,000,000		

Note: The figure is for the nine months ended 30 September 2017.

The following is the basis of determining of the Minsheng Cap as extracted from the Board Letter: Under the influence of GB1589 Policy which was implemented in July 2016, the Company’s regulation on the dimensions, axle load and mass for motor vehicles, trailers and combined vehicles has been tightened to regulate the oversized and overloaded vehicles. The capacity of car transporters for road transport is reduced to 6-10 vehicles using the new model of car transporter from the original highest of 24 vehicles using the old model of car transporter, representing a substantial reduction in loading capacity. The said regulation would lead to a substantial increase in costs of the Group. In order to reduce costs, the Group will increase the proportion of water or water-land combined transportation for finished vehicle transportation accordingly. As a main waterway transportation service supplier of the Company, Minsheng Industrial can guarantee the waterway transportation needs of the Group under the influence of the GB1589 Policy. Minsheng Industrial is equipped with complete waterway transportation network, has abundant experience in waterway transportation, and is familiar with the Group’s business. The stable service price and relative low cost in waterway and road transportation of Minsheng Industrial can meet the Group’s needs, as well as the Group’s customers. Minsheng Industrial increased investments in the Ro-Ro ships recently, which can resolve the Group’s urgent needs for low-cost transportation means. Therefore, the Group expects to increase its procurement of water or water-land combined transportation from Minsheng Industrial and its associates for 2018. The Board believes that it is reasonable to set the Minsheng Cap for the year ending 31 December 2018 and continue to purchase logistics services from Minsheng Industrial and its associates.

To assess the fairness and reasonableness of the Minsheng Cap for the year ending 31 December 2018, we discussed with the Management regarding the basis and assumptions underlying the projections of the Minsheng Cap.

We noticed that the utilisation rates of the existing annual caps of the Minsheng Industrial CCT for the two years ended 31 December 2016 were low. Upon our enquiry, we were advised by the Management that the Minsheng Cap for the year ending 31 December 2018 was set lower than the existing annual cap for the year ending 31 December 2017 after taken into account the aforesaid low utilisation rates of the existing annual caps.

Nevertheless, after considering the possible impact of the GB1589 Policy, the Management considered that it is prudent to set the Minsheng Cap at RMB1,000 million for the year ending 31 December 2018 to cover potential demand of the Group.

We noted from the GB1589 Policy that the requirements on the length, width and height of the car carriers had been tighten. As advised by the Management, the implementation of the GB1589 Policy had negative impacts on the Company's land transportation capacity (as certain car carriers cannot meet the new requirements on size), therefore the Company and its customers may choose water-land or waterway transportation instead of corresponding land transportation.

Taken into account the aforesaid basis of determination of the Minsheng Cap under the Minsheng Industrial CCT Agreement, we concur with the Directors that the Minsheng Cap is fair and reasonable.

Shareholders should note that as the Minsheng Cap under the Minsheng Industrial CCT Agreement is relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2018, and they do not represent forecasts of cost or expense incurred from the Minsheng Industrial CCT. Consequently, we express no opinion as to how closely the actual cost or expense to be incurred under the Minsheng Industrial CCT will correspond with the Minsheng Cap.

5. THE DEPOSIT TRANSACTION UNDER THE ZHUANGBEI FINANCE CCT AGREEMENT

Reasons for the Deposit Transaction

With reference to the Board Letter, Zhuangbei Finance is a non-banking financial institution in the PRC. With the support of an affluent capital base and renowned credibility among the member companies with CSG, it can provide the Group with more stable replenishment funds. In addition, the major customers of the Group are member companies within CSG and they all have maintained accounts with Zhuangbei Finance. It would be possible for the Company to reduce the time cost 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 offered by external banks.

- (i) Zhuangbei Finance is regulated by PBOC and CBRC, and subject to rules and requirements no less stringent or exacting than those regulating the operation of commercial banks in the PRC, Zhuangbei Finance is able to provide the Group with standard and regulated services; and
- (ii) The Company has been depositing with Zhuangbei Finance and is rather satisfied with its services, and has established a long-term relationship with Zhuangbei Finance since 2009. The Board considers it to be beneficial to the Company to continue to enter into the Non-exempt Continuing Connected Transactions with Zhuangbei Finance as such transactions have facilitated and will continue to facilitate the operation and growth of the Company's business.

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

Principal terms of the Deposit Transaction

The following table summarises the principal terms of the Deposit Transaction:

Parties	(i) The Company; and (ii) Zhuangbei Finance
Subject of the transaction	the deposits maintained by the Group from time to time with Zhuangbei Finance
Term	From 1 January 2018 to 31 December 2020
Pricing policy	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.

For our due diligence purpose, we requested and obtained from the Company over 5 historical deposits documents that the Company placed in Zhuangbei Finance and other independent commercial banks in the PRC. We noted that the interest rates for deposits placed by the Company in Zhuangbei Finance are higher than those placed in independent commercial banks in the PRC. As aforementioned, (i) the independent non-executive Directors had conducted the INED Review and provided the INED Confirmation regarding the Non-Exempt Continuing Connected Transactions; (ii) the auditor of the Company had conducted the Auditor Review and provided the Auditor Confirmation regarding the Non-Exempt Continuing Connected Transactions; and (iii) the Company had established a series of internal control measures in order to ensure that the pricing mechanism and terms of the transaction 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 whole.

As further advised by the Management, Zhuangbei Finance is required to operate in compliance Measures for Administration of the Finance Companies of Enterprise Groups (the “**Measures**”) promulgated by the CBRC to regulate the operation of group finance companies and reduce the possible financial risk. We noted that the Measures set out certain compliance and risk control requirements/measures in relation to the operation of group financing companies, including but not limited to maintaining certain financial ratios at all times, reporting to the CBRC, etc.

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

In order to safeguard the interest of the Company and its Shareholders regarding the deposits placed or to be placed from time to time with Zhuangbei Finance, Zhuangbei Finance has provided an undertaking for, among other things, ensuring the safety of the Deposit (the “**Undertaking**”). Details of the Undertaking are set out in the section headed “Risks Control Relating to the Deposits Transaction under the Framework Agreement with Zhuangbei Finance” in the Board Letter.

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

Having considered the above, we concur with the Directors that the terms of the Zhuangbei Finance CCT Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Basis of the Deposit Cap

The table below demonstrates the historical amounts, existing annual caps and the Proposed Caps for the Deposit Transaction (the “**Deposit Cap**”):

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Actual amounts of the historical highest daily outstanding balances of Deposit (including interests)	363,065,000	556,778,000	494,810,000 <i>(Note)</i>
Existing annual caps (maximum daily outstanding balances of Deposit (including interests))	700,000,000	700,000,000	700,000,000
	For the year ending 31 December 2018		
	<i>RMB</i>		
Deposit Cap (maximum daily outstanding balances of Deposit (including interests))	450,000,000		

Note: The figure is for the nine months ended 30 September 2017.

With reference to the Board Letter, as a non-banking financial institution in mainland China, Zhuangbei Finance has strong funds and renowned credibility. The Proposed Cap on the maximum amount of the Deposit (including interests on a daily basis to be placed by the Group with Zhuangbei Finance) was arrived at after considering the historical highest daily outstanding balances of deposit placed by the Group with Zhuangbei Finance and the overall treasury requirements of the Group. The Group expects that the Deposit Cap would meet the funding management purposes of the Group for the year ending 31 December 2018.

To assess the fairness and reasonableness of the Deposit Cap for the year ending 31 December 2018, we discussed with the Management the basis and assumptions underlying the projections of the Deposit Cap.

We noted from the 2017 Interim Report that the Group’s cash and cash equivalent amounted to approximately RMB1,149.85 million as at 30 June 2017. Accordingly, it is possible that the Group will require the Deposit Cap of RMB450 million for the year ending 31 December 2018. Having also taken into account that the maximum amount of the Deposit (including interests) on a daily basis for the nine months ended 30 September 2017 was approximately RMB449.81 million, the Deposit Cap for the year ending 31 December 2018 is still sufficient.

Having considered the foregoing basis in determining the Deposit Cap, together with the above observations, we consider that the Deposit Cap can provide greater flexibility for the Group to manage its cash deposit and thus are fair and reasonable so far as the Independent Shareholders are concerned.

LISTING RULES IMPLICATIONS

The Management confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Non-Exempt Continuing Connected Transactions must be restricted by the Proposed Caps for the year ending 31 December 2018; (ii) the terms of the Framework Agreements for the Non-Exempt Continuing Connected Transactions (together with the Proposed Caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Framework Agreements for the Non-Exempt Continuing Connected Transactions (together with the Proposed Caps) must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Non-Exempt Continuing Connected Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the Proposed Caps. In the event that the total amounts of the Non-Exempt Continuing Connected Transactions are anticipated to exceed the Proposed Caps, or that there is any proposed material amendment to the terms of the Framework Agreements for the Non-Exempt Continuing Connected Transactions, as confirmed by the Management, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

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

RECOMMENDATION

Having taken into account that above factors and reasons, we are of the opinion that (i) the terms of the Framework Agreements for the Non-Exempt Continuing Connected Transactions (including the Proposed Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the each of the Non-Exempt Continuing Connected Transactions is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM to approve the Framework Agreements for the Non-Exempt Continuing Connected Transactions and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

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

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.

** For identification purposes only*

1. Three-Year Financial Information of the Group

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

The audited consolidated financial statements of the Group for the years ended 31 December 2014, 2015 and 2016 have been disclosed in the following documents:

- Annual report of the Company for the year ended 31 December 2014 published on the HKExnews website (www.hkexnews.hk) and the Company's website on 10 April 2015 (Pages 49 to 122).
- Annual report of the Company for the year ended 31 December 2015 published on the HKExnews website (www.hkexnews.hk) and the Company's website on 12 April 2016 (Pages 48 to 116).
- Annual report of the Company for the year ended 31 December 2016 published on the HKExnews website (www.hkexnews.hk) and the Company's website on 17 April 2017 (Pages 70 to 140).

2. Indebtedness

As at the close of business on 31 October 2017, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, Wuhan Changsheng Gangtong Automobile Logistics Co., Ltd., one of the subsidiaries of the Company obtained term loans on credit of RMB8,000,000 from Zhuangbei Finance.

Save as disclosed above, as at the close of business on 31 October 2017, 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 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.

3. Working Capital

The Directors, after due and careful consideration, are of the opinion that the Group will, taking into account the currently available internal resources of the Group, have sufficient working capital for its present operating requirements and for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

4. Financial and Trading Prospects

As disclosed in the 2017 Interim Report of the Company, the Group's revenue amounted to RMB3,024,216,000 (unaudited). For the six months ended 30 June 2017, although affected by the unfavourable factors such as the intensifying competition in the domestic automobile market, the sliding logistics service prices as well as the ever-rising operational costs, the Group actively engaged in cost reduction and thus achieved certain results. The Group saw a slight up in both the gross profit margin and net profit margin, at 7.10% (for six months ended 30 June 2016: 6.65%) and 2.34% (for six months ended 30 June 2016: 2.03%), respectively. The Group's profit attributable to the equity holders of the parent for the six months ended 30 June 2017 up to approximately RMB56,915,000 from approximately RMB48,294,000 in the corresponding period of last year.

For the second half of 2017, the international environment remains harsh and complicated, and with the grim economic transformation in China, as well as the overcapacity and intensifying market competition in the automobile industry, the Company expects that there will be increased pressure in the automobile logistics operation in China and the logistics service prices will be further reduced. All these unfavorable factors will cause negative impact on the operation and profitability of the Group. In the second half of 2017, the Group shall strive to stabilize the traditional business with greater efforts. By upholding the value creation strategy based on the cost-efficiency as the core principle, adhering to the working guidelines of “reform, strictness, professionalism and honesty” and enhancing quality operation to face up to the challenges, we hope to forge a solid foundation for the long-term development of the Company.

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 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 Corporation	Interest of a controlled corporation	41,225,600(L) (Domestic Shares)	38.51%	-	25.44%
China Changan Automobile Group Co., Ltd. ("China Changan")	Beneficial owner	41,225,600(L) (Domestic Shares)	38.51%	-	25.44%
Kintetsu World Express, Inc.	Interest of a controlled corporation	33,619,200(L) (Non-H Foreign Shares)	31.40%	-	20.74%
APL Logistics Ltd. ("APL Logistics")	Beneficial owner	33,619,200(L) (Non-H Foreign Shares)	31.40%	-	20.74%
重慶盧作孚股權基金管理有限公司	Interest of a controlled corporation	32,219,200(L) (Domestic Shares and Non-H Foreign Shares)	30.09%	-	19.88%

Minsheng Industrial (Group) Co., Ltd. (“Minsheng Industrial”) <i>(note 1)</i>	Beneficial owner	25,774,720(L) (Domestic Shares)	24.07%	-	15.90%
Minsheng Industrial	Interest of a controlled corporation	6,444,480(L) (Non-H Foreign Shares)	6.02%	-	3.98%
Ming Sung Industrial Co., (HK) Limited (“Ming Sung (HK)”) <i>(note 1)</i>	Beneficial owner	6,444,480(L) (Non-H Foreign Shares)	6.02%	-	3.98%
Pemberton Asian Opportunities Fund <i>(note 2)</i>	Beneficial owner	5,000,000 (L)	-	9.09%	3.09%
788 China Fund Ltd.	Investment manager	4,000,000 (L)	-	7.27%	2.47%
Commonwealth Bank of Australia <i>(note 3)</i>	Interest of a controlled corporation	2,602,000(L)	-	4.73%	1.61%
Colonial Holding Company Limited <i>(note 3)</i>	Investment manager	2,602,000(L)	-	4.73%	1.61%
Commonwealth Insurance Holdings Limited <i>(note 3)</i>	Investment manager	2,602,000 (L)	-	4.73%	1.61%
Colonial First State Group Ltd <i>(note 3)</i>	Investment manager	2,602,000 (L)	-	4.73%	1.61%
First State Investment Managers (Asia) Limited <i>(note 3)</i>	Investment manager	2,602,000 (L)	-	4.73%	1.61%
First State Investments (Hong Kong) Ltd <i>(note 3)</i>	Beneficial owner	2,602,000 (L)	-	4.73%	1.61%
McIntyre Steven <i>(note 4)</i>	Interest of a controlled corporation	3,423,000(L)	-	6.22%	2.11%
Braeside Investments, LLC <i>(note 4)</i>	Investment manager	3,423,000(L)	-	6.22%	2.11%
Braeside Management, LP <i>(note 4)</i>	Investment manager	3,423,000(L)	-	6.22%	2.11%

Note 1: Ming Sung (HK) is the subsidiary of Minsheng Industrial. Mr. Lu Xiaozhong, the Director of the Company, holds 6% of shareholdings of Mingsheng Industrial.

Note 2: According to the Corporate Substantial Shareholder Notice filed by Pemberton Asian Opportunities Fund, the H shares of the Company held by it increased to 5,000,000 shares, representing 9.09% of the issued H shares and 3.09% of the total issued share capital of the Company.

Note 3: According to the Corporate Substantial Shareholder Notice filed by Commonwealth Bank of Australia, First State Investments (Hong Kong) Ltd is a wholly-owned subsidiary of First State Investment Managers (Asia) Limited; First State Investment Managers (Asia) Limited is a wholly-owned subsidiary of Colonial First State Group Ltd; Colonial First State Group Ltd is a wholly-owned subsidiary of Commonwealth Insurance Holdings Limited; Commonwealth Insurance Holdings Limited is a wholly-owned subsidiary of Colonial Holding Company Limited; and Colonial Holding Company Limited is a wholly-owned subsidiary of Commonwealth Bank of Australia.

Note 4: According to the Corporate Substantial Shareholder Notice filed, Braeside Management, LP is a wholly-owned subsidiary of Braeside Investments, LLC. McIntyre Steven is the controlling shareholder of Braeside Investments, LLC.

Note 5: (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. | Lu Xiaozhong | Director and President of Minsheng Industrial, Director of Minsheng Shipping Co., Ltd. and Director and General Manager of Ming Sung (HK). |
| b. | Tan Hongbin | Director of Minsheng Industrial and the General Manager of Minsheng Shipping Co., Ltd. |
| c. | William K Villalon | President of APLL |
| d. | Danny Goh Yan Nan | Chief Operations Officer of APLL |
| e. | Li Xin | Deputy General Manager of the Development Strategy Department of China Changan |

Supervisors

- | | | |
|----|---------------------|--|
| f. | Chen Jianfeng | Head of the Finance Department and Assistant President of Changan Automobile |
| g. | Steven Ho Kok Keong | Corporate Finance Director (APLL), Singapore. |
| h. | Tang Yizhong | Finance Director in 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 2016, being the date to which the latest published audited accounts of the Company and its subsidiaries were made up to.

4. MATERIAL LITIGATION

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
Gram Capital	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions for 2018 and major transaction (including the Proposed Caps and the maximum outstanding daily balance on the Deposits)

As at the Latest Practicable Date, the above expert 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, the above expert did not have any direct or indirect interest in any assets which had been since 31 December 2016 (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 Supervisor 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 2016 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

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

8. COMPETING INTERESTS

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

As part of the Group's business overlaps to some extent with its shareholders comprising Changan Group, APLL and Minsheng Group, each of Changan Co. (formerly Changan Automobile (Group) Company Liability Limited), APLL, and Minsheng Industrial and Ming Sung (HK) had entered into a non-competition undertaking with the Company prior to the initial public offering of the H Shares of the Company.

Pursuant to the non-competition undertakings given by each of Changan Co., and Minsheng Industrial and Ming Sung (HK), each of Changan Co., 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 Co. and its associates (in the case the undertakings provided by Changan Co.) 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 Co. 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 Co. 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 Co. or, as the case may be, Minsheng Industrial or Ming Sung (HK) under the same terms.

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

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

The Company received the confirmation in March 2017 regarding the above-mentioned non-competition undertakings from each of APL Logistics and China Changan.

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

9. MISCELLANEOUS

- a. Mr. Huang Xuesong is the company secretary of the Company.
- b. The legal address of the Company is Liangjing Village, Yuanyang Town, Yubei District, Chongqing, the PRC. The H Share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- c. In the case of any discrepancy, the English text of this circular shall prevail over the Chinese text.

10. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, 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 equity transfer agreement entered into between the Company and Zhongyuan Special Steel Co., Ltd. (中原特鋼股份有限公司) on 12 October 2016 in relation to the proposed acquisition of 50,000,000 shares in Zhuangbei Finance, which automatically lapsed and was of no further effect with no party to the equity transfer agreement under any liability and obligation to each other as the relevant proposal fail to pass.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Herbert Smith Freehills at 23/F., Gloucester Tower, 15 Queen's Road Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 15 December 2017:

- a) the articles of association of the Company;
- b) the Non-Exempt Continuing Connected Transactions Framework Agreements for 2015~2017;
- c) the Framework Agreements for Non-Exempt Continuing Connected Transactions for 2018~2020;
- d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- e) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- f) the consent letter of Gram Capital referred to in the paragraph headed "CONSENT OF EXPERT" in this Appendix;
- g) the annual reports of the Company for the three financial years ended 31 December 2014, 2015 and 2016 respectively;
- h) the 2017 Interim Report of the Company; and
- i) this circular.