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

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

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重慶長安民生物流股份有限公司
Changan Minsheng APLL Logistics Co., Ltd. *

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 01292)

**(I) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2019
AND MAJOR TRANSACTION; AND**
**(II) THE PROPOSED CHANGES IN DIRECTORS AND SHAREHOLDER
REPRESENTATIVE SUPERVISOR**

**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 14 December 2018 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 49 of this circular.

The notice for convening the EGM to be held at 10:00 a.m. on 31 December 2018 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 15 November 2018.

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 30 December 2018) 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

14 December 2018

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DEFINITIONS

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

“2018 First EGM” or “EGM”	the first extraordinary general meeting of 2018 of the Company to be convened on 31 December 2018 for purposes of considering and approving, among others, each of the Non-Exempt Continuing Connected Transactions for 2019 and major transaction (including the proposed cap for 2019 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2019) and the proposed elections of directors and shareholder representative supervisor
“Announcement”	the announcement published by the Company on 30 October 2017 regarding, among others, the Non-Exempt Continuing Connected Transactions contemplated under the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions
“APLL”	APL Logistics Ltd.
“Associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission, consolidated from the former China Banking Regulatory Commission and China Insurance Regulatory Commission
“Changan Automobile”	Chongqing Changan Automobile Co., Ltd. (重慶長安汽車股份有限公司), a joint stock company established in China on 31 October 1996, the shares of which are listed on the A and B share markets of the Shenzhen Stock Exchange
“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
“Circular”	the circular published by the Company on 29 November 2017 regarding, among others, the Non-Exempt Continuing Connected Transactions contemplated under the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions
“Company”	Changan Minsheng APLL Logistics Co., Ltd. (重慶長安民生物流股份有限公司)
“CSG”	China South Industries Group Corporation (中國南方工業集團公司), renamed to China South Industries Group Corporation Co., Ltd. (中國兵器裝備集團有限公司), a company established in the PRC on 1 July 1999 with limited liability
“CFCA”	China Financial Certification Authority (中國金融認證中心)
“Deposit”	the deposit from time to time placed or to be placed by the Group with Zhuangbei Finance pursuant to the framework agreement entered into between the Company and Zhuangbei Finance on 30 October 2017

DEFINITIONS

“Directors”	directors of the Company
“Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions”	the framework agreement entered into between the Company with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance on 30 October 2017, each of the agreements is 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 appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Non-Exempt Continuing Connected Transactions for 2019 and major transaction (including the proposed cap for 2019 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2019), and whether such transactions are in the interests of the Company and its Shareholders as a whole
“GB1589”	the national policy (as amended from time to time) stipulating, among others, the limits of dimensions, axle load and mass for motor vehicles, trailers and combined vehicles for the purpose of regulating oversized and overloading vehicles promulgated by the Ministry of Transport of the PRC
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee comprised of Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun, all of whom are independent non-executive directors of the Company, formed to advise the Independent Shareholders in connection with the Non-Exempt Continuing Connected Transactions for 2019 and major transaction (including the proposed cap for each of the Non-Exempt Continuing Connected Transaction and the maximum outstanding daily balance on the Deposits for 2019)
“Independent Shareholders”	shareholders of the Company that, in relation to the resolutions approving each of the Non-exempt Continuing Connected Transactions for 2019 contemplated under each of the framework agreements with China Changan, Changan Automobile, Zhuangbei Finance and their respective associates, exclude China Changan and its associates; and in relation to the resolution approving the Non-exempt Continuing Connected Transactions for 2019 contemplated under the framework agreement with Minsheng Industrial and its associates, exclude Minsheng Industrial, Ming Sung (HK) and their respective associates
“Latest Practicable Date”	11 December 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities of the Stock Exchange

DEFINITIONS

“Minsheng Industrial”	Minsheng Industrial (Group) Co., Ltd.(民生實業(集團)有限公司), a limited liability company established in China on 10 October 1996
“Ming Sung (HK)”	Ming Sung Industrial Co., (HK) Limited, a company established in Hong Kong with limited liability on 31 May 1949
“Ming Shipping”	Minsheng Shipping Co., Ltd. (民生輪船股份有限公司), a subsidiary of Minsheng Industrial
“Non-Exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under each of the Framework Agreements for the Non-Exempt Continuing Connected Transactions
“Non-Exempt Continuing Connected Transactions for 2019”	the continuing connected transactions to be conducted in 2019 under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, as set out under the paragraph headed “Non-Exempt Continuing Connected Transactions for 2019 and Major Transaction” in this circular, individually or collectively (as the case may be)
“PBOC”	The People’s Bank of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares of the Company, with a par value of RMB1.00 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
Man Hin Wai Paul
Li Xin

Independent non-executive directors:

Chong Teck Sin
Poon Chiu Kwok
Jie Jing
Zhang Yun

Registered Office:

No. 1881
Jinkai Road
Yubei District
Chongqing
The PRC

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

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

* *For identification purpose only*

14 December 2018

To the Shareholders

Dear Sir or Madam,

**(I) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2019
AND MAJOR TRANSACTION; AND**

**(II) THE PROPOSED CHANGES IN DIRECTORS AND SHAREHOLDER
REPRESENTATIVE SUPERVISOR**

A. INTRODUCTION

Reference is made to the announcement of the Company dated 13 November 2018 in relation to, among other things, (i) the Non-Exempt Continuing Connected Transactions for 2019 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2019 and major transaction with Zhuangbei Finance; and (ii) the proposed changes in directors and shareholder representative supervisor.

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 2019 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2019 and major transaction with Zhuangbei Finance; and (ii) the proposed changes in directors and shareholder representative supervisor 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 2019 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2019 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 2019 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2019 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 2019 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2019 and major transaction with Zhuangbei Finance;
- (ii) the proposed changes in the directors and shareholder representative supervisor;
- (iii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2019 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 2019 and major transaction.

Shareholders are advised to read this circular carefully for details of each of the Non-Exempt Continuing Connected Transactions for 2019 and major transaction (including the proposed cap for 2019 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2019) and the proposed elections of directors and shareholder representative supervisor before making their decision as regards voting.

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2019 AND MAJOR TRANSACTION

1. Background

Reference is made to the Announcement and the Circular of the Company in relation to, among other things, the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions entered into by the Company with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance, each for a term of three years commencing on 1 January 2018 and expiring on 31 December 2020 (both days inclusive). The entering into the Framework Agreements for the Non-Exempt Continuing Connected Transactions and the annual cap for 2018 for each of the Non-Exempt Continuing Connected Transactions contemplated thereunder was approved by the Shareholders of the Company at the general meeting held on 15 December 2017.

LETTER FROM THE BOARD

As mentioned in the Announcement and Circular, the Company sought approval from the Shareholders at the general meeting to approve the annual cap for 2018 in relation to each of the Non-Exempt Continuing Connected Transactions since the Company would like to provide a more appropriate level of the annual cap for each Non-Exempt Continuing Connected Transactions for each year. The Company will re-comply with the relevant Listing Rules requirements (including setting the annual caps, issuing announcement(s) and obtaining Independent Shareholders' approval) for the proposed cap for 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 cap(s) for 2018 (including the maximum outstanding daily balance on the Deposit for 2018) for the Non-Exempt Continuing Connected Transactions under the each of the Framework Agreements for the Non-exempt Continuing Connected Transactions with each of Changan Automobile, China Changan, Minsheng Industrial and their respective associates and Zhuangbei Finance will expire on 31 December 2018. As such, the Company has estimated and will seek for approval by Independent Shareholders at the 2018 First EGM the annual cap(s) (including the maximum outstanding daily balance on the Deposit) for the year ending 31 December 2019 in relation to the Non-Exempt Continuing Connected Transactions contemplated under the each of the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions. With respect to the Non-Exempt Continuing Connected Transactions for 2020 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the Company will re-comply with the relevant Listing Rules requirements (including setting the annual cap, issuing announcement(s) and obtaining Independent Shareholders' approval).

Apart from setting the cap for 2019 for each Non-Exempt Continuing Connected Transactions in manner as disclosed in this circular, the Company confirms that there have been no changes to the terms of the Framework Agreements for the Non-Exempt Continuing Connected Transactions nor the categories of the Non-Exempt Continuing Connected Transactions contemplated thereunder.

As at the Latest Practicable Date, China Changan holds approximately 25.44% of the issued share capital of the Company and 19.33% of the equity interests of Changan Automobile. In addition, CSG holds 100% equity interests in China Changan and 21.56% equity interests in Changan Automobile. Zhuangbei Finance is a member company of CSG in that CSG holds a 22.9% equity interest in Zhuangbei Finance and China Changan holds a 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, according to the Listing Rules, the transactions between the Group and each of Changan Automobile, China Changan, Zhuangbei Finance and their respective associates become connected transactions of the Company.

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

2. 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.

LETTER FROM THE BOARD

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

For logistics industry, the alliance between automobile manufacturers and logistics services providers are common in the PRC market. It is typical that a substantial part of the logistics services will be provided by related entity(ies) within the group of companies. The Group is no exception and Changan Group has been the Group's long-term client. As the Group is primarily engaged in automobile logistics and relies on the automobile production and sales of Changan Group, the fluctuation of Changan Group's automobile production and sales would undoubtedly impact on the business performance of the Group. Therefore, if Changan Group ceases to use or substantially reduces the use of the Group's logistics services and if the Group is not able to secure new customers with similar sales volume on terms acceptable to the Group, the business scale of the Group will be substantially reduced and the financial performance of the Group will be adversely affected. To mitigate 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 also actively explores more non-automobile logistics businesses and multimodal transportation (多式聯運) businesses.

The Group consolidates the traditional business to stabilize the primary revenue sources, encourages the further expansion of logistics services, actively explores the automobile logistics business with non-related parties and on top of the automobile logistics, the Group extends its logistics services to non-automobile business. The main achievements by the Group are as follows:

(1) Consolidating traditional business:

As the major automobile logistics service provider of Changan Automobile, the Group has increased its efforts in exploring logistics business from Changan Automobile and its associates in 2018 and further explored the logistics business from Changan Automobile and its associates. The Company intends to stabilize our business foundation through consolidating the traditional business by improving our logistics technology.

(2) Exploring the automobile logistics business from non-connected parties :

In addition to consolidating the traditional business, the Group explores the automobile logistics business from non-connected parties, such as the automobile components transportation business from Schaeffler Greater China.

(3) Exploring the non-automobile logistics business :

Based on the automobile logistics business, the Group gradually tapped into the non-automobile aspects of the logistics market. In 2018, the Group developed bulk transportation of mineral raw materials and products of BOSAI Group.

LETTER FROM THE BOARD

The Group will base on and consolidate our automobile logistics business and on the basis of stabilizing the Group's main source of revenue, gradually explore business from non-connected parties and non-automobile logistics business.

According to the management account, roughly, the Company has approximately 1,000 independent customers. Up to the end of October 2018, the transaction amount (unaudited) of the logistic business with business partners other than the connected persons of the Group was RMB800 million, representing approximately 18% of the revenue of the Group.

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

As mentioned in the Announcement and the Circular, the Company entered into the following Framework Agreements for the Non-Exempt Continuing Connected Transactions:

- (1) the framework agreement entered into between the Company and Changan Automobile on 30 October 2017, pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for car raw materials, components and parts) to Changan Automobile and its associates for a term of three years commencing on 1 January 2018 and expiring on 31 December 2020;
- (2) the framework agreement entered into between the Company and China Changan on 30 October 2017, pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for car raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) to China Changan and its associates for a term of three years commencing on 1 January 2018 and expiring on 31 December 2020;
- (3) the framework agreement entered into between the Company and Minsheng Industrial on 30 October 2017, pursuant to which the Group shall purchase logistics services from Minsheng Industrial and its associates for a term of three years commencing from 1 January 2018 and expiring on 31 December 2020; and
- (4) the framework agreement entered into between the Company and Zhuangbei Finance on 30 October 2017, pursuant to which Zhuangbei Finance shall provide the Group with settlements, deposit and loans, note discounting services for a term of three years commencing from 1 January 2018 and expiring on 31 December 2020.

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

4. Internal Control Measures to 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:

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

The Company shall strictly follow the relevant protocols of internal control to ensure the pricing mechanism is transparent and the implementation of such pricing mechanism is subject to strict scrutiny by the Group and that connected transactions are conducted in fair and reasonable manner and in all respect in the best interests of the Company and its shareholders as a whole.

5. Pricing Policy, Historical Figures, Historical Caps (2016-2018), Proposed Cap for 2019 and Rationale

The caps in respect of each of the Non-Exempt Continuing Connected Transactions and major transaction for 2019 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 cap and basis	Historical figures	Historical caps (for 2016-2018)	Proposed Cap for 2019
	For the two years ended 31 December 2017, and 9 months ended 30 September 2018, RMB6,125,342,000, RMB5,551,987,000 and RMB3,262,280,000 respectively	For the three years ending 31 December 2018, RMB10,500,000,000, RMB12,500,000,000 and RMB8,500,000,000 respectively	For the year ending 31 December 2019, RMB7,500,000,000	In 2018, the production and sales of the Group's major customer may experience a slight decline after years of growth. However, the consuming power of the domestic automobile market remains largely unchanged and the domestic automobile production and sales volume are expected to show a potential growth. Given that the transaction amount in the fourth quarter of a year is generally higher than the other quarters, the Company expects that the transaction amount for the whole year would be over

LETTER FROM THE BOARD

			<p>RMB5 billion in 2018. The Company recently recaptured the finished vehicles transportation logistics business of Beijing production base and the Chongqing production base of Changan Automobile, the logistics services of which were provided by Beijing Changjiu Logistics Co., Ltd. Jiangling Automobile Co., Ltd., a joint venture of Changan Automobile, recently expressed their intention of having business cooperation with the Company.</p> <p>In addition, Changan Automobile announced a new strategy of “entrepreneur for the third time” in April 2018 and its target for production and sales volume in 2020 is higher than that of 2017. Moreover, to the best knowledge of the Company, Changan Automobile and its associates have recently introduced several new car models such as the “CS35 plus, new CS75 with automatic parking assistant system, CS55 with integrated adaptive cruise control system”, and Changan Automobile will launch CS85 in 2019, which the Company expects will have a positive influence on the next year’s automobile production and sales of Changan Automobile. The Directors believe the production and sales volumes of Changan Automobile and its associates in 2019 will regain growth momentum and set the stage for the realization of the objectives of 2020 set in its strategy of “entrepreneur for the third time”.</p> <p>All the above-mentioned business growth factors are expected to contribute to a further increase of approximately RMB2 billion for the Group. In addition, the Group has</p>
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				<p>been providing logistics services for Changan Automobile and its associates for many years and the Group's quality service has been highly recognized. As at the end of last year, the Group operated approximately two-thirds of the outsourced logistics services of Changan Automobile and its associates. As at the Latest Practicable Date, the Group undertakes approximately eight tenths of the outsourced logistics business of Changan Automobile and its associates. Therefore, the Company is of the view that the 2019 annual cap set for the non-exempted continuing connected transaction with Changan Automobile and its associates is reasonable to cover the existing business needs and potential business growth of the Group in 2019.</p> <p>Based on the above, the Directors are of the view that the annual cap for the year ending 31 December 2019 is fair and reasonable.</p>
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2. Logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for car raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) provided by the Group to China Changan and its associates

Pricing policy	<p>Generally, the pricing of the logistics services to be provided by the Group is market driven. 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>
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	If the Group does not have a choice in the pricing policy, the Group will endeavor to determine the price(s) based on cost-plus basis to ensure that the Group can achieve a reasonable profit in participating in the project(s).			
Proposed cap and basis	Historical figures	Historical caps (for 2018)	Proposed Cap for 2019	Basis of determination of the Proposed Cap for 2019
	For the 9 months ended 30 September 2018, RMB40,660,000	For the year ending 31 December 2018, RMB300,000,000	For the year ending 31 December 2019, RMB250,000,000	China Changan has a lot of member companies, mainly in automobile parts business and the total revenue of automobile parts companies under China Changan reached approximately RMB18 billion in 2017. Based on the average ratio of approximately 8.6% of logistics expenses to the total revenue in 2016 of industrial enterprises in the PRC ¹ , the Company estimates that the automobile parts companies under China Changan has large logistics expenses. In 2018, the Group mainly conducted the logistics business with Sichuan Jianan Industrial Co. Ltd. and Chengdu Huachuan Electric Parts Co., Ltd., both members of China Changan, for provision of logistics services such as automobile parts distribution, inbound logistics, storage, data management, etc. The total revenue derived from Sichuan Jianan Industrial Co. Ltd. and Chengdu Huachuan Electric Parts Co., Ltd. in 2017 reached RMB3.6 billion. Based on the average ratio of approximately 8.6% of logistics expenses to the total revenue in 2016 of industrial enterprises in the PRC, the Company estimates that the logistics demands of the two companies is approximately at RMB300 million. In 2018, the business development of the Group into the business of member companies of China Changan is still in the preliminary stage. Up to the nine months ended September 2018, the Group merely operates approximately over 10% of

¹ Source: Wind Information Co., Ltd., a financial information services provider in the PRC

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				<p>the logistics demand of those two automobile parts companies under China Changan and by the end of year, it is expected that approximately 30% to 40% of their logistics services is to be outsourced to the Group. Those two companies still have plenty rooms for business expansion. China Changan is a substantial shareholder of the Company and has been very supportive in strengthening the business relationship between the Group and its other member companies. The Company will continue to further expand logistics demands of those two companies that have not been outsourced to generate revenue for the Group. In 2019, the Group will vigorously expand the business of inbound logistics, finished goods transportation, and warehousing etc. of the two companies. In 2019, besides tapping into the rest of the logistics demand of Sichuan Jianan Industrial Co. Ltd. and Chengdu Huachuan Electric Parts Co., Ltd. (both are member companies of China Changan), the Group is expecting to step up efforts in developing the logistics business from other automobile parts companies under China Changan. In addition, the Group is currently in business negotiation with several automobile parts companies under China Changan, including Harbin Dongan Automotive Engine Manufacturing Co., Ltd., Harbin Dongan Automotive Power Co., Ltd., Chengdu Lingchuan Vehicle Oil Tank Co., Ltd., and Sichuan Ningjiang Shanchuan Machinery Co., Ltd. The Company expects to provide supply chain management logistics services for automobile parts and components such as engines, transformers and</p>
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				<p>oil tanks for those parts companies under China Changan. The Company is of the view that the 2019 annual cap will cover the potential business expansion of the Group further into the parts logistics companies under China Changan. Having considered the substantial logistics demand of parts logistics companies under China Changan and the potential revenue from the provision of logistics services to China Changan and its associates, the Directors are of the view that the proposed cap for the year ending 31 December 2019 in relation to the provision of logistics services by the Group to China Changan and its associates is fair and reasonable.</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 or the price of services of similar nature purchased by independent third parties. In terms of internal compared pricing, the Group will choose the lowest quotes offered among the eligible participants as its procurement price. Pursuant to the Compared Pricing Management Procedures, in terms of internal compared pricing, the Group shall compare quotes provided by or the price of services of similar nature purchased by at least two independent third parties.</p> <p>At present, there are only a few suppliers who have the qualification and capability to provide Yangtze River automobile related transportation services. To increase procurement efficiency and ensure the reasonableness of prices, the Company usually adopts the internal compared pricing policy for selection of its water transportation supplier.</p>			
Proposed cap and basis	Historical figures	Historical caps (for 2016-2018)	Proposed Cap for 2019	Basis of determination of the Proposed Cap for 2019
	For the two years ended 31 December 2017, and 9 months ended 30 September 2018, RMB374,138,000, RMB344,540,000 and RMB202,120,000	For the three years ending 31 December 2018, RMB1,200,000,000, RMB1,400,000,000 and RMB1,000,000,000 respectively	For the year ending 31 December 2019, RMB700,000,000	Minsheng Industrial, being one of the leading enterprises in automobile logistics along the Yangtze River and a government-branded 5A comprehensive logistics service provider, providing a diversity of logistics services such as

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	respectively			<p>container shipping, warehousing and distribution, aviation logistics and etc. Minsheng Industrial has the biggest finished vehicle transportation fleet by ro-ro vessels along the Yangtze River in the PRC, equipped with ro-ro ships of various capacity. Minsheng Industrial and its associates are also engaged in the operation of several shipping lines, covering major ports along the river, for transportation of the finished vehicle by ro-ro ships along the Yangtze River. Minsheng Industrial and its associates have been transacting with the Group in the past and has contributed significantly in ensuring the quality of the service provided by the Group for our customers. Minsheng Industrial and its associates are more familiar with the business requirements of the Group and are able to satisfy the various needs of the Group. The annual cap for the year ending 31 December 2019 is determined having considered (1) Minsheng Industrial' strong presence, transportation capacity and growing strength along the Yangtze River; (2) Under the influence of GB1589, the overall capacity of land transportation in the market was largely reduced, driving up the price of land transportation. In contrast, the cost of waterway transportation is relatively low. Therefore, in order to cut back costs, the Group expects to increase the use of water transportation accordingly. The Board is of the view that the setting of the annual cap for the year ending 31 December 2019 will enable the Group better accommodate the demand of our customers and therefore it is fair and reasonable.</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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	Historical figures	Historical caps (for 2016-2018)	Proposed Cap for 2019	Basis of determination of the Proposed Cap for 2019
The maximum amount of Deposit (including interests) on a daily basis	For the two years ended 31 December 2017, and 9 months ended 30 September 2018, RMB556,778,000, RMB410,433,000 and RMB411,990,000 respectively	For the three years ended 31 December 2018, RMB700,000,000, RMB700,000,000 and RMB450,000,000 respectively	For the year ending 31 December 2019, RMB350,000,000	Zhuangbei Finance is a non-banking financial company with a sound capital base and renowned credibility among the member companies of CSG. In the past few years, Zhuangbei Finance has been providing the Group with settlement services, deposit services, provision of loans, and note discounting services. The annual cap for the year ending 31 December 2019 is determined having considered (1) the historical maximum daily outstanding balances of deposits placed by the Group with Zhuangbei Finance for the year ended 31 December 2016, 2017 and 9 months ended 30 September 2018; (2) the overall treasury requirements of the Group for the year ending 31 December 2019. The Directors are of the view that the annual cap for the year ending 31 December 2019 can meet the needs of the Group and is fair and reasonable.

6. Reasons for and Benefits of the Non-Exempt Continuing Connected Transactions for 2019 and Major Transaction

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

According to the statistics released and articles quoted by China Association of Automobile Manufacturers in its website (www.caam.org.cn), the overall domestic automobile market witnessed a slowdown in 2018 and slow growth in the automobile industry is expected to linger on for a considerable period of time. According to an article quoted by China Association of Automobile Manufacturers on its website, the scrapped cars in China reached 9.07million² in 2018, therefore, the market for replacement of the scrapped cars in China is substantial. In addition, the overall domestic automobile ownership was 217 million² in 2017 and is expected to outnumber the ownership of 253 million³ of America by 2019. The ownership of the first and second tier cities such as Beijing, Chengdu, Chongqing, Shanghai, Suzhou, Shenzhen, Zhengzhou exceeded 3 million⁴ each. Due to the factors like more saturated market and traffic control, the demand for automobile in the first and second tier cities is expected to be less than the demand from 3rd and 4th tier provincial cities. On the contrary, the volume for replacement of the scrapped cars and the demand of automobiles from the 3rd and 4th tier provincial cities are substantial. Therefore, it is expected that the domestic automobile market will maintain growth at certain rate. According to the information available to the Company, Changan Automobile and its associates will bring a variety of new models and their production and sales volumes is expected to regain growth momentum in 2019. The Group is the major automobile logistics service provider of Changan Automobile and its associates and has been providing logistics services to and its quality service has been highly recognized by Changan Automobile and its associates and the essential part of revenue of the Group comes from providing logistics services such as finished vehicles transportation, international logistics and supply chain management, etc. The Company is of the view that the Group should continue to provide comprehensive automobile logistics services for Changan Automobile and its associates to maximize the revenue of the Group in the interests of the Company and its Shareholders as a whole.

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

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

China Changan has a lot of member companies located all over the country covering a series of automobile parts business such as automobile engines, transmissions, power components, chassis components, shock absorbers, supercharges, pistons and so on. As the substantial shareholder of the Company, China Changan can provide the Group with vast customer pool and various opportunities to do business with its member companies. The automobile parts companies under China Changan has relatively large demand for logistics demand. Moreover, China Changan and its associates are satisfied with the logistics services provided by the Group and it would be in the interest of the Company and its Shareholders as a whole for the Group to continue to conduct business with the

² The legal recovery of scrapped cars is less than 30%, and a large number of scrapped cars have been refitted for sale.

³ China's car ownership exceeded 200 million and may outnumber US to become the first by 2019.

⁴ Ministry of Public Security: the ownership of new energy vehicles reached 1.53 million by the end of 2017.

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China Changan and its associates. Therefore, the Company believes that the Group should continue to step up efforts in the developing relevant business to help generate revenue and the Directors are of the view that provision of logistics services to China Changan and its associates is in line with the Company's primary business and development strategy of the Group, the Group should continue to cooperate with China Changan and its associates to explore more business opportunities and maximize revenue of the Group.

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

The Group is a third-party automobile logistics service provider for providing comprehensive logistics solution for our customers. However, the Group currently does not have any vessel or enough freight carriers to ensure an independent operation of business. Therefore, the Group needs to purchase logistics services from suppliers with sufficient transportation capacity and logistics facilities and equipment. Minsheng Industrial is fully equipped with ro-ro ships of various volumes and car transporters that is compliant with the current regulation of GB1589 and has extensive, well-established logistics network across the country. Therefore, Minsheng Industrial and its associates are competent in providing logistics services to the Group. In addition, Minsheng Industrial and its associates have been a credible and reliable business partner of the Group, and have been providing various logistics services such as waterway transportation of cars and car components and parts, finished vehicles transportation by road, customs clearance, container transportation, etc. for many years. As such, the Directors are of the view that the Group should continue to purchase logistics services from Minsheng Industrial and its associates to support the smooth running of the Group's primary business and tap on the strength of Minsheng Industrial's various resources to our advantage and provide our customers with quality services and maximize the revenue of the Group. The Directors are of the view that the transaction is in the interest of the Company and its Shareholders as a whole.

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

Zhuangbei Finance is a non-banking financial institution in the PRC as approved by CBIRC and is established with capital contribution from member companies of CSG for purpose of centralizing capital management and optimizing capital efficiency within the CSG. Zhuangbei Finance has been providing financial services for member companies of CSG for years and is highly recognized for its financial management services. In addition, the major customers of the Group are member companies within CSG and they all have maintained accounts with Zhuangbei Finance. It would reduce the time costs and finance cost if the Company deposits and conducts note discounting services with, and/or to obtain loan advancement from, Zhuangbei Finance. Moreover, Zhuangbei Finance offers more favourable terms and comparatively less finance fees and charges than those payable to external banks in the PRC.

In addition, the Board has taken into consideration the following factors with respect to the deposit transaction under the framework agreement:

- (i) As a non-banking financial institution, Zhuangbei Finance is regulated by the PBOC and the CBIRC and provides its services in accordance with and in compliance of the rules and operational requirements of these regulatory authorities including capital risk guidelines and requisite capital adequacy ratios. The regulations imposed on non-banking institutions regarding the capital adequacy ratios is more stringent than those imposed on commercial banks in the PRC;
- (ii) The pricing policies of Zhuangbei Finance are subject to guidelines set by PBOC. The interest rates for Deposit of similar nature and under similar terms will be at least be equal to or more favorable than those available from other independent commercial banks in the PRC. Moreover, currently, the fees payable to normal commercial banks for settlement services, including account management, online banking system management, confirmation, etc. are free of charge to Zhuangbei Finance, which would reduce the finance costs of the Group.

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

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

The Directors (including the independent non-executive Directors) are of the view that the Non-exempt Continuing Connected Transactions for 2019 and major transaction will be conducted on normal commercial terms or on terms no less favorable than those available from independent third parties, under prevailing local market conditions, and that the Non-exempt Continuing Connected Transactions for 2019 and major transaction were entered in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

7. Financial Effects of the Deposit Transaction on the Group

As at 30 June 2018, the total deposit amount of the Group was approximately RMB834,703,728 and the deposit amount with Zhuangbei Finance was approximately RMB121,244,998, representing approximately 14.53% of the total deposit amount of the Group.

For the six months period ended 30 June 2018, the deposit interest income from Zhuangbei Finance was approximately RMB1,155,420, representing approximately 17.71% of the total deposit interest income of the Group and approximately 1.27% 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 2019 will not have any material impact to the Group's earnings, assets and liabilities.

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

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

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

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

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

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

9. Board of Directors' Views

The Board has approved the proposals of Non-Exempt Continuing Connected Transactions for 2019 with each of Changan Automobile, China Changan and their respective associates and the Non-Exempt Continuing Connected Transactions for 2019 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 2019 with each of Changan Automobile, China Changan and their respective associates and the Non-Exempt Continuing Connected Transactions for 2019 and major transaction with Zhuangbei Finance, none of the other Directors has abstained from voting on the relevant resolutions approving the proposed caps of the non-exempt continuing connected transactions for 2019 of the Company with each of Changan Automobile, China Changan and their respective associates, and the proposed caps of the non-exempt continuing connected transactions and major transaction for 2019 of the Company with Zhuangbei Finance.

The Board has approved the proposal of Non-Exempt Continuing Connected Transactions for 2019 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 2019 with Minsheng Industrial and its associates, none of the other Directors has abstained from voting on the relevant resolution approving the proposed caps of the non-exempt continuing connected transactions for 2019 of the Company with Minsheng Industrial and its associates.

10. Implication under the Listing Rules

Since one or more of the applicable percentage ratios of the Non-Exempt Continuing Connected Transactions for 2019 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 2019 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 2019 under the framework agreement with Zhuangbei Finance in relation to the deposit as calculated under Rule 14.07 of the Listing Rules exceeds 25% but less than 75%, the deposit transaction for 2019 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 for 2019 contemplated under the framework agreement with Zhuangbei Finance are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirement as these constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial services.

Under the Listing Rules, the transactions relating to the provision of settlement service to the Group by Zhuangbei Finance for 2019 contemplated under the framework agreement with Zhuangbei Finance is exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements as the annual amount for the settlement services is expected to be less than HK\$3,000,000.

The proposed caps of the Non-Exempt Continuing Connected Transactions for 2019 of the Company with each of Changan Automobile, China Changan, Minsheng Industrial and their respective associates, and the proposed caps of the Non-Exempt Continuing Connected Transactions and major transaction for 2019 of the Company with Zhuangbei Finance are subject to approval by the Independent Shareholders in accordance with the Listing Rules. China Changan and its associates will abstain from voting in relation to the resolutions approving the proposed caps of the non-exempt continuing connected transactions for 2019 of the Company with each of Changan Automobile, China Changan and their respective associates, and the proposed caps of the non-exempt continuing connected transactions and major transaction for 2019 of the Company with Zhuangbei Finance. Minsheng Industrial, Ming Sung (HK) and their respective associates will abstain from voting in relation to the resolution approving the proposed caps of the non-exempt continuing connected transactions for 2019 of the Company with Minsheng Industrial and its associates. The voting at the 2018 First EGM will be taken by a poll and the Company will make an announcement of the poll results.

11. General Information

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

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

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

Minsheng Industrial engages in transportation via rivers and by sea.

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

C. PROPOSED ELECTION OF DIRECTORS AND SHAREHOLDER REPRESENTATIVE SUPERVISOR

Resignation of Mr. Lu Xiaozhong, Mr. Tan Hongbin and Mr. Steven Ho Kok Keong

Reference is also made to the announcement of the Company dated 13 November 2018 in relation to, among others, the resignation of Mr. Lu Xiaozhong as the executive Director of the Company, Mr. Tan Hongbin as the non-executive Director of the Company and Mr. Steven Ho Kok Keong as the shareholder representative Supervisor of the Company.

Elections of the Proposed Directors and Shareholder Representative Supervisor

The Board proposes to elect:

- (a) Mr. Chen Wenbo as an executive director of the Company to fulfil the vacancy of Mr. Lu Xiaozhong; and
- (b) Mr. Chen Xiaodong as a non-executive director of the Company to fulfil the vacancy of Mr. Tan Hongbin; and
- (c) Ms. Jin Jie as a shareholder representative supervisor of the Company to fulfil the vacancy of Mr. Steven Ho Kok Keong.

The proposed elections of the directors and shareholder representative supervisor are subject to approval by the Shareholders by way of ordinary resolutions at the 2018 First EGM.

Biographical details of Mr. Chen Wenbo (candidate for executive director) are as follows:

Mr. Chen Wenbo, aged 50, graduated from Kunming Engineering College (now known as Kunming University of Science and Technology) in July 1987. Later on, Mr. Chen Wenbo studied in The Open University of Hong Kong from April 2003 to June 2005 and graduated with master's degree in business administration. Mr. Chen Wenbo joined Minsheng Shipping in December 1989 and has ever since assumed several important roles in Minsheng Shipping and its subsidiaries, including the Deputy General Manager of Minsheng Shipping, the Manager of the Intermodal Department of Minsheng International Freight Forwarding Co., Ltd., and General Manager of Minsheng Logistics Company Limited. Mr. Chen Wenbo is now the Deputy General Manager of Minsheng Shipping and the General Manager of Minsheng Logistics Company Limited. Mr. Chen Wenbo has extensive experience in finished vehicle logistics and enterprise management.

Save as disclosed above, Mr. Chen Wenbo has not held any directorship in any other listed public companies in the last three years. Save as disclosed above, Mr. Chen Wenbo does not hold any other positions within the Company or other members of the Group and does not have any relationships with any directors, senior management, substantial or controlling Shareholders of the Company, nor had he any interests in the Shares within the meaning of Part XV of the SFO.

LETTER FROM THE BOARD

If Mr. Chen Wenbo is elected as the executive director of the fourth session of the Board of the Company at the 2018 First EGM, the Company will enter into a service agreement with him in relation to his appointment. Mr. Chen Wenbo will be entitled to the remuneration which will be determined by the Board from time to time with reference to his duties and responsibilities with the Company, the market benchmark and performance of the Group, subject to the approval by the Shareholders at the EGM. Mr. Chen Wenbo's term of service will commence from the date on which approval is obtained at the 2018 First EGM until the expiry of the term of the fourth session of the Board of the Company.

Save as disclosed above, Mr. Chen Wenbo is not aware of any other matters that need to be brought to the attention of the holders of securities of the Company, nor any information needed to be disclosed under Rules 13.51(2)(h) to (v) of the Listing Rules.

Biographical details of Mr. Chen Xiaodong (candidate for non-executive director) are as follows:

Mr. Chen Xiaodong, aged 57, an economist. Mr. Chen Xiaodong joined Minsheng Industrial in August 1986 and since then served in the roles of Assistant to the General Manager, Assistant to the President, Head of Corporate Planning Department and Chief Economist of Minsheng Industrial. In December 2009, Mr. Chen Xiaodong joined Minsheng Shipping and served as the Chief Economist, Assistant to the General Manager, Head of Corporate Planning Department. Mr. Chen Xiaodong is now the Secretary to the Board of Directors and the Head of Corporate Planning Department of Minsheng Shipping. Mr. Chen Xiaodong has rich experience in corporate operation and corporate economic management, etc.

Save as disclosed above, Mr. Chen Xiaodong has not held any directorship in any other listed public companies in the last three years. Save as disclosed above, Mr. Chen Xiaodong does not hold any other positions within the Company or other members of the Group and does not have any relationships with any directors, senior management, substantial or controlling Shareholders of the Company, nor had he any interests in the Shares within the meaning of Part XV of the SFO.

If Mr. Chen Xiaodong is elected as the non-executive director of the fourth session of the Board of the Company at the 2018 First EGM, the Company will enter into a service agreement with him in relation to his appointment. Mr. Chen Xiaodong will be entitled to the remuneration which will be determined by the Board from time to time with reference to his duties and responsibilities with the Company, the market benchmark and performance of the Group, subject to the approval by the Shareholders at the EGM. Mr. Chen Xiaodong's term of service will commence from the date on which approval is obtained at the 2018 First EGM until the expiry of the term of the fourth session of the Board of the Company.

Save as disclosed above, Mr. Chen Xiaodong is not aware of any other matters that need to be brought to the attention of the holders of securities of the Company, nor any information needed to be disclosed under Rules 13.51(2)(h) to (v) of the Listing Rules.

Biographical details of Ms. Jin Jie (candidate for the shareholder representative supervisor) are as follows:

Ms. Jin Jie, aged 38, graduated from Shanghai University of Finance and Economics in 2001 and is a member of Associated Chartered Certified Accountant of UK. Ms. Jin was appointed Corporate Finance Director of APL Logistics since April 2018. In this role, her primary responsibilities include: consolidating group accounts, reengineered the group's financial system, reviewing and developing product costing structures, group strategy, preparing the group's budget and forecast processes, operational risk, information system implementation and overseeing the departments staffing and recruitment activities. Prior to joining APL Logistics, she was working for TNT International Express (headquarter in Amsterdam) from 2005 to 2018 as the Regional Financial Controller with

LETTER FROM THE BOARD

coverage spanning across Asia Pacific to Middle East regions. During her decade long stay in TNT International Express, she was responsible for financial performance reporting, planning, forecasting and budgeting. Ms. Jin is now based in Singapore.

Save as disclosed above, Ms. Jin Jie has not held any directorship in any other listed public companies in the last three years. Save as disclosed above, Ms. Jin Jie does not hold any other positions within the Company or other members of the Group and does not have any relationships with any directors, senior management, substantial or controlling Shareholders of the Company, nor had she any interests in the Shares within the meaning of Part XV of the SFO.

If Ms. Jin Jie is elected as a shareholder representative supervisor of the fourth session of the Supervisory Committee of the Company at the 2018 First EGM, the Company will enter into a service agreement with her in relation to her appointment. Ms. Jin Jie will be entitled to the remuneration which will be determined by the Board from time to time with reference to her duties and responsibilities with the Company, the market benchmark and performance of the Group, subject to the approval by the Shareholders at the AGM. Ms. Jin Jie's term of service will commence from the date on which approval is obtained from the 2018 First EGM until the expiry of the term of the fourth session of the Supervisory Committee of the Company.

Save as disclosed above, Ms. Jin Jie is not aware of any other matters that need to be brought to the attention of the holders of securities of the Company, nor any information needed to be disclosed under Rules 13.51(2) (h) to (v) of the Listing Rules.

D. 2018 FIRST EGM

The 2018 First EGM will be held for considering and approving, among others, each of the Non-Exempt Continuing Connected Transactions for 2019 and major transaction (including the proposed cap for 2019 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2019) and the proposed election of Directors and shareholder representative supervisor.

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 2019 with each of Changan Automobile, China Changan and their respective associates and the Non-Exempt Continuing Connected Transactions for 2019 and major transaction with Zhuangbei Finance, will abstain from voting in the relevant resolutions approving the proposed caps of the non-exempt continuing connected transactions for 2019 of the Company with each of Changan Automobile, China Changan and their respective associates, and the proposed caps of the non-exempt continuing connected transactions and major transaction for 2019 of the Company with Zhuangbei Finance.

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 2019 with Minsheng Industrial and its associates, will abstain from voting in the resolution approving the proposed caps of the non-exempt continuing connected transactions for 2019 of the Company with Minsheng Industrial and its associates.

Save as disclosed above and according to the information available to the Company, none of the Shareholders shall be required to abstain from voting in any of the resolutions regarding the Non-Exempt Continuing Connected Transactions for 2019 and the major transaction proposed at the 2018 First EGM.

LETTER FROM THE BOARD

The notice of the 2018 First EGM, together with the relevant reply slip and proxy form, have been issued to Shareholders on 15 November 2018. 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 30 December 2018).

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

The resolutions regarding each of the Non-Exempt Continuing Connected Transactions for 2019 and major transaction (including the proposed cap for 2019 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2019) and the proposed elections of directors and shareholder representative supervisor 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.

E. CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders of H Shares who will be entitled to attend the 2018 First EGM, the Company has suspended registration of transfer of shares from 30 November 2018 to 31 December 2018, both days inclusive. Holders of H Shares whose names are recorded in the register of members of the Company on 31 December 2018 are entitled to attend and vote at the 2018 First 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 2019 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 2019 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 49 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 2019 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 each of the Non-Exempt Continuing Connected Transactions for 2019 and major transaction (including the proposed cap for 2019 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2019).

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) consider that the Non-Exempt Continuing Connected Transactions for 2019 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 thereby approving each of the Non-Exempt Continuing Connected Transactions for 2019 and major transaction (including the proposed cap for 2019 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2019) to be proposed at the 2018 First EGM as set out in the notice of the 2018 First EGM.

The Directors consider that the Proposed Election of Directors and Shareholder Representative Supervisor 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 resolution regarding the Proposed Election of directors and shareholder representative supervisor.

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)

14 December 2018

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2019 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 2019 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2019 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 14 December 2018, of which this letter forms a part. Terms defined in this circular shall have the same meanings when used herein unless the context otherwise requires.

Under the Listing Rules, the conduct of the Non-Exempt Continuing Connected Transactions for 2019 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2019 and major transaction with Zhuangbei Finance require the approval of the Independent Shareholders at the 2018 First EGM.

We wish to draw your attention to the letter of advice from Gram Capital set out on pages 30 to 49 of this circular. We have discussed the letter and the opinion contained therein with Gram Capital.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among others, the factors and reasons considered by, and the opinion of, Gram Capital, as stated in its aforementioned letter, we consider each of the Non-Exempt Continuing Connected Transactions for 2019 and major transaction (including the proposed cap for 2019 for each of the non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2019) to be fair and reasonable so far as the Independent Shareholders are concerned. We are of the view that each of the Non-Exempt Continuing Connected Transactions for 2019 and major transaction (including the proposed cap for 2019 for each of the non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2019) 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 2018 First EGM to be proposed at the EGM to be held on 31 December 2018 and thereby approve each of the Non-Exempt Continuing Connected Transactions for 2019 and major transaction (including the proposed cap for 2019 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2019).

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

14 December 2018

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

Dear Sirs/Madams,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2019 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 14 December 2018 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 commenced 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 Non-exempt Continuing Connected Transactions Framework Agreement 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 Company sought approval from the Shareholders at the general meeting to approve the annual caps for 2018 in relation to each of the Non-Exempt Continuing Connected Transactions. The cap(s) for 2018 (including the maximum outstanding daily balance on the Deposit for 2018) for the Non-Exempt Continuing Connected Transactions under the each of the Framework Agreements for the Non-exempt Continuing Connected Transactions with each of Changan Automobile, China Changan, Minsheng Industrial and their respective associates and Zhuangbei Finance will expire on 31 December 2018.

As such, the Company has estimated and will seek for approval by Independent Shareholders at the 2018 First EGM the annual cap(s) (including the maximum outstanding daily balance on the Deposit) for the year ending 31 December 2019 (“FY2019”) (the “2019 Annual Cap(s)”) in relation to the Non-Exempt Continuing Connected Transactions contemplated under each of the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions.

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 the Non-Exempt Continuing Connected Transactions for 2019 and major transaction (including the 2019 Annual Caps) at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Mr. Graham Lam was the person signing off the opinion letter from the independent financial adviser contained in the circular dated 29 November 2017 in respect of continuing connected transactions and major 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 a hindrance to Gram Capital’s independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

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 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 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, 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 2018 and the two years ended 31 December 2017 as extracted from the interim report of the Company for the six months ended 30 June 2018 (the “**2018 Interim Report**”) and the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”):

	For the six months ended 30 June 2018	For the year ended 31 December 2017	For the year ended 31 December 2016	Change from 2016 to 2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	
Revenue	2,653,588	6,614,423	6,822,195	(3.05)
Gross profit	218,969	487,164	488,322	(0.24)
Profit for the period/year attributable to owners of the parent	51,997	127,299	113,005	12.65

As depicted by the above table, there is no significant fluctuation in the Group’s revenue and gross profit from the year ended 31 December 2016 (“**FY2016**”) to the year ended 31 December 2017 (“**FY2017**”). The Group’s profit attributable to owners of the parent for FY2017 increased by approximately 12.65% as compared to that for FY2016. As advised by the Management, such increase was mainly attributable to effective cost control which led to reduction in selling and distribution expenses and other expenses.

With reference to the 2018 Interim Report, the Group shall aim for quality, return, efficiency and brand improvement and building, focus on increasing efficiency, enhancing brand image, optimizing customer experiences and making breakthrough by innovation and implement strategy of cost efficiency through excellent operation and innovation to transform and upgrade itself. The Group will stick to the general principles of “customer success, employee growth, honesty and integrity and cooperation and diligence” as its corporate value, keep up the good work passionately, innovatively, professionally and effectively by sizing each day to become a world-class automobile logistics integrated supply chain service provider.

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. CSG holds 100% equity interests of China Changan. 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. CSG and China Changan holds approximately 21.56% and 19.33% equity interests of Changan Automobile respectively.

Information on Minsheng Industrial

With reference to the Board Letter, Minsheng Industrial engages in transportation via rivers and by sea and it is a 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 CBIRC. Zhuangbei Finance is a non-bank financial institution regulated by CBIRC.

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, according to the statistics released and articles quoted by China Association of Automobile Manufacturers in its website (www.caam.org.cn), the overall domestic automobile market witnessed a slowdown in 2018 (For the first eight months in 2018, the production and sales of automobiles were approximately 18.13 million units and 18.10 million units respectively, representing growth rates of 2.8% and 3.5% respectively as compared with the same period in 2017. Such year-on-year growth rates for the first eight months in 2018 were 0.75 percentage points and 0.80 percentage points less than the year-on-year growth rates for the first seven months in 2018) and slow growth in the automobile industry is expected to linger on for a considerable period of time. The scrapped cars in China reached 9.07 million in 2018, therefore, the market for replacement of the scrapped cars in China is substantial. In addition, the overall domestic automobile ownership was 217 million in 2017 and is expected to outnumber the ownership of 253 million of the United States of America by 2019. The ownership of the first and second tier cities such as Beijing, Chengdu, Chongqing, Shanghai, Suzhou, Shenzhen, Zhengzhou exceeded 3 million each. Due to the factors like more saturated market and traffic control, the demand for automobile in the first and second tier cities is expected to be less than the demand from third and fourth tier provincial cities. On the contrary, the volume for replacement of the scrapped cars and the demand of automobiles from the 3rd and 4th tier provincial cities are substantial. Therefore, it is expected that the domestic automobile market will maintain growth at certain rate. According to the information available to the Company, Changan Automobile and its associates will bring a variety of new models and their production and sales volumes is expected to regain growth momentum in 2019. The Group is the major automobile logistics service provider of Changan Automobile and its associates and has been providing logistics services to and its quality service has been highly recognized by Changan Automobile and its associates and the essential part of revenue of the Group comes from providing logistics services such as finished vehicles transportation, international logistics and supply chain management, etc. The Company is of the view that the Group should continue to provide comprehensive automobile logistics services for Changan Automobile and its associates to maximize the revenue of the Group in the interests of the Company and its Shareholders as a whole.

Upon our enquiry, the Management advised us that the Group had provided various logistics services to Changan Automobile for over ten years. We noted that (i) during FY2016, the historical amount of the Changan Automobile CCT of approximately RMB6.13 billion represented approximately 90% of the Group's total revenue; and (ii) during FY2017, the historical amount of the Changan Automobile CCT of approximately RMB5.55 billion represented approximately 84% of the Group's total revenue.

Having taken into account the above and 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	<p>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"): </p> <p>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.</p> <p>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.</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 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 sets up a working group to assist the bidding representative in response to the bidding before obtaining bidding results.</p> <p>(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 also considers 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.</p> <p>(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.</p>

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 2017 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 2017 (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**”).

With reference to the 2017 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, nothing has come to the auditors’ attention that causes them to believe that the Non-Exempt Continuing Connected Transactions for the year ended 31 December 2017: (i) have not been approved by the Board ; (ii) were not, in all material aspects, in accordance with the pricing policies of the Company (for transactions involving the provision of goods or services by the Group); (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the annual cap as set by the Company (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 “4. 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 annual cap for the Changan Automobile CCT (the “**Changan Automobile Cap**”):

	For the year ended 31 December 2016 RMB	For the year ended 31 December 2017 RMB	For the year ending 31 December 2018 RMB
Historical amounts	6,125,342,000	5,551,987,000	3,262,280,000 <i>(Note)</i>
Existing annual caps	10,500,000,000	12,500,000,000	8,500,000,000
	For the year ending 31 December 2019 RMB		
Changan Automobile Cap	7,500,000,000		

Note: The figure is for the nine months ended 30 September 2018.

The following is the basis of determining of the Changan Automobile Cap as extracted from the Board Letter: In 2018, the production and sales of the Group’s major customer may experience a slight decline after years of growth. However, the consuming power of the domestic automobile market remains largely unchanged and the domestic automobile production and sales volume are expected to show a potential growth. Given that the transaction amount in the fourth quarter of a year is generally higher than the other quarters, the Company expects that the transaction amount for the whole year would be over RMB5 billion in 2018. The Company recently recaptured the finished vehicles transportation logistics business of Beijing production base and the Chongqing production base of Changan Automobile, the logistics services of which were provided by Beijing Changjiu Logistics Co., Ltd. (“**Changjiu**”). Jiangling Automobile Co., Ltd., a joint venture of Changan Automobile, recently expressed their intention of having business cooperation with the Company. In addition, Changan Automobile announced a new strategy of “entrepreneur for the third time” in April 2018 and its target for production and sales volume in 2020 is higher than that of 2017. Moreover, to the best knowledge of the Company, Changan Automobile and its associates have recently introduced several new car models such as the “CS35 plus, new CS75 with automatic parking assistant system, CS55 with integrated adaptive cruise control system”, and Changan Automobile will launch CS85 in 2019, which the Company expects will have a positive influence on the next year’s automobile production and sales of Changan Automobile. The Directors believe the production and sales volumes of Changan Automobile and its associates in 2019 will regain growth momentum and set the stage for the realization of the objectives of 2020 set in its strategy of “entrepreneur for the third time”. All the above-mentioned business growth factors are expected to contribute to a further increase of approximately RMB2 billion for the Group. In addition, the Group has been providing logistics services for Changan Automobile and its associates for many years and the Group’s quality service has been highly recognized. As at the end of last year, the Group operated approximately two-thirds of the outsourced logistics services of Changan Automobile and its associates. As at the Latest Practicable Date, the Group undertakes approximately eight tenths of the outsourced logistics business of Changan Automobile and its associates. Therefore, the Company is of the view that the 2019 annual cap set for the non-exempted continuing connected transaction with Changan Automobile and its associates is reasonable to cover the existing business needs and potential business growth of the Group in 2019. Based on the above, the Directors are of the view that the annual cap for FY2019 is fair and reasonable.

We noticed that the utilisation rate of the Changan Automobile Cap for the year ended 31 December 2017 was lower than 50%. As advised by the Management, the amount of Changan Automobile CCT in the fourth quarter of a year is generally higher than the other quarters. As such, the Management expects the amount of Changan Automobile CCT to be over RMB5 billion for the year ending 31 December 2018 (“FY2018”).

In this regard, we obtained the historical amount of Changan Automobile CCT for each quarter of FY2017 and noticed that the historical amount in the fourth quarter of FY2017 represented approximately 36% of the historical amount in the full year of FY2017. Based on such proportion and the historical amount of Changan Automobile CCT of RMB3,262,280,000 for the nine months ended 30 September 2018, the Management’s expectation on the amount of Changan Automobile CCT of over RMB5 billion for FY2018 is justifiable.

Besides, the Management expects that the factors mentioned above (the “**Changan Automobile CCT Growth Factors**”) to contribute to an expected increase of approximately RMB2 billion in the amount of Changan Automobile CCT in FY2019. Hence, the Changan Automobile Cap for FY2019 was set at RMB7.5 billion.

To assess the fairness and reasonableness of the Changan Automobile Cap for FY2019, we discussed with the Management regarding the basis and assumptions underlying the projections of the Changan Automobile Cap, including the Changan Automobile CCT Growth Factors, in particular:

1. The Group is liaising with Jiangling Holding Co., Ltd. (“**Jiangling**”), a joint venture of Changan Automobile, for provision of logistics services. The Company expects Jiangling’s logistics services demand to be 400,000 units of automobile in FY2019 and the Group will take up approximately 70% of such demand. After considering the unit transportation charge, the Company estimates the provision of logistics services to Jiangling in FY2019 to be approximately RMB600 million.

We noted from the announcement of Changan Automobile dated 11 January 2018 that Jiangling sold 382,137 units in FY2017. We also noted from a news dated 10 November 2018 on the Company’s website that the vice president of Jiangling Motors Corporation, Ltd., namely, Mr. Li Xiao Jun, visited the Company on the same date to explore business opportunity. During the visit, Mr. Li Xiao Jun was satisfied with the Company and expressed his intention to co-operate with the Company in logistics aspects. The above findings conform with the Company’s estimation.

2. The Group expects to provide logistics services for 70,000 units of new model CS85 automobile in FY2019. After considering the unit transportation charge, the Company estimates the logistics services for the new model CS85 automobile to be approximately RMB140 million.
3. The Group expects to provide logistics services for 60,000 units of new model automobile “CS35 plus, new CS75 with automatic parking assistant system, CS55 with integrated adaptive cruise control system” in FY2019. After considering the unit transportation charge, the Company estimates the logistics services for the aforesaid new model automobile to be approximately RMB110 million.
4. The Company estimates the logistics services for other new model automobile to be approximately RMB100 million.
5. Changjiu was a major logistics service supplier for Changan Automobile’s own-brand automobile. As advised by the Management, Changan Automobile intends to let the Group to take up Changjiu’s role for the purpose of enjoying economy of scale. Accordingly, the Company is taking up the finished vehicles transportation logistics business of Beijing production base and the Chongqing production base of Changan Automobile, the logistics services of which were provided by Changjiu. The Management expects such logistics services to be approximately RMB1,000 million.

With reference to the announcement of Changan Automobile dated 11 January 2018 and as advised by the Management, Changan Automobile sold approximately 1.5 million units of own-brand automobile in FY2017. With reference to the prospectus of Changjiu dated 21 July 2016, Changjiu took up approximately 37% of logistics service for Changan Automobile's own-brand automobile. Based on the above and the unit transportation charge, the Management's expectation on the amount of logistics services taking up by the Group in FY2019 is justifiable.

Taken into account the aforesaid basis of determination of the Changan Automobile Cap for FY2019, we concur with the Directors that the Changan Automobile Cap for FY2019 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 2019, 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 has a lot of member companies located all over the country covering a series of automobile parts business such as automobile engines, transmissions, power components, chassis components, shock absorbers, supercharges, pistons and so on. As the substantial shareholder of the Company, China Changan can provide the Group with vast customer pool and various opportunities to do business with its member companies. The automobile parts companies under China Changan has relatively large demand for logistics demand. Moreover, China Changan and its associates are satisfied with the logistics services provided by the Group and it would be in the interest of the Company and its Shareholders as a whole for the Group to continue to conduct business with the China Changan and its associates. Therefore, the Company believes that the Group should continue to step up efforts in the developing relevant business to help generate revenue and the Directors are of the view that provision of logistics services to China Changan and its associates is in line with the Company's primary business and development strategy of the Group, the Group should continue to cooperate with China Changan and its associates to explore more business opportunities and maximize revenue of the Group.

Having also taken into account that the China Changan CCT is contributing revenue to the Group (i.e. approximately RMB41 million for the 9 months ended 30 September 2018), 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	<p>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 "China Changan CCT Pricing Policy"): </p> <p>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.</p> <p>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.</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 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 sets up a working group to assist the bidding representative in response to the bidding before obtaining bidding results.</p> <p>(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.</p> <p>(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.</p>

We understood from the Management that no transaction under the China Changan CCT was conducted on "bidding price" basis so far. For our due diligence purpose, we obtained (i) two quotation requests (involving various transactions) issued by associate of China Changan and the corresponding confirmations on selection of the Company for the provision of certain supply chain management services, which indicated the participation of the Group in the quotation process for the provision of supply chain management services to China Changan and its associates and that the Group had provided quotation for them to compare with other services providers; and (ii) the cost-plus pricing 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 China Changan CCT Pricing Policy.

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 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 China Changan CCT in compliance with the China Changan CCT Pricing Policy.

In light of the above, we consider 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 annual cap for the China Changan CCT (the “**China Changan Cap**”) for FY2019 is RMB250 million. The historical amount of the China Changan CCT for the 9 months ended 30 September 2018 was approximately RMB41 million and the China Changan Cap for FY2018 is RMB300 million.

The following is the basis of determining of the China Changan Cap for FY2019 as extracted from the Board Letter: China Changan has a lot of member companies, mainly in automobile parts business and the total revenue of automobile parts companies under China Changan reached approximately RMB18 billion in 2017. Based on the average ratio of approximately 8.6% of logistics expenses to the total revenue in 2016 of industrial enterprises in the PRC, the Company estimates that the automobile parts companies under China Changan has large logistics expenses. In 2018, the Group mainly conducted the logistics business with Sichuan Jianan Industrial Co. Ltd. and Chengdu Huachuan Electric Parts Co., Ltd., both members of China Changan, for provision of logistics services such as automobile parts distribution, inbound logistics, storage, data management, etc. The total revenue derived from Sichuan Jianan Industrial Co. Ltd. and Chengdu Huachuan Electric Parts Co., Ltd. in 2017 reached RMB3.6 billion. Based on the average ratio of approximately 8.6% of logistics expenses to the total revenue in 2016 of industrial enterprises in the PRC, the Company estimates that the logistics demands of the two companies is approximately at RMB300 million. In 2018, the business development of the Group into the business of member companies of China Changan is still in the preliminary stage. For the nine months ended 30 September 2018, the Group merely operates approximately over 10% of the logistics demand of those two automobile parts companies under China Changan and by the end of year, it is expected that approximately 30% to 40% of their logistics services is to be outsourced to the Group. Those two companies still have plenty of rooms for business expansion. China Changan is a substantial Shareholder and has been very supportive in strengthening the business relationship between the Group and its other member companies. The Company will continue to further expand logistics demands of those two companies that have not been outsourced to generate revenue for the Group. In 2019, the Group will vigorously expand the business of inbound logistics, finished goods transportation, and warehousing etc. of the two companies. In 2019, besides tapping into the rest of the logistics demand of Sichuan Jianan Industrial Co. Ltd. and Chengdu Huachuan Electric Parts Co., Ltd. (both are member companies of China Changan), the Group is expecting to step up efforts in developing the logistics business from other automobile parts companies under China Changan. In addition, the Group is currently in business negotiation with several automobile parts companies under China Changan, including Harbin Dongan Automotive Engine Manufacturing Co., Ltd., Harbin Dongan Automotive Power Co., Ltd., Chengdu Lingchuan Vehicle Oil Tank Co., Ltd., and Sichuan Ningjiang Shanchuan Machinery Co., Ltd. The Company expects to provide supply chain management logistics services for automobile parts and components such as engines, transformers

and oil tanks for those parts companies under China Changan. The Company is of the view that the 2019 annual cap will cover the potential business expansion of the Group further into the parts logistics companies under China Changan. Having considered the substantial logistics demand of parts logistics companies under China Changan and the potential revenue from the provision of logistics services to China Changan and its associates. The Directors are of the view that the proposed cap for the year ending 31 December 2019 in relation to the provision of logistics services by the Group to China Changan and its associates is fair and reasonable.

We noticed that the substantial difference between (i) the historical amount of the China Changan CCT for the 9 months ended 30 September 2018 (i.e. approximately RMB41 million); and (ii) the China Changan Cap for FY2018 (i.e. RMB300 million). As such we consider that it is reasonable for the Company to set the China Changan Cap for FY2019 lower than that of FY2018.

To assess the fairness and reasonableness of the China Changan Cap for FY2019, we also 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 the factors mentioned above may contribute to potential demand of the China Changan CCT in FY2019. Therefore, the China Changan Cap was set at RMB250,000,000 for FY2019.

For our due diligence purpose, we obtained a business plan of China Changan (the “**China Changan Business Plan**”) from the Company. As advised by the Management, the China Changan Business Plan was provided by China Changan to the Company. According to the China Changan Business Plan, (i) the total revenue of automobile parts companies under China Changan reached approximately RMB18 billion in 2017; and (ii) the aggregated total revenue of Sichuan Jianan Industrial Co. Ltd. and Chengdu Huachuan Electric Parts Co., Ltd. in 2017 reached RMB3.6 billion.

We also obtained supporting document from the Company on the average ratio of approximately 8.6% of logistics expenses to the total revenue in 2016 of industrial enterprises in the PRC (the “**Logistics Expenses Ratio**”), which was extracted by the Company from Wind Financial Terminal (a financial adviser terminal that provides data and information on the PRC financial market, covering stocks, bonds, funds, indices, warrants, commodity futures, foreign exchanges, and the macro industry, for securities analysts, fund managers and other financial professionals, according to the website of Wind Information Company Limited).

Based on the aggregated total revenue of Sichuan Jianan Industrial Co. Ltd. and Chengdu Huachuan Electric Parts Co., Ltd. in 2017 of RMB3.6 billion and the Logistics Expenses Ratio of approximately 8.6%, it is possible for Sichuan Jianan Industrial Co. Ltd. and Chengdu Huachuan Electric Parts Co., Ltd. to demand approximately RMB310 million logistics services. Should the Company take up substantial portion of such demand, the China Changan Cap of RMB250 million for FY2019 is required.

The China Changan Cap of RMB250 million for FY2019 can also cover possible demand from other member companies of China Changan.

Taken into account the aforesaid basis of determination of the China Changan Cap for FY2019, 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 2019, 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, the Group is a third-party automobile logistics service provider for providing comprehensive logistics solution for our customers. However, the Group currently does not have any vessel or enough freight carriers to ensure an independent operation of business. Therefore, the Group needs to purchase logistics services from suppliers with sufficient transportation capacity and logistics facilities and equipment. Minsheng Industrial is fully equipped with ro-ro ships of various volumes and car transporters that is compliant with the current regulation of GB1589 and has extensive, well-established logistics network across the country. Therefore, Minsheng Industrial and its associates are competent in providing logistics services to the Group. In addition, Minsheng Industrial and its associates have been a credible and reliable business partner of the Group, and have been providing various logistics services such as waterway transportation of cars and car components and parts, finished vehicles transportation by road, customs clearance, container transportation, etc. for many years. As such, the Directors are of the view that the Group should continue to purchase logistics services from Minsheng Industrial and its associates to support the smooth running of the Group's primary business and tap on the strength of Minsheng Industrial's various resources to our advantage and provide our customers with quality services and maximize the revenue of the Group. The Directors are of the view that the transaction is in the interest of the Company and its Shareholders as a whole.

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

(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 five 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 from the reviewed documents 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 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 Minsheng Industrial CCT in compliance with the Minsheng Industrial CCT Pricing Policy.

In light of the above, we consider 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 annual cap for the Minsheng Industrial CCT (the “**Minsheng Cap**”) for FY2019:

	For the year ended 31 December 2016 RMB	For the year ended 31 December 2017 RMB	For the year ending 31 December 2018 RMB
Historical amounts	374,138,000	344,540,000	202,120,000 <i>(Note)</i>
Existing annual caps	1,200,000,000	1,400,000,000	1,000,000,000
	For the year ending 31 December 2019 RMB		
Minsheng Cap	700,000,000		

LETTER FROM GRAM CAPITAL

Note: The figure is for the nine months ended 30 September 2018.

The following is the basis of determining of the Minsheng Cap as extracted from the Board Letter: Minsheng Industrial, being one of the leading enterprises in automobile logistics along the Yangtze River and a government-branded 5A comprehensive logistics service provider, providing a diversity of logistics services such as container shipping, warehousing and distribution, aviation logistics and etc. Minsheng Industrial has the biggest finished vehicle transportation fleet by ro-ro vessels along the Yangtze River in the PRC, equipped with ro-ro ships of various capacity. Minsheng Industrial and its associates are also engaged in the operation of several shipping lines, covering major ports along the river, for transportation of the finished vehicle by ro-ro ships along the Yangtze River. Minsheng Industrial and its associates have been transacting with the Group in the past and has contributed significantly in ensuring the quality of the service provided by the Group for our customers. Minsheng Industrial and its associates are more familiar with the business requirements of the Group and are able to satisfy the various needs of the Group. The annual cap for the year ending 31 December 2019 is determined having considered (1) Minsheng Industrial's strong presence, transportation capacity and growing strength along the Yangtze River; (2) under the influence of GB1589, the overall capacity of land transportation in the market was largely reduced, driving up the price of land transportation. In contrast, the cost of waterway transportation is relatively low. Therefore, in order to cut back costs, the Group expects to increase the use of water transportation accordingly. The Board is of the view that the setting of the annual cap for the year ending 31 December 2019 will enable the Group better accommodate the demand of our customers and therefore it is fair and reasonable.

To assess the fairness and reasonableness of the Minsheng Cap for FY2019, 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 2017 were low. Upon our enquiry, we were advised by the Management that the Minsheng Cap for FY2019 was set lower than the existing annual cap for FY2018 after taken into account the aforesaid low utilisation rates of the existing annual caps.

After considering the possible impact of the GB1589 Policy, the Management considered that it is prudent to set the Minsheng Cap at RMB700 million for FY2019 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.

In this regard, the Management also advised us that the Management expects the amount of Minsheng Industrial CCT for FY2018 to be over RMB300 million, being a similar amount to that of FY2017. Currently, around 20% of the Group's transportation is waterway transportation. The Group plans to increase this portion to around 40% in future. The Minsheng Cap of RMB700 million for FY2019 can cover the aforesaid plan.

Taken into account the aforesaid basis of determination of the Minsheng Cap for FY2019, 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 2019, 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 as approved by CBIRC and is established with capital contribution from member companies of CSG for purpose of centralizing capital management and optimizing capital efficiency within the CSG. Zhuangbei Finance has been providing financial services for member companies of CSG for years and is highly recognized for its financial management services. In addition, the major customers of the Group are member companies within CSG and they all have maintained accounts with Zhuangbei Finance. It would reduce the time costs and finance cost if the Company deposits and conducts note discounting services with, and/or to obtain loan advancement from, Zhuangbei Finance. Moreover, Zhuangbei Finance offers more favourable terms and comparatively less finance fees and charges than those payable to external banks in the PRC.

In addition, the Board has taken into consideration the following factors with respect to the deposit transaction under the framework agreement:

- (i) As a non-banking financial institution, Zhuangbei Finance is regulated by the PBOC and the CBIRC and provides its services in accordance with and in compliance of the rules and operational requirements of these regulatory authorities including capital risk guidelines and requisite capital adequacy ratios. The regulations imposed on non-banking institutions regarding the capital adequacy ratios is more stringent than those imposed on commercial banks in the PRC;
- (ii) The pricing policies of Zhuangbei Finance are subject to guidelines set by PBOC. The interest rates for Deposit of similar nature and under similar terms will be at least be equal to or more favorable than those available from other independent commercial banks in the PRC. Moreover, currently, the fees payable to normal commercial banks for settlement services, including account management, online banking system management, confirmation, etc. are free of charge to Zhuangbei Finance, which would reduce the finance costs of the Group.
- (iii) The risk of the Deposit transaction with Zhuangbei Finance is further reduced by (1) the undertakings provided by Zhuangbei Finance, (2) various internal control and risk management awareness of and measures took by Zhuangbei Finance in respect of credit risk, liquidity risk, market risk, operational risk, information technology risk and etc.
- (iv) Zhuangbei Finance has advanced information security protection system, the security protection of which is no less than the protection level of head office of commercial banks and Zhuangbei Finance established data security backup center in Chongqing and was granted technical security certification by CFCA, all of which proves that Zhuangbei Finance was competent enough to protect the information and the fund security of the Group;
- (v) In addition, as a fellow member of the CSG, Zhuangbei Finance has a better understanding of the operations and financial requirements of the Group which give Zhuangbei Finance a built-in advantage to allow it to provide the Group with more expedient and efficient services.

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 five historical deposits documents that the Company placed in Zhuangbei Finance and other independent commercial banks in the PRC. We noted from the reviewed documents 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 CBIRC to regulate the operation of group finance companies and reduce the possible financial risk. We noted that the Measures set out certain compliance and risk control requirements/measures in relation to the operation of group financing companies, including but not limited to maintaining certain financial ratios at all times, reporting to the CBIRC, etc.

In September 2018, 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 “8. 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 2016	For the year ended 31 December 2017	For the year ending 31 December 2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Actual amounts of the historical highest daily outstanding balances of Deposit (including interests)	556,778,000	410,433,000	411,990,000 <i>(Note)</i>
Existing annual caps (maximum daily outstanding balances of Deposit (including interests))	700,000,000	700,000,000	450,000,000
	For the year ending 31 December 2019		
	<i>RMB</i>		
Deposit Cap (maximum daily outstanding balances of Deposit (including interests))	350,000,000		

Note: The figure is for the nine months ended 30 September 2018.

With reference to the Board Letter, as a non-banking financial company in mainland China, Zhuangbei Finance has sound capital base and renowned credibility among the member companies of CSG. 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 (1) the historical maximum daily outstanding balances of deposits placed by the Group with Zhuangbei Finance for the year ended 31 December 2016, 2017 and 9 months ended 30 September 2018; (2) the overall treasury requirements of the Group for the year ending 31 December 2019 (the “**Treasury Requirements**”). The Directors are of the view that the annual cap for the year ending 31 December 2019 can meet the needs of the Group and is fair and reasonable.

To assess the fairness and reasonableness of the Deposit Cap for FY2019, we discussed with the Management the basis and assumptions underlying the projections of the Deposit Cap, including the Treasury Requirements.

We noted that the actual amount of the historical highest daily outstanding balances of Deposit (including interests) for the 9 months ended 30 September 2018 is more than 90% of the Deposit Cap for FY2018. As advised by the Management, the Group intends to reduce the Deposit amount in FY2019, therefore, the Deposit Cap was set at a lower level of RMB350 million. As advised by the Management, the amount of deposit placed with Zhuangbei Finance is also affected by the amount of continuing connected transactions conducted as member companies of CSG may make payment through Zhuangbei Finance. Given the decrease in the amount of Changan Automobile CCT in FY2017 as compared to FY2016, it is reasonable to set a lower Deposit Cap in FY2019.

Having considered the foregoing basis in determining the Deposit Cap, together with the above observations, we consider that the Deposit Cap can provide 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 FY2019; (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 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 proposed annual caps of FY2019 for the Non-Exempt Continuing Connected Transactions 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.

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 2015, 2016 and 2017 have been disclosed in the following documents:

- 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).
- Annual report of the Company for the year ended 31 December 2017 published on the HKExnews website (www.hkexnews.hk) and the Company's website on 17 April 2018 (Pages 54 to 124).

2. Indebtedness

As at the close of business on 30 November 2018, 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 RMB10,000,000 from Zhuangbei Finance. In addition, Harbin Branch of Changan Minsheng APLL Logistics Co., Ltd., a branch company of the Company, and Hangzhou Changan Minsheng APLL Logistics Co., Ltd., a subsidiary of the Company respectively entered into finance leasing and leaseback arrangements with United Prosperity Investment (Shenzhen) Co., Ltd. ("leasing and leaseback arrangements"). The leasing and leaseback arrangements is in nature a loan with the tire assembly lines as security and the aggregate principal of the leasing and leaseback arrangements is approximately RMB27,390,000, which bears interest at an effective interest rate 4.75% per annum with quarterly instalment payments up to the maturity date on 31 December 2020.

Save as disclosed above, as at the close of business on 30 November 2018, 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 2018 Interim Report of the Company, the Group's revenue amounted to RMB2,653,588,000 (unaudited). For the six months ended 30 June 2018, although affected by the unfavorable factors such as the intensifying competition in the domestic automobile market, the sliding logistics service prices as well as the ever-rising operational costs and increasing transportation cost caused by the national policy of Limits of Dimensions, Axle Load and Mass for Motor Vehicles, Trailers and Combined Vehicles (GB1589-2016), the Group actively engaged in cost reduction and efficiency improvement by such means as optimizing logistics network, strengthening logistics node construction and adjusting the ratios of road transportation, railway transportation and waterway transportation and thus achieved certain results. The Group saw a slight increase in both the gross profit margin and net profit margin, at 8.25% (for six months ended 30 June 2017: 7.10%) and 2.48% (for six months ended 30 June 2017: 2.34%), respectively. However, due to the decrease in revenue of the Group, profit attributable to the equity holders of the Company for the six months ended 30 June 2018 went down to approximately RMB51,997,000 from approximately RMB56,915,000 in the corresponding period of last year.

2018 marks the 40th anniversary of the national reform and opening up, and the country still faces rather tough task of economic reform and transformation. While the domestic market is increasingly intertwined with the global markets, the international political and economic landscape is witnessing profound changes with the potentially spreading consequences from the trade tension between China and the United States. Confronted with such a grim and challenging domestic and international environment, the Chinese government aims to further open its market to boost reform and quality development.

On 28 June 2018, the National Development and Reform Commission and Ministry of Commerce of the PRC jointly issued the "Special Management Measures on Foreign Investment Admission (Negative List) (2018)" (the "Negative List of Foreign Investment Admission"), pursuant to which, the automobile industry will further open to foreign investors in stages. The previous restrictions on equity ratio of foreign investments in special-purpose finished vehicles and new energy finished vehicles manufacturing enterprises are lifted in 2018, the same restrictions on commercial vehicles will be lifted in 2020 and the restrictions on equity ratio of foreign investments and no more two foreign joint ventures in passenger vehicles will be lifted in 2022. Those restrictions on automobile industry will be lifted after the 5-year transition period. In addition, to save energy and encourage the use of new energy, the Ministry of Finance announced that energy-efficient and new energy vehicles and boats will be entitled to tax breaks effective from 10 July 2018: taxes on standard energy-efficient vehicles shall be reduced by half and those on standard new energy vehicles shall be exempted. Those policies are expected to stimulate the transformation and development of domestic automobile industry, especially the development of energy-efficient vehicles and new energy vehicles, and lower the costs of purchasing vehicles for consumers to boost vehicles consumption, which will create a better environment for the future development of the domestic automobile market. This is an opportunity for enterprise like the Group which focuses primarily on automobile logistics. However, this is a challenge as much as an opportunity for us as the automobile logistics industry is still confronted with negative factors such as the operation pressure, ever-falling service rate and intensifying market competition. By leveraging the internal and external environment surrounding the automobile logistics operation, the Group will actively engage in business expansion and lean management and exploit profitability to pave the path for the further 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 Co., Ltd.	Interest of a controlled corporation	41,225,600(L) (Domestic Shares)	38.51%	-	25.44%
China Changan Automobile Group Co., Ltd.	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.	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") (note 1)	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)") (note 1)	Beneficial owner	6,444,480(L) (Non-H Foreign Shares)	6.02%	-	3.98%
Pemberton Asian Opportunities Fund	Beneficial owner	5,000,000 (L)	-	9.09%	3.09%
788 China Fund Ltd.	Investment manager	4,000,000 (L)	-	7.27%	2.47%
McIntyre Steven (note 2)	Interest of a controlled corporation	3,423,000(L)	-	6.22%	2.11%
Braeside Investments, LLC (note 2)	Investment manager	3,423,000(L)	-	6.22%	2.11%
Braeside Management, LP (note 2)	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, Braeside Management, LP is a wholly-owned subsidiary of Braeside Investments, LLC. McIntyre Steven is the controlling shareholder of Braeside Investments, LLC.

Note 3: (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. William K Villalon President of APL Logistics Ltd.
- b. Man Hin Wai Paul Regional Vice President, North Asia of APL Logistics Ltd.
- c. Li Xin Deputy General Manager of the Capital Operation Department of China Changan

Supervisors

- d. 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 2017, 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 each of the Non-exempt Continuing Connected Transactions for 2019 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 2017 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

6. SERVICE CONTRACTS

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

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

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company had any interest in any assets which have been since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

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

8. COMPETING INTERESTS

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

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

1. each of them should not and should procure their associates not to, within China,
 - (a) whether individually or with other persons, directly or indirectly engage or participate in any form of businesses (including but not limited to investments, joint venture or cooperation) that constitute or may constitute competitions with the businesses that the Company were carrying on; and
 - (b) provide support in any form to persons other than the Company to engage in businesses that constitute or might constitute with the business that the Company were carrying on.
2. where direct or potential competition arose in the course of developing business between Changan Industry Company or, as the case may be, Minsheng Industrial or Ming Sung (HK) and the Company, they should give the Company the priority to choose except:
 - (a) the Company had expressly indicated to give up the business opportunity;
 - (b) the Company did not possess the ability to obtain the business opportunity independently;
 - (c) the Company's business contract may not be continued and was abandoned by the client; or
 - (d) the business opportunity fell outside the Company's scope of business.
3. Where the Company requested assistance from Changan Industry Company or, as the case may be, Minsheng Industrial or Ming Sung (HK), priority would be given to the Company under the same terms by utilizing its resources to support the Company in securing business.
4. Where the Company obtained the business independently, the Company should give the priority to cooperate with Changan Industry Company or, as the case may be, Minsheng Industrial or Ming Sung (HK) under the same terms.

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

logistics services from the Company in China. APLL also agreed not to solicit the Company's business with Changan Group or the Company's other then existing customers as of 15 January 2005 unless those customers ceased to be the Company's customers.

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

The Company received the confirmation in March 2018 regarding the above-mentioned non-competition undertakings from each of APL Logistics and China Changan.

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

9. MISCELLANEOUS

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

10. MATERIAL CONTRACTS

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

- (a) the 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.
- (b) On 31 December 2017, Harbin Branch of Changan Minsheng APLL Logistics Co., Ltd., a branch company of the Company, and Hangzhou Changan Minsheng APLL Logistics Co., Ltd., a subsidiary of the Company respectively entered into finance leasing and leaseback arrangements with United Prosperity Investment (Shenzhen) Co., Ltd. ("leasing and leaseback arrangements"). The leasing and leaseback arrangements is in nature a loan with the tire assembly lines as security and the aggregate principal of the leasing and leaseback arrangements is approximately RMB27,390,000, which bears interest at an effective interest rate 4.75% per annum with quarterly instalment payments up to the maturity date on 31 December 2020.
- (c) On 7 February 2018, the Company entered into a transfer contract of land use right with the Land Resources and Housing Management Bureau of Jiangjin District in Chongqing, the PRC, pursuant to which, the Company secured a land plot within the comprehensive bonded area in Luohuang Industrial Park in Jiangjin District of Chongqing, the PRC, with a total site area of approximately 42,404.39 square meters (equivalent to approximately 63.6066 mu) for a transfer price of RMB20,990,200.

- (d) On 5 December 2018, the Company, Chongqing Port Logistics Group Co., Ltd. (“Port Group”), SAIC Anji Logistics Co., Ltd. (“Anji Logistics”), and Chongqing Guoyuan Ro-Ro Terminal Company Limited (“Ro-Ro Company”) entered into a Capital Increase and Shareholders Agreement, pursuant to which, the Company agreed to contribute RMB85,072,038.96, while Port Group will contribute RMB107,026,113.53, and Anji Logistics will contribute RMB82,327,779.64 respectively to the capital increase of Ro-Ro Company (which will then be restructured into a joint venture company), and to regulate their respective rights and obligations of the parties in the management and operation of Ro-Ro Company. Immediately after completion of the capital increase and the restructuring, Ro-Ro Company will be owned as to 31% by the Company, as to 39% by Port Group and as to the remaining 30% by Anji Logistics.

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 31 December 2018:

- a) the articles of association of the Company;
- b) the Framework Agreements for Non-Exempt Continuing Connected Transactions for 2018~2020;
- c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- d) 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;
- e) the consent letter of Gram Capital referred to in the paragraph headed “CONSENT OF EXPERT” in this Appendix;
- f) the annual reports of the Company for the three financial years ended 31 December 2015, 2016 and 2017 respectively;
- g) the material contracts referred to in item 10 of this Appendix;
- h) the 2018 Interim Report of the Company; and
- i) this circular.