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

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

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

(Stock Code: 01292)

- (I) MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO FINANCE LEASE ARRANGEMENT;**
- (II) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2021 AND MAJOR TRANSACTION REGARDING THE DEPOSIT TRANSACTION WITH ZHUANGBEI FINANCE; AND**
- (III) THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

**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 2020 is set out on pages 5 to 45 of this circular. A letter from the Independent Board Committee of Changan Minsheng APLL Logistics Co., Ltd. is set out on pages 46 to 47 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 48 to 74 of this circular.

The notice for convening the EGM to be held at 10:00 a.m. on 30 December 2020 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 13 November 2020.

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 29 December 2020) 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.

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DEFINITIONS

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

“2020 First EGM” or “EGM”	the first extraordinary general meeting of 2020 of the Company to be convened at the Company’s Conference Room, No.1881, Jinkai Road, Yubei District, Chongqing, the PRC on 30 December 2020 for purposes of considering and approving, among others, (i) the transactions under the Finance Lease Agreements; (ii) the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance (and the respective annual caps), and (iii) the proposed amendments to the Articles of Association
“APLL”	APL Logistics Ltd.
“Articles of Association”	the articles of association of the Company
“AS/RS”	the automated storage and retrieval system that Industries Financing intends to purchase from Lead Intelligent
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Changyou Supply Chain”	Shenyang Changyou Supply Chain Co., Ltd. * (沈陽長友供應鏈有限公司), a limited company incorporated in the PRC
“Changan Automobile”	Chongqing Changan Automobile Co., Ltd. (重慶長安汽車股份有限公司), a joint stock company established in China on 31 October 1996, the shares of which are listed on the A and B share markets of the Shenzhen Stock Exchange
“Changan Ford”	Changan Ford Automobile Co., Ltd. (長安福特汽車有限公司)
“China Changan”	China Changan Automobile Group Company Limited (中國長安汽車集團有限公司)
“China” or “PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Company”	Changan Minsheng APLL Logistics Co., Ltd. (重慶長安民生物流股份有限公司)
“CSG” or “Industries Group”	China South Industries Group Co., Ltd. (中國兵器裝備集團有限公司), a company established in the PRC on 1 July 1999 with limited liability and a state-owned corporation whose capital is contributed by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC

DEFINITIONS

“CFCA”	China Financial Certification Authority (中國金融認證中心)
“Deposit”	the deposit maintained by the Group from time to time with Zhuangbei Finance pursuant to the framework agreement between the Company and Zhuangbei Finance
“Director(s)”	director(s) of the Company
“Finance Lease Agreements”	the “Finance Lease Cooperation Agreement”, the “Finance Lease Contract” in relation to the Production Lines and the “Finance Lease Contract” in relation to the AS/RS entered into by Changyou Supply Chain and Industries Financing on 20 October 2020
“Finance Lease Arrangement”	the intended finance lease arrangement under the Finance Lease Agreements
“Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions”	the framework agreement entered into on 4 November 2020 by the Company with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance, all of such agreements shall be for a term of three years from 1 January 2021 to 31 December 2023, 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 Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), and appointed by the Company as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the transactions under the Finance Lease Agreements, the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance (and the respective caps for 2021), and whether such transactions are in the interests of the Company and its Shareholders as a whole
“Group”	the Company and its subsidiaries from time to time
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	a committee comprised of Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun, all of whom are independent non-executive directors of the Company, formed to advise the Independent Shareholders in connection with the transactions contemplated under the Finance Lease Agreements and the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance (and the respective proposed caps for 2021)
“Independent Third Party(ies)”	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which is/are third party(ies) independent of the Company and its connected person(s) (as defined under the Listing Rules)
“Independent Shareholders”	shareholders of the Company that, in relation to the resolution approving each of the transactions contemplated under the Finance Lease Agreements, excludes China Changan and its associates; in relation to the resolutions approving each of the Non-exempt Continuing Connected Transactions for 2021 contemplated under each of the framework agreements with China Changan, Changan Automobile, Zhuangbei Finance and their associates, excludes China Changan and its associates; in relation to the resolution approving the Non-exempt Continuing Connected Transactions for 2021 contemplated under the framework agreement with Minsheng Industrial and its associates, excludes Minsheng Industrial, Ming Sung (HK) and their respective associates
“Industries Financing”	Binqi Zhuangbei Group Finance Lease Limited Liability Company* (中國兵器裝備集團融資租賃有限責任公司), a limited company incorporated in the PRC
“Latest Practicable Date”	7 December 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lead Intelligent”	Wuxi Lead Intelligent Equipment Co., Ltd.* (無錫先導智能裝備股份有限公司), a limited company incorporated in the PRC
“Leased Assets”	the Production Lines and the AS/RS
“Listing Rules”	the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited
“Minsheng Industrial”	Minsheng Industrial (Group) Co., Ltd. (民生實業(集團)有限公司), a limited liability company established in China on 10 October 1996
“Min Sung (HK)”	Ming Sung Industrial Co., (HK) Limited, a company established in Hong Kong with limited liability on 31 May 1949

DEFINITIONS

“Non-Exempt Continuing Connected Transactions”	the non-exempt continuing connected transactions contemplated under each of framework agreement as set out in the paragraph headed “Non-Exempt Continuing Connected Transactions” in this circular
“Non-Exempt Continuing Connected Transactions for 2021”	the continuing connected transactions to be conducted in 2021, as set out under the paragraph headed “Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance” in this circular, individually or collectively (as the case may be)
“PBOC”	The People’s Bank of China
“percentage ratio(s)”	has the same meaning ascribed thereto under the Listing Rules
“Proposed Cap(s)”	the proposed annual maximum limitation of the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance, individually or collectively (as the case may be)
“Production Lines”	the automatic tyre and rim assembly production line, the tyre assembly sorting and dispatching production line, and the tyre and rim feeding and sorting production line that Industries Financing intends to purchase from Shanghai Hofmann
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Hofmann”	Shanghai Hofmann Machinery Equipment Co., Ltd.* (上海霍夫邁機械設備有限公司), a limited company incorporated in the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Share(s)”	ordinary share(s) 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
Chen Wenbo
William K Villalon
Shi Jinggang

Non-executive directors:

Chen Xiaodong
Man Hin Wai Paul
Xia Lijun

Independent non-executive directors:

Chong Teck Sin
Poon Chiu Kwok
Jie Jing
Zhang Yun

Registered Office:

No. 1881
Jinkai Road
Yubei District
Chongqing
The PRC

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

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

* *For identification purpose only*

14 December 2020

To the Shareholders

Dear Sir or Madam,

- (I) MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO FINANCE LEASE ARRANGEMENT;**
- (II) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2021 AND MAJOR TRANSACTION REGARDING THE DEPOSIT TRANSACTION WITH ZHUANGBEI FINANCE; AND**
- (III) THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

A. INTRODUCTION

Reference is made to (i) the announcement of the Company dated 20 October 2020 regarding major and connected transactions in relation to Finance Lease Arrangement, (ii) the announcement dated 20 October 2020 regarding the proposed amendments to the Articles of Association, and (iii) the

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announcement dated 4 November 2020 in relation to, among other things, Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2021 and deposit transaction with Zhuangbei Finance.

Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders' approval in relation to (i) the transactions under the Finance Lease Agreements; (ii) the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2021 and deposit transaction with Zhuangbei Finance; and (iii) proposed amendments to the Articles of Association at the EGM.

To comply with the requirements of the Listing Rules, the Independent Board Committee will advise the Independent Shareholders regarding (i) the transactions under the Finance Lease Agreements and (ii) the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2021 and deposit transaction with Zhuangbei Finance. The letter from the Independent Board Committee to the Independent Shareholders is included in this circular. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the transactions under the Finance Lease Agreements and the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, Chian Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2021 and deposit transaction with Zhuangbei Finance and whether such transactions are in the interests of the Company and its Shareholders as a whole. The letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders is also included in this circular.

The purposes of this circular are to provide you with:

- (i) further information in relation to the Finance Lease Arrangement;
- (ii) further information in relation to the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2021 and deposit transaction with Zhuangbei Finance;
- (iii) further information in relation to the proposed amendments to the Articles of Association;
- (iv) a letter from the Independent Board Committee to the Independent Shareholders in respect of the transactions under the Finance Lease Agreements and the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance; and
- (v) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the transactions under the Finance Lease Agreements and the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance.

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Shareholders are advised to read this circular carefully for details of (i) the major and connected transactions in relation to the Finance Lease Arrangement, (ii) the Non-Exempt Continuing Connected Transactions for 2021 and deposit transaction (including the Proposed Cap for the Non-Exempt Continuing Connected Transactions for 2021 and the maximum outstanding daily balance on the Deposit for 2021) and (iii) the proposed amendments to the Articles of Association before making their decision as regards voting at the 2020 First EGM.

B. MAJOR AND CONNECTED TRANSACTION IN RELATION TO FINANCE LEASE ARRANGEMENT

On 20 October 2020, Changyou Supply Chain, a non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreements with Industries Financing, pursuant to which Changyou Supply Chain conditionally agreed to rent and Industries Financing agreed to lease the Leased Assets. The total rent shall not exceed RMB130,280,000 and a lump sum payment of contract security deposit in the sum of RMB4,190,720 and handling fee in the sum of RMB523,840 will be required.

On the same date, Changyou Supply Chain, being the lessee under the Finance Lease Arrangement, entered into (1) a three-party sale and purchase agreement in relation to the Production Lines with Industries Financing (as the purchaser) and Shanghai Hofmann (as the vendor); and (2) a three-party sale and purchase agreement in relation to the AS/RS with Industries Financing (as the purchaser) and Lead Intelligent (as the vendor), respectively. Pursuant to them, Industries Financing will acquire the Production Line from Shanghai Hofmann and the AS/RS from Lead Intelligent at the consideration of RMB83,888,000 and RMB20,880,000, respectively, which will become the Leased Assets under the Finance Lease Arrangement.

MAJOR TERMS OF THE FINANCE LEASE AGREEMENTS

Date

20 October 2020

Parties

Lessee: Changyou Supply Chain

Lessor: Industries Financing

Subject matter

Changyou Supply Chain conditionally agreed to rent and Industries Financing agreed to lease the Leased Assets.

Lease term

The lease term of both the Production Lines and the AS/RS will be 60 months at most, which shall commence on the date of Industries Financing paying the first instalment of the purchase price of each of the Production Lines and the AS/RS, respectively.

Lease consideration

Changyou Supply Chain shall pay Industries Financing the total rent not exceeding RMB130,280,000 (calculated based on the interest rate of 5.3% per annum) and a lump sum payment of contract security deposit in the sum of RMB4,190,720 (being 4% of the purchase price of the Leased Assets) and handling fee in the sum of RMB523,840 (being 0.5% of the purchase price of the Leased Assets). The rent shall be paid on quarterly basis.

If Changyou Supply Chain is in breach of the terms of the Finance Lease Agreements, Industries Financing will be entitled to use the security deposit to set off directly the amount payable (including all the expenses for recovering the rent and damages, etc.), and Changyou Supply Chain shall be obliged to make up the shortfall of the security deposit within 3 days upon the request of Industries Financing, failing which Changyou Supply Chain shall pay damages to Industries Financing based on 0.1% of the overdue shortfall of the security deposit each day. If Changyou Supply Chain has fulfilled the contract duties normally, the security deposit may be used to set off the last instalment of rent, and any balance of the security deposit will be refunded by Industries Financing into the repayment account of Changyou Supply Chain.

The consideration of the Finance Lease Agreements, including the interest rate and hence the maximum rent payable, was determined and arrived at after arm's length negotiations with reference to prevailing market cost and interest rate for finance lease of comparable equipment. Changyou Supply Chain has enquired with independent financial institutions, namely, China Construction Bank and CMB Financial Leasing Co. LTD., and understood that the interest rate of 5%-5.5% would be charged. The interest rate under the Finance Lease Agreements is comparable to that offered by independent financial institutions. The consideration of the finance lease will be paid by the internal resources of Changyou Supply Chain.

Ownership of the Leased Assets

Subject to Changyou Supply Chain having duly and satisfactorily performed all its obligations under the Finance Lease Agreements, upon the expiration of the Finance Lease Agreements, Changyou Supply Chain has an option to purchase the Productions Lines and the AS/RS from Industries Financing at the nominal consideration of RMB1 each.

Security

During the lease term, when Changyou Supply Chain has commenced cooperation with BMW Brilliance Automotive Co., Ltd. and has generated accounts receivable from that company, Changyou Supply Chain agreed to charge the accounts receivable not exceeding 1.2 times of the rental balance in favour of Industries Financing and register the charge of the accounts receivable at the account receivable financing service platform at the credit investigation center of the PBOC. If the charge amount exceeds 1.2 times of the rental balance, Industries Financing shall complete the discharge procedures for the surplus within 30 days after the request of Changyou Supply Chain.

According to the prevailing practice in the industry, the amount of security would be slightly higher than the rent payable in order to cover potential liability of default interest and other incidental costs and expenses in case of default. Having considered that (1) the overall terms of the Finance Lease Agreements are more favourable compared with that offered by independent financial institutions, (2) the charge amount being 1.2 times of the rental balance is comparable with the prevailing practice in the industry, and (3) there will not be any material impact on Changyou Supply Chain as long as it

duly performs all obligations under the Finance Lease Agreements, the Board is of the view that the charge on the accounts receivable is fair and reasonable.

Condition precedent

The performance of the Finance Lease Agreements shall be subject to the approval of the transactions under the Finance Lease Agreements to be obtained by the Company at its general meeting in accordance with the Listing Rules.

Three-party sale and purchase agreements

On 20 October 2020, Changyou Supply Chain, being the lessee under the Finance Lease Arrangement, entered into (1) a three-party sale and purchase agreement in relation to the Production Lines with Industries Financing (as the purchaser) and Shanghai Hofmann (as the vendor); and (2) a three-party sale and purchase agreement in relation to the AS/RS with Industries Financing (as the purchaser) and Lead Intelligent (as the vendor), respectively. Pursuant to them, Industries Financing will acquire the Production Line from Shanghai Hofmann and the AS/RS from Lead Intelligent at the consideration of RMB83,888,000 and RMB20,880,000, respectively, which will become the Leased Assets under the Finance Lease Arrangement.

Changyou Supply Chain, being the lessee of the Leased Assets under the said three-party sale and purchase agreements, will be directly delivered the Production Lines and the AS/RS from Shanghai Hofmann and Lead Intelligent, respectively, but will not assume the responsibility of paying the purchase price of the Leased Assets.

The ultimate beneficial owners of Shanghai Hoffman are Mr. Chen Binwu and Ms. Shen Juan, both are independent of the Company and its connected persons. Lead Intelligent is listed on the Shanghai Stock Exchange with Mr. Wang Yanqing, who is independent of the Company and its connected persons, as the ultimate controller.

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.

Changyou Supply Chain is mainly engaged in supply chain management; production of automobile components and modules; storage (other than dangerous chemicals), distribution, packaging and assembly; transport of finished vehicles and ordinary freight; production, sale, leasing and maintenance of containers; provision of business information consulting services; logistics planning, management and consulting services; logistics equipment and facilities leasing; import and export of goods, and import and export of technology.

Industries Financing is mainly engaged in supply chain management; investment consulting (excluding restricted items); domestic trade (excluding franchise, monopoly, and special control products); business information consulting, corporate image planning, marketing planning, exhibition planning, cultural event planning, real estate information consulting, real estate brokerage, financial management consulting, brokerage information consulting (all of the above do not include restricted items); translation services; import and export business (except for items prohibited by laws, administrative regulations, and decisions of the State Council, restricted items must be licensed

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before operation); international freight forwarding services; logistics management and services; sales of automobiles and auto parts; information consulting, trade consulting, enterprise management consulting and consulting services related to the above-mentioned business (operating with a license if the scope of the licensed business is involved). (projects subject to approval in accordance with the law can only be carried out after approval by relevant departments). The permitted operating projects are: printing and copying; financial leasing business; leasing business; purchasing leased assets domestically and abroad; residual value treatment and maintenance of leased assets; leasing transaction consulting and guarantee; concurrently engaged in commercial poly business related to the main business (non-bank financing).

Industries Group is mainly engaged in investment, operation and management of state-owned assets; research and development, production, security and service of weapons and equipment; research and development, manufacturing, sales and integrated service business of vehicles, power equipment, photoelectric information and products and their equipment, mechanical equipment, engineering and construction machinery, chemical materials (except hazardous chemicals), fire fighting equipment, medical and environmental protection equipment, metal and non-metal materials and their products.

REASONS AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENTS

The Finance Lease Agreements and the transactions contemplated thereunder are agreed on normal commercial terms after arm's length negotiations. The Leased Assets are required for the production of the Group, and the Finance Lease Arrangement allows the Group to obtain financial resources to obtain the Lease Assets, which is conducive to the Group development in tyre assembly business and other logistics business.

Having considered the above factors, the Board (excluding members of the Independent Board Committee whose views can only be formed after having been advised by Gram Capital) considers that the terms of the Finance Lease Agreements are on normal commercial terms, fair and reasonable and are in the interest of the Company and its shareholders as a whole.

VIEW OF THE BOARD

The Board has resolved to approve the proposal of the connected transactions regarding the Finance Lease Agreements between Changyou Supply Chain and Industries Financing. Except for Mr. Xie Shikang, Mr. Shi Jinggang and Mr. Xia Lijun, being the related Directors, who are deemed to be interested in the Finance Lease Agreements. Save as disclosed, none of the other Directors has abstained from voting on the relevant resolutions approving the transactions contemplated under the Finance Lease Agreements.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, China Changan holds approximately 25.44% of the issued share capital of the Company. Industries Group is the controlling shareholder of China Changan, meaning that it is an indirect substantial shareholder of the Company. Industries Financing is a subsidiary of Industries Group and hence a connected person of the Company. Since one or more applicable percentage ratios of the Finance Lease Agreements as calculated under Rule 14.07 of the Listing Rules are above 5%, the transactions contemplated under the Finance Lease Agreements will constitute non-exempted connected transactions of the Company and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

Since the highest applicable ratio in relation to the Finance Lease Agreements as calculated under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, according to Chapter 14 of the Listing Rules, the transactions contemplated under the Finance Lease Agreements also constitute major transactions of the Company and are subject to the reporting, announcement and shareholders' approval requirements.

C. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2021 AND MAJOR TRANSACTION REGARDING THE DEPOSIT TRANSACTION WITH ZHUANGBEI FINANCE

I. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Introduction

Reference is made to the announcement of the Company dated 30 October 2017 and the circular of the Company dated 29 November 2017 in relation to, among other things, the framework agreements for non-exempt continuing connected transactions entered into between the Company and each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance on 30 October 2017, which shall expire on 31 December 2020. In order to continue relevant business with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance and their respective associates after 31 December 2020, the Company renewed framework agreements with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance on 4 November 2020.

Same as the internal control measures adopted by the Company in the past three years, in order to provide a more appropriate level of the annual cap for each of the three financial years ending 31 December 2023 in relation to each of the Non-Exempt Continuing Connected Transactions contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the Company has estimated and will seek for approval by Independent Shareholders at the 2020 First EGM the annual cap in relation to the Non-Exempt Continuing Connected Transactions for 2021. With respect to the annual cap for each of 2022 and 2023 in relation to the Non-Exempt Continuing Connected Transactions for 2022 and 2023 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the Company will re-comply with the relevant Listing Rule requirements (including setting the annual caps for 2022 and 2023, issuing announcement(s) and obtaining Independent Shareholders' approval).

As at the Latest Practicable Date, China Changan holds approximately 25.44% of the issued share capital of the Company and 19.05% of equity interests of Changan Automobile. In addition, CSG holds 100% equity interests in China Changan and 18.72% 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 12.46% equity interests 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 China Changan, Changan Automobile, Zhuangbei Finance and their respective associates become connected transactions of the Company.

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

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

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

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

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

With respect to Minsheng Industrial, which together with its associates have the largest logistics capacity along the Yangtze River and accounts for approximately 70% of market share in Chongqing, the Group mainly purchase waterway transportation from Minsheng Industrial. Minsheng Industrial invested in among others 18 ro-ro ships providing approximately 12,300 standard parking spaces in total. Having considered the logistics capacity of Minsheng Industrial and its associates, the Company is of the view that Minsheng Industrial is more than competent in providing logistics services for the Group. In addition, the Group also engages qualified independent suppliers with sufficient logistics equipment such as trucks, car transporters, containers to provide road transport, railway transportation, etc.

Set out below are the top 5 major customers/service providers for each of Changan Automobile, China Changan and Minsheng Industrial:

- (1) Non-Exempt Continuing Connected Transactions with Changan Automobile and its associates
 - Chongqing Changan Automobile Co., Ltd. (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. Chongqing Changan Automobile Co., Ltd. is mainly engaged in automobile production and sales)
 - Changan Ford Automobile Company Limited (a joint stock company established by Changan Automobile and Ford Motor Company as a joint venture. Changan Ford is owned as to 50% by Changan Automobile and mainly engages in production and sales of automobile and automobile parts and components)

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- Changan Mazda Automobile Co., Ltd. (a joint stock company established by Changan Automobile and Mazda Motor Corporation as a joint venture. Changan Mazda is owned as to 50% by Changan Automobile and mainly engages in production and sales of automobile and automobile parts and components)
- Baoding Changan Bus Manufacture Co., Ltd. (a wholly-owned subsidiary of Changan Automobile and mainly engages in production and sales of buses, trucks, vans, electric vehicles, special vehicles and parts)
- Chongqing Changan International Sales and Services Co., Ltd. (a wholly-owned subsidiary of Changan Automobile and mainly engages in sales of automobiles)

(2) Non-Exempt Continuing Connected Transactions with China Changan and its associates

- Sichuan Jian'an Industrial Co., Ltd. (a wholly-owned subsidiary of China Changan and mainly engages in production and sales of automobile parts and components)
- Chengdu Huachuan Electric Equipment Co., Ltd. (a joint stock company established by China Changan and China Great Wall Assets Management Co., Ltd. as a joint venture. Chengdu Huachuan is owned as to 96.1% by China Changan and mainly engages in production and sales of automobile parts and components)
- CSGC TRW Chassia Systems Co., Ltd. (a sino-foreign joint venture established by China Changan and American TRW. CTCS is owned as to 50% by China Changa and mainly engages in research and development, production and sales of automobile chassis system, brake system, steering gear and other related products)
- Harbin Dongan Automotive Engine Manufacturing Co., Ltd. (a sino-foreign joint venture established by six enterprises from three countries including China, Japan and Malaysia. Harbin DAE is owned as to 19% by China Changan and mainly engages in production and sales of gasoline engine, manual transmission and automatic transmission etc.)
- South Inter Air-Conditioner Co., Ltd. (a sino-foreign joint venture established by China Changan and Australian AITS. South Air is owned as to 50% by China Changan and mainly engages in research and development, production and sales of automobile air conditioning system and thermal management system etc.)

(3) Non-Exempt Continuing Connected Transactions with Minsheng Industrial and its associates

- Minsheng Logistics Co., Ltd. (a wholly owned subsidiary of Minsheng Shipping, and Minsheng Shipping is owned as to 80% by Minsheng Industrial. Minsheng Logistics mainly engages in providing modern and comprehensive logistics services for large automobile manufacturers, large petrochemical enterprises etc.)
- Shanghai Minsheng Shipping Co., Ltd. (a wholly owned subsidiary of Minsheng Shipping, and Minsheng Shipping is owned as to 80% by Minsheng Industrial. Shanghai Minsheng Shipping mainly engages in providing agent services such as international freight forwarding agent, international shipping agent etc.)

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- Chongqing Minsheng Comprehensive Logistics Co., Ltd. (a joint venture of and is owned as to 99% by Minsheng Shipping, and Minsheng Shipping is owned as to 80% by Minsheng Industrial. Minsheng Comprehensive mainly engages in general road freight, international and domestic freight forwarding agent, warehousing, loading, unloading, goods picking, sorting and packaging, goods import and export, etc.)
- Minsheng International Container Transportation Co., Ltd. (a wholly owned subsidiary of Minsheng Shipping, and Minsheng Shipping is owned as to 80% by Minsheng Industrial. Minsheng International Container mainly engages in providing services of container road transport)
- Minsheng Shipping Co., Ltd. (a joint stock company established by Minsheng Industrial and Shanghai International Port (Group) Co., Ltd. as a joint venture. Minsheng Shipping is owned as to 80% by Minsheng Industrial and mainly engages in domestic transportation by ordinary ship in coastal areas and along the Yangtze river as well as container liner shipping along the Yangtze river etc.)

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

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

In addition, for the past few years, the Group has adopted the general development strategy of "beyond Changan Group and beyond Automobile Industry" which in brief indicates that the Group shall (i) consolidate traditional businesses (i.e. automobile logistics businesses with Changan Group): traditional business is the foothold of the Group's substantiable development. As the revenue derived from transactions with Changan Group still accounts for a substantial portion of the revenue of the Group, the Group would need to first consolidate traditional business to stabilize our primary sources of revenue of the Group; (ii) explore automobile logistics business from non-connected parties: in addition to traditional business, the Group leverages on its automobile logistics strength and extensive network nationwide to explore automobile logistics business from non-connected parties to

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mitigate sales fluctuation of Changan Automobile; and (iii) explore non-automobile logistics businesses: given the inherent volatility of the automobile industry, the Company considers it would be in the best interest of the Company and its shareholders as a whole to diversify and explore revenue stream from other source and from non-connected parties so as to mitigate the uncertainties and risks of having business sources concentrated in a single industry.

To mitigate the risks of having customers concentrated in a single industry and reduce heavy reliance on Changan Group CCT, the Group has been constantly making efforts in developing non-automobile logistics business in the past few years. Those business are primarily in relation to the mining industry, household appliance industry and chemical industry, etc. For instance, in 2018, the Group developed bulk transportation of mineral raw materials and products of BOSAI Group. In 2019, the Group developed storage business with SABIC Innovative Plastics, household appliances of Haier brand with Chongqing Jingqun Logistics Company Limited*. In 2020, the Group developed titanium dioxide pigment transportation business with Shenzhen Huiyou Logistics Co., Ltd.*, polyoxymethylene product, pentaerythritol product and Sodium formate product transportation business with Chengdu Branch of Xi'an JD Xuncheng Logistics Co., Ltd.*, and tinplate transportation business and mobile phone and related components transportation business with Chongqing Feilida Supply Chain Management Co., Ltd.*, etc.

Each of BOSAI Group, SABIC Innovative Plastics, Chongqing Jingqun Logistics Company Limited*, Shenzhen Huiyou Logistics Co., Ltd. *, Chengdu Branch of Xi'an JD Xuncheng Logistics Co., Ltd. * and Chongqing Feilida Supply Chain Management Co., Ltd. is Independent Third Party.

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

With all the efforts, for the years ended 31 December 2017, 31 December 2018 and 31 December 2019, the transaction amount with business partners who are Independent Third Parties on transactions ranging from automobile logistics and non-automobile logistics amounted to RMB1,034 million, RMB846 million and RMB768 million, representing approximately 15.6%, 16.5% and 17.69% of the total revenue of the Group, respectively. As shown by those figures, the Group has been making progress in reducing heavy reliance on the business transactions with Changan Group during the past few years.

For the financial year ended 31 December 2019 and the nine months ended 30 September 2020, the transaction amount with business partners who are Independent Third Parties amounted to approximately RMB768 million (audited) and RMB662 million (unaudited) respectively, representing approximately 17.69% and 19.47% of the Group's revenue for the financial year ended 31 December 2019 and the nine months ended 30 September 2020. As indicated above, the revenue derived from Independent Third Parties increased by approximately by 1.78%.

Set out below are the percentages of revenue derived from services provided to and from other parties for the three years ended 31 December 2019:

- The percentage of revenue derived from services provided to Changan Automobile and its associates for the three years ended 31 December 2019 is approximately 83.9%, 81.9%, and 80.21 % respectively.

- The percentage of revenue derived from services provided to China Changan and its associates for the three years ended 31 December 2019 is approximately 0.2%, 1.2% and 1.60% respectively.
- The percentage of revenue derived from services provided to Independent Third Parties for the three years ended 31 December 2019 is approximately 15.6%, 16.56% and 17.67% respectively.
- The percentage of expenses incurred for services received from Minsheng Industrial and its associates for the three years ended 31 December 2019 is approximately 5.62%, 4.25% and 5.20% respectively.
- The percentage of expenses incurred for services received from Independent Third Parties for the three years ended 31 December 2019 is approximately 94.18%, 95.68% and 94.61% respectively.

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

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

On 4 November 2020, the Company entered into the following framework agreements, each for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023:

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

The transactions contemplated under each of the Framework Agreements for the Non-Exempt Continuing Connected Transactions shall be conducted on a non-exclusive basis. Separate written agreement(s) setting out the detailed terms shall be, if required, entered into between the relevant parties for each Non-Exempt Continuing Connected Transaction. Payment of each Non-Exempt Continuing Connected Transaction will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contract(s) to be entered into pursuant to the relevant framework agreements. The Framework Agreements for the Non-Exempt Continuing Connected Transactions, including the related proposed annual caps for each of 2021, 2022 and 2023, are conditional upon the obtaining of approval from the Independent Shareholders in accordance with the provisions of the Listing Rules.

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

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:

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

(i) Parties responsible for preparing the bidding documents:

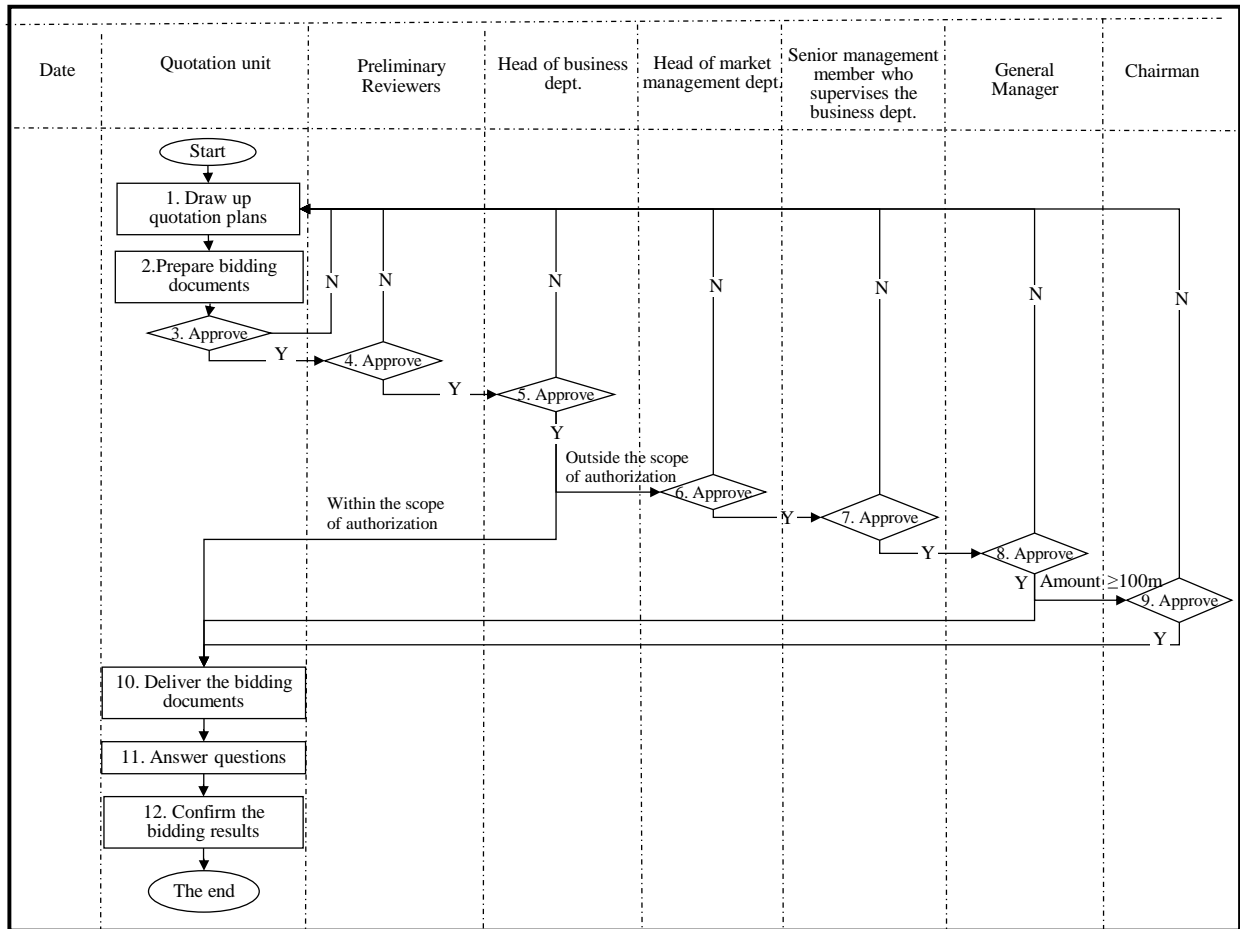
Role	Responsibility	Participants
Bidding representative of the quotation unit (at all levels)	<p>Upon obtaining the solicitation documents or expressions of interest by a customer, bidding representative shall be responsible for:</p> <p>(a) attributing the project to a specific business unit according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

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<p>Head of business department (at all levels)</p>	<p>Head of the business operation unit shall be responsible for</p> <ul style="list-style-type: none"> (a) drafting and reviewing the operational plan and responding to customer's enquiries regarding the proposed operation of the project; (b) if any, approving bidding quotation within authorization and report relevant bidding process to the marketing and customer service department of the Company. 	<p>Head of the business department, deputy head of the department, commercial manager</p>
<p>Head of the market management department (at all levels)</p>	<p>Head of the market department shall be responsible for reviewing,</p> <ul style="list-style-type: none"> (a) projects with potential profit margin of less than 5%; (b) finished vehicle related projects with an estimated revenue of over RMB50 million; and (c) reports on potential market risks and feasibility assessment of other projects with an estimated revenue of over RMB30 million. 	<p>Head of the marketing department</p>
<p>Senior management member who supervises the business department</p>	<p>Senior management member who supervises the business department shall be responsible for further reviewing,</p> <ul style="list-style-type: none"> (a) projects with potential profit margin of less than 5%; (b) finished vehicle related projects with an estimated revenue of over RMB50 million; and (c) reports on potential market risks and feasibility assessment of other projects with an estimated revenue of over RMB30 million. 	<p>Senior management member</p>
<p>General Manager</p>	<p>General manager of the Company will be responsible for approving,</p> <ul style="list-style-type: none"> (a) projects with potential profit margin of less than 5%; (b) finished vehicle related projects with an estimated revenue of over RMB50 million; and (c) reports on potential market risks and feasibility assessment of other projects with an estimated revenue of over RMB30 million. 	<p>General Manager</p>
<p>Chairman</p>	<p>Chairman of the Company will be responsible for approving all projects with an estimated revenue of over RMB100 million.</p>	<p>Chairman</p>

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(ii) *Work flowchart regarding the bidding*



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

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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.

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

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

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Based on the above and having considered that (i) separate written agreements were and will continue to be under prudent review by the Audit and Legal Affairs team to ensure that the terms of such agreements will be in accordance with the relevant framework agreements; (ii) regular review of the aggregate transaction amount for each of the non-exempt continuing connected transactions under the relevant framework agreements by the management team to ensure that it will not exceed the relevant caps; and (iii) the conduct of the transactions under the relevant framework agreements were and will be supervised by the management team and reviewed by the Independent non-executive Directors and the auditors of the Company on a regular basis, the Directors are of the view that there are effective internal control measure in place to regulate and monitor the Non-exempt continuing connected transactions of the Company.

5. Pricing Policy, Historical Figures, Historical Caps, Proposed Caps for each of the Non-Exempt Continuing Connected Transactions for 2021 and Rationale

The caps in respect of each of the Non-Exempt Continuing Connected Transactions for 2021 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. As the transactions contemplated under the framework agreement shall be conducted on a non-exclusive basis, the Group has specified marketing and client servicing teams to liaise with and ascertain whether any particular logistic service will be conducted by public tender. The pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order of this section:</p> <ol style="list-style-type: none"> (1) Bidding Price: the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. The Company has established Bidding Quotation Process and Bidding Quote Management Procedures. Briefly, the Company’s enterprise technical department will draw up the technical and operation plans whereas the marketing and customer service department will provide business plan and the two departments will collaborate in preparing the bidding document in accordance with the specific requirements of our customers. Bidding representative of the Company will deliver the bidding offer and follow up on the bidding process. The Company will set up a working group to assist the bidding representative in the response to the bidding before the bidding representative will finally be informed of the bidding results. (2) Internal Compared Price: in determining the quote to be offered by the Group in internal compared pricing method, whenever practical and appropriate, the Company will comprehensively consider the feasibility of the project, and the Company’s knowledge on at least two competing third parties to ascertain whether and at what price the Group should participate in the project. (3) Cost-plus Price: to be determined with reference to a reasonable cost plus a reasonable profit margin. The Company will consider the labor cost, equipment operation cost, material inputs and etc. to comprehensively measure the cost. The profit margin for each project varies depending on the different technical requirements, staffing, resources commitment and location. <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> <p>As advised by the Marketing and Customer Service Department of the Company, for the period from 1 January 2020 to 31 October 2020, approximately 5% of continuing connected transactions with</p>

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	Changan Automobile was conducted by way of bidding price, approximately 85% was conducted based on internal compared price and approximately 10% was conducted based on cost-plus price.			
Proposed cap and basis	Historical figures	Historical caps (for 2018~2020)	Proposed Cap for 2021	Basis of determination of the Proposed Cap for 2021
	For the two years ended 31 December 2019, and 9 months ended 30 September 2020, RMB4,187,495,000 , RMB3,482,580,000 and RMB2,686,210,000 respectively	For the three years ending 31 December 2020, RMB8,500,000,000, RMB7,500,000,000 and RMB4,060,000,000 respectively	For the year ending 31 December 2021, RMB4,100,000,000	China is counted the largest automobile markets worldwide, both in terms of sales and production. Unfortunately, car sales dipped nearly 3% in 2018 in the first contraction since the 1990s and witnessed further decline by approximately 8.2% in 2019 according to China Association of Automobile Manufactures. Under such circumstances, Changan Automobile (the Group's major customer) and its associates fared worse than the industry average in 2019, especially so for Changan Ford, a joint venture of Changan Automobile and Ford Motor Company. Due in part to the automaker's failure to churn out new product in the highly competitive domestic automobile market, Changan Ford recorded approximately 51.3% year-on-year decrease in sales in 2019. Fortunately, the domestic automobile market bounced back in 2020 despite the outbreak of the coronavirus. The domestic automobile market cratered in February 2020 but is showing signs of recovery. Changan Automobile is recovering at a faster speed compared to the industry average. As a major logistics supplier of Changan Automobile, the Group expects to seize the opportunity and continue to provide logistics services for Changan Automobile and its associates in 2021 to maximize revenue of the Group. The historical revenue attributable to Changan Ford for each of 2018 and 2019 and the nine months ended 30 September 2020 was approximately RMB2,147

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				<p>million, RMB1,128 million and approximately RMB913 million, respectively. The proposed annual cap for the year ending 31 December 2021 for provision of logistics services by the Group to Changan Automobile and its associates in 2021 was determined having considered (i) the projected level of transaction amount in the region of RMB3,913 million with the Changan Automobile and its associates for the year ending 31 December 2020; (ii) the projected level of the incremental transaction amount in the region of RMB57.6 million with Changan Automobile and its associates for the year ending 31 December 2021; (iii) Changan Automobile and its associates rolled out a variety of new car models in the second half of 2020 including UNI-T, Ford Explorer, Lincoln Aviator and Mazda CX-30. The Company expects that the expected incremental sales of those new car models in 2021, the transaction amount will significantly be increased by approximately RMB126.4 million; and (iv) a moderate buffer added to describe the inherent volatility of the automobile market and to accommodate any potential momentum increase in sales of Changan Automobile and its associates following the possible launch of new car models in 2021. With reference to the above factors, the Board is of the view that the proposed annual cap for the year ending 31 December 2021 is fair and reasonable.</p>
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2. Logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for car raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) provided by the Group to China Changan and its associates

Pricing policy	<p>Generally, the pricing of the logistics services to be provided by the Group is market driven. As the transactions contemplated under the framework agreement shall be conducted on a non-exclusive basis, the Group has specified marketing and client servicing teams to liaise with and ascertain whether any particular logistic service will be conducted by public tender. The pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order of this section:</p> <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> <p>As advised by the Marketing and Customer Service Department of the Company, for the period from 1 January 2020 to 31 October 2020, so far no continuing connected transactions with China Changan was conducted by way of bidding price, approximately 70% was conducted based on internal compared price and approximately 30% was conducted based on cost-plus price.</p>			
Proposed cap and basis	Historical figures	Historical caps (for 2018~2020)	Proposed Cap for 2021	Basis of determination of the Proposed Cap for 2021
	For the two years ended 31 December 2019, and 9 months ended 30 September 2020, RMB61,691,000, RMB69,517,000 and RMB52,760,000 respectively	For the three years ending 31 December 2020, RMB300,000,000, RMB250,000,000 and RMB95,000,000 respectively	For the year ending 31 December 2021, RMB120,000,000	The Company has established steady business contact with China Changan and its associates. Member companies of China Changan are mainly engaged in automobile parts production. Having considered the recovering domestic automobile market, the Company expects to continue to conduct business with China Changan and its associates for the upcoming

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				<p>year to maximize the revenue of the Group. The proposed annual cap for the year ending 31 December 2021 for the continuing connected transactions with China Changan and its associates is derived with reference to (i) the projected level of transaction amount with the China Changan and its associates for the year ending 31 December 2020 (i.e. approximately RMB74 million); (ii) the estimated level of the incremental transaction amount expected to be generated in 2021 from the newly developed inbound logistics business with Chongqing Tsingshan Industry Limited Liability Company* (“Tsingshan Industry”), an associate of China Changan. The inbound logistics business developed between the Company and Tsingshan Industry includes the provision of warehousing and distribution of spare parts, raw materials, finished products, defective products, containers etc. by the Company to Tsingshan Industry. Based on the Tsingshan Industry’s average annual sales volume on certain automobile parts and the corresponding logistics price quoted, the Company expects that the revenue to be generated for provision of such services for the year ending 31 December 2021 is estimated to be approximately RMB24 million; and (3) estimated transaction amount for the finished product transport within Chongqing and long-distance transport business which the Company intends to develop with Tsingshan Industry in 2021 based on the strategic cooperation agreement recently entered into between the Company and Tsingshan Industry, pursuant to which the Company will expand the cooperation into a comprehensive suite of logistics services for the whole supply chains extending from the</p>
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				<p>procurement of raw materials to sales of finished products, such as short-distance milk run and long-distance convection transportation. The Company expects the transaction amount for provision of such services to be approximately RMB22 million. Having considered the above factors, the Board is of the view that the proposed annual cap for 2021 for the provision of logistics services by the Group to China Changan and its associates in 2021 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. Other than Minsheng Industrial, the Group entered into waterway transportation contracts with Independent Third Parties. The price for waterway transportation varies depending on the number of route(s) and other factors. The Company will obtain fee quotes from at least three suppliers including Minsheng Industrial and its associates and compared pricing and the service to be rendered for each route.</p>			
Proposed cap and basis	Historical figures	Historical caps (for 2018-2020)	Proposed Cap for 2021	Basis of determination of the Proposed Cap for 2021
	For the two years ended 31 December 2019, and 9 months ended 30 September 2020, RMB202,450,000, RMB216,470,000 and RMB158,910,000 respectively	For the three years ending 31 December 2020, RMB1,000,000,000, RMB700,000,000 and RMB265,000,000 respectively	For the year ending 31 December 2021, RMB250,000,000	Minsheng Industrial and its associates have been providing waterway transportation services to the Group for years. Minsheng Industrial and its associates are equipped with ro-ro ships of various capacity and extensive shipping lines covering major ports along the Yangtze River, which can make up for the lack of direct resources of the Company along the Yangtze River to

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				<p>assist the Group in providing better services for our customers. As such, the Group intends to continue to purchase logistics services from Minsheng Industrial and its associates in 2021. The proposed annual cap for the year ending 31 December 2021 was arrived at after having regard to (i) the transaction amount and the corresponding utilization rate of the annual cap for the year ended 31 December 2019; (ii) the projected transaction amount with Minsheng Industrial and its associates for the year ending 31 December 2020 and (iii) the estimated incremental purchase amount due to the potential increase in logistics demand from Changan Automobile. With reference to the above factors, the Board is of the view that the proposed annual cap for the year ending 31 December 2021 is fair and reasonable.</p>
<p>4. Settlement, deposits and loans, note discounting services to be provided by Zhuangbei Finance to the Group</p>				
<p>Pricing policy</p>	<p>The fees and charges payable by the Group to Zhuangbei Finance under the 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 2018-2020)	Proposed Cap for 2021	Basis of determination of the Proposed Cap for 2021
The maximum amount of Deposit (including interests) on a daily basis	For the two years ended 31 December 2019, and 9 months ended 30 September 2020, RMB442,985,000, RMB348,630,000 and RMB198,530,000 respectively	For the three years ending 31 December 2020, RMB450,000,000, RMB350,000,000 and RMB200,000,000, respectively	For the year ending 31 December 2021, RMB190,000,000	Zhuangbei Finance is a non-banking financial company with a sound capital base and renowned credibility among the member companies of CSG. As Zhuangbei Finance provides the Group with free settling services, the Group maintains a deposits account in Zhuangbei Finance to settle transaction fees with major suppliers. The proposed annual cap for the year ending 31 December 2021 are determined after considering (i) the historical maximum daily outstanding balance of deposits placed by the Group with Zhuangbei Finance for the nine months ended 30 September 2020 and the utilization rate of the 2020 annual cap; and (ii) the total deposits of the Group as at 30 September 2020. As at 30 September 2020, the Group had a total deposit of approximately RMB810 million. The proposed annual cap of the deposit (on a daily basis) with Zhuangbei Finance represents less than 25% of the total deposits of the Group as at 30 September 2020. The Company is of the view that by allocating the Group's cash among Zhuangbei Finance and other licensed banking institutions in the PRC such as China Merchants Bank, China Construction Bank and Industrial and Commercial Bank of China, the Group is able to reasonably reduce the financial risks of capital overconcentration while retaining the benefit of financial settlement through Zhuangbei Finance. As such, the Directors are of the view that the proposed annual cap for the year ending 31 December 2021 for the deposit transaction with Zhuangbei Finance is fair and reasonable.

6. Reasons for and Benefits of the Non-Exempt Continuing Connected Transactions for 2021 and Major Transaction regarding the Deposit Transaction with Zhuangbei Finance

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

The Group has been in business contact with Changan Automobile from the establishment of the Company and has maintained a good relationship with Changan Automobile ever since. The Group is a major logistics services supplier of Changan Automobile and its associates. The Group's logistics services have been highly recognized by Changan Automobile and its associates. Provision of logistics services to Changan Automobile and its associates by the Group continues to occupy a major portion of the Group's business, thus contributing significantly to the overall revenue of the Group. As such, the Company believes that it is essential to maintain the provision of logistics services by the Group to Changan Automobile and its associates to ensure source of revenue. In addition, according to China Association of Automobile Manufacturers, China auto sales rose 12.8% to approximately 2.57million vehicles in September 2020 and it was the sixth consecutive month of growth and an uptick from 11.6% gain in August 2020. In conclusion, the domestic automobile market is showing signs of recovery. Furthermore, sales of Changan Automobile witnessed an average monthly year-on-year growth rate of approximately 13.35% for the nine months ended 30 September 2020. Having regard to the fact that both domestic automobile market and the Company's major customer is bouncing back from a low point in 2019, the Board is of the view that it is in the interests of the Company and its shareholders as a whole that the Group seize the momentum and maximize the revenue to be generated from providing logistics services for Changan Automobile and its associates.

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

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

China Changan is essentially a large enterprise with businesses mainly ranging from parts and components to automobile retail. It has roughly 15 member companies engaging in parts production such as automobile engines, transmissions, power components, chassis, shock absorbers, supercharges, pistons and so on. The Group stepped up efforts in exploring the parts business of China Changan and its associates ever since China Changan became one of the substantial shareholders of the Company. Currently, the Group has established steady business contact with several member companies of China Changan. The Group anticipates that by leveraging on the current business relationship, the Group can establish more business contact with Changan Group and can tap into the market potentials presented by China Changan and its associates, thereby increasing business sources and maximizing revenue of the Group.

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 loan transaction between the Group and Zhuangbei Finance

As at 30 November 2020, the Company had no outstanding loans with Zhuangbei Finance. The loan between the Group and Zhuangbei Finance was and will continue to be conducted on normal commercial terms and would not require any pledge of assets from the Company and its subsidiaries.

The grant of the loan by Zhuangbei Finance to the Group is not conditional upon the placing of deposit nor the amount of deposit placed with Zhuangbei Finance by the Group.

The Group estimates to have a total deposit of approximately RMB906 million in 2021 and the expected percentage of deposits to be allocated between Zhuangbei Finance and other independent licensed banking corporations is 21% and 79%, respectively. The deposits to be placed with Zhangbei Finance represents a small portion of the total deposits of the Group and as such the Group's capital is reasonably allocated between non-banking institutions and independent commercial banks.

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; and
- (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 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance 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 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance 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 2020, the total deposit amount of the Group was approximately RMB850,590,000 and the deposit amount with Zhuangbei Finance was approximately RMB194,070,000, representing approximately 22.82% of the total deposit amount of the Group.

For the six months period ended 30 June 2020, the deposit interest income from Zhuangbei Finance was approximately RMB503,900, representing approximately 12.5% of the total deposit interest income of the Group and approximately 0.015% of the Group's unaudited revenue during the corresponding period.

Therefore, the Company anticipates that the deposit interest income to be earned from Zhuangbei Finance for the year ending 31 December 2021 will not have any material impact to the Group's revenue, assets and liabilities.

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

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

- (i) provide to the Company, at any time, financial services with terms which are no less favourable than for comparable financial services provided to members of the 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 2021 with each of Changan Automobile, China Changan and their respective associates and the Non-Exempt Continuing Connected Transactions for 2021 and deposit transaction with Zhuangbei Finance. Except for Mr. Xie Shikang, Mr. Shi Jinggang and Mr. Xia Lijun, who being the directors nominated by China Changan and are therefore treated as the related Directors under relevant PRC laws, are deemed to be interested in the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and their respective associates and the Non-Exempt Continuing Connected Transactions for 2021 and deposit transaction with Zhuangbei Finance, none of the other Directors has abstained from voting on the relevant resolutions approving the Framework Agreements for Non-Exempt Continuing Connected Transactions with each of Changan Automobile, China Changan and Zhuangbei Finance and the Non-Exempt Continuing Connected Transactions for 2021 and deposit transaction (including the Proposed Caps for 2021 and the maximum outstanding daily balance on the Deposit for 2021) thereby contemplated.

The Board has approved the proposal of Non-Exempt Continuing Connected Transactions for 2021 with Minsheng Industrial and its associates. Except for Mr. Chen Wenbo and Mr. Chen Xiaodong, who being nominated by Minsheng Industrial and are therefore treated as the related Directors under the relevant PRC laws, who are deemed to be interested in the Non-Exempt Continuing Connected Transactions for 2021 with Minsheng Industrial and its associates, none of the other Directors has abstained from voting on the relevant resolution approving the Framework Agreement for Non-Exempt Continuing Connected Transactions with Minsheng Industrial and the transactions (including the Proposed Cap for 2021) thereby contemplated.

10. Implication under the Listing Rules

Since one or more of the applicable percentage ratios of the Non-Exempt Continuing Connected Transactions for 2021 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions (notwithstanding the fact that the annual caps for the continuing connected transactions under the framework agreement with Changan Automobile and the framework agreement with China Changan are subject to aggregation for purpose of Rule 14A.82 of the Listing Rules) as calculated under Rule 14.07 of the Listing Rules are above 5%, each of the Non-Exempt Continuing Connected Transactions for 2021 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 2021 under the framework agreement with Zhuangbei Finance as calculated under Rule 14.07 of the Listing Rules exceeds 25% but less than 75%, the deposit transaction contemplated under such framework agreement with Zhuangbei Finance also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, annual review, announcement, and Independent Shareholders' approval requirements.

Under Rule 14A.90 of the Listing Rules, the transactions relating to the provision of loans and note discounting services to the Group by Zhuangbei Finance contemplated under the framework agreement with Zhuangbei Finance are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirement as these financial assistance provided by a connected person for the benefit of the Group are conducted on normal commercial terms where no security over the assets of the Group will be granted in respect of the financial services.

Under the Listing Rules, the transactions relating to the provision of settlement service to the Group by Zhuangbei Finance contemplated under the framework agreement with Zhuangbei Finance is fully 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.

11. General Information

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

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

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

Minsheng Industrial engages in transportation via rivers and by sea.

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

D. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In accordance with the relevant requirements of the Company Law of the People's Republic of China (the "PRC" or "China") and the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97) 《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批復》（國函[2019] 97號） published by the State Council of the PRC, the Board proposed to amend the relevant articles of the Articles of Association after taking into account the actual situations of the

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Company based on the principles of prudence, appropriateness and necessity.

Details of the proposed amendments to the Articles of Association are set out below:

No.	Provisions of the Articles of Association before amendments	Provisions of the Articles of Association after amendments	Note
1.	<p>Article 1</p> <p>Changan Minsheng APLL Logistics Co., Ltd. (hereinafter referred to as the "Company") is a foreign-invested joint stock limited company incorporated in the People's Republic of China (hereinafter referred to as "China") as per the Company Law of the People's Republic of China (hereinafter referred to as "Company Law") and other relevant laws and regulations.</p> <p>The Company was incorporated and converted from Changan Minsheng Logistics Co., Ltd., a sino-foreign joint venture, in accordance with the approval of Shang Zi Pi No. [2004] 1523 issued by Ministry of Commerce of the People's Republic of China on Oct. 14, 2004. The original shareholders are the promoters of the Company. The Company registered at and was granted with the business license of Qi Gu Yu Zong No. 008118 by Chongqing Municipal Administration for Industry and Commerce on Dec. 31, 2004.</p> <p>.....</p>	<p>Article 1</p> <p>Changan Minsheng APLL Logistics Co., Ltd. (hereinafter referred to as the "Company") is a foreign-invested joint stock limited company incorporated in the People's Republic of China (hereinafter referred to as "China") as per the Company Law of the People's Republic of China (hereinafter referred to as "Company Law") and other relevant laws and regulations.</p> <p>The Company was incorporated and converted from Changan Minsheng Logistics Co., Ltd., a sino-foreign joint venture, in accordance with the approval of Shang Zi Pi No. [2004] 1523 issued by Ministry of Commerce of the People's Republic of China on Oct. 14, 2004. The original shareholders are the promoters of the Company. The Company registered at and was granted with the business license with <u>Unified Social Credit Code of 91500000709426199C</u> of Qi Gu Yu Zong No. 008118 by Chongqing Municipal Administration for Industry and Commerce on Dec. 31, 2004.</p> <p>.....</p>	<p>Unified Social Credit Code has been implemented to replace former practice</p>
2.	<p>Article 6</p> <p>The Articles of Association of the Company was passed as an extraordinary resolution at the Shareholders' Meeting on Feb. 22, 2005 and went into effect upon the registration for amendment at Chongqing Municipal Administration for Industry and Commerce after the Company first issued 55,000,000 overseas listed foreign shares (including 5,000,000 existing shares sold by the shareholders of State-owned shares) ("H Shares") in Hong Kong and was listed on the Growth Enterprise Market (hereinafter</p>	<p>Article 6</p> <p>The Articles of Association of the Company was passed as an extraordinary resolution at the Shareholders' Meeting on Feb. 22, 2005 and went into effect upon the registration for amendment at Chongqing Municipal Administration for Industry and Commerce after the Company first issued 55,000,000 overseas listed foreign shares (including 5,000,000 existing shares sold by the shareholders of State-owned shares) ("H Shares") in Hong Kong and was listed on the Growth Enterprise Market (hereinafter</p>	<p>Updating the provision regarding the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed</p>

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	<p>referred to as "GEM") of Stock Exchange of Hong Kong Limited (hereinafter referred to as "SEHK").</p> <p>The Articles of Association of the Company is made in pursuance with the Company Law, the Constitution of the Communist Party of China (《中國共產黨章程》), the Prerequisite Clauses of Articles of Association of Companies Seeking a Listing outside China No. (1994) 21 (hereinafter referred to as the "Prerequisite Clauses") issued by State Council Securities Commission and State Commission for Restructuring Economic System on Aug. 27, 1994 and the Advice on Supplementary Amendments to Articles of Association of Companies listed in Hong Kong No. [1995] 1 issued by the Overseas Listing Department of China Securities Regulatory Commission and State Commission for Restructuring Economic System on April 3, 1995.</p> <p>.....</p>	<p>referred to as "GEM") of Stock Exchange of Hong Kong Limited (hereinafter referred to as "SEHK"). <u>With the approval of SEHK, the entire H Shares were transferred for listing from GEM to the Main Board of SEHK with effect from 18 July 2013.</u></p> <p>The Articles of Association of the Company is made in pursuance with the Company Law, the Constitution of the Communist Party of China (《中國共產黨章程》), the Prerequisite Clauses of Articles of Association of Companies Seeking a Listing outside China No. (1994) 21 (hereinafter referred to as the "Prerequisite Clauses") issued by State Council Securities Commission, <u>the State Commission for Restructuring Economic System on Aug. 27, 1994 and the Advice on Supplementary Amendments to Articles of Association of Companies listed in Hong Kong No. [1995] 1 issued by the Overseas Listing Department of China Securities Regulatory Commission and State Commission for Restructuring Economic System on April 3, 1995, and the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97) 《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批復》 (國函[2019] 97號).</u></p> <p>.....</p>	<p>Companies (Guo Han [2019] No. 97).</p>
<p>3.</p>	<p>Article 17</p> <p>Domestic shares refer to shares issued by the Company to domestic investors who subscribe in the currency of RMB; foreign shares refer to shares issued by the Company to foreign investors who subscribe in foreign currencies.</p> <p>Foreign currency referred to in the preceding paragraph shall mean the lawful currencies of other countries or regions, other than RMB, which are recognized by the State's foreign exchange supervisory department and which may be used for payment of</p>	<p>Article 17</p> <p>Domestic shares refer to shares issued by the Company to domestic investors who subscribe in the currency of RMB; foreign shares refer to shares issued by the Company to foreign investors who subscribe in foreign currencies.</p> <p>Foreign currency referred to in the preceding paragraph shall mean the lawful currencies of other countries or regions, other than RMB, which are recognized by the State's foreign exchange supervisory department and which may be used for payment of</p>	<p>The description of "Overseas listed foreign share" or "foreign shares". Similar arrangement will also be made in Article 20, Article 21, Article 26, Article 27,</p>

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	<p>shares to the Company.</p> <p>Domestic listed shares refer to shares listed in mainland China. Overseas listed foreign shares refer to foreign shares listed outside mainland China.</p> <p>Domestic shares may be listed in securities exchange in mainland China upon approval at the shareholders' Meeting and by relevant government authorities; overseas listed foreign shares may be listed on the Main Board of SEHK.</p> <p>One year after the Company became a joint stock limited company from a sino-foreign joint venture and one year after the overseas listed foreign shares of the Company were listed on the GEM of SEHK, as approved at the Shareholders' Meeting and respective meetings of holders of shares of different classes, including holders of overseas listed foreign shares, holders of domestic shares (including holders of non-listed foreign shares), as well as approved by the State Council or its authorized supervising department and SEHK, domestic shares and non-listed foreign shares of the Company may be converted to overseas listed foreign shares.</p>	<p>shares to the Company.</p> <p>Domestic listed shares refer to shares <u>that may be listed</u> in mainland China. <u>Overseas listed foreign shares refer to foreign shares listed outside mainland China. Overseas listed shares refer to shares listed in overseas stock exchange subject to approval of regulator authorized by State Council and overseas security regulator.</u></p> <p>Domestic shares may be listed in securities exchange in mainland China upon approval at the shareholders' Meeting and by relevant government authorities; overseas listed foreign shares may be listed on the Main Board of SEHK.</p> <p>One year after the Company became a joint stock limited company from a sino-foreign joint venture and one year after the overseas listed foreign shares of the Company were listed on the GEM of SEHK, u<u>Upon approval by competent security department of the State Council and approval of overseas stock exchange, all or part of domestic shares and non-listed foreign shares are convertible into overseas listed shares for listing and trading at overseas stock exchange. No shareholders' general meeting or shareholders' class meeting is required with respect to the conversion and/or transfer of the above shares and their listing and trading on overseas stock exchange. The overseas listed shares converted from the domestic shares are the same class of shares as the original overseas listed foreign shares.</u></p>	<p>Article 28, Article 43, Article 44, Article 46, Article 50, Article 64, Article 66, Article 67, Article 99, Article 154, Article 169, Article 170, Article 182, Article 200, Article 203 and Article 204 of the Articles of Association for revising "foreign listed shares" or "shares" accordingly for consistency.</p>
4	<p>Article 22</p> <p>The registered capital of the Company shall be RMB 162,064,000 Yuan.</p>	<p>Article 22</p> <p>The registered capital of the Company shall be <u>is</u> RMB 162,064,000 Yuan.</p>	<p>Amendment made according to the actual circumstances of the Company.</p>
5.	<p>Article 47</p> <p>Within 30 days from the date of Shareholder's Meeting or 5 days from the record date for the Company's</p>	<p>Article 47</p> <p>Within 30 days from the date of Shareholder's Meeting or 5 days from the record date for the Company's</p>	<p>Consequential amendments following the revision made</p>

LETTER FROM THE BOARD

	<p>distribution of dividends, no change shall be made in the register of shareholders as a result of transfer of shares.</p>	<p>distribution of dividends, no change shall be made in the register of shareholders as a result of transfer of shares. <u>In respect of the closure for transfer or conversion of shares prior to the date of a shareholders' general meeting or the record date for the Company's distribution of dividends, where there are laws, regulations, and any other securities regulatory provisions in the place where the Company's share are listed; or provisions in the announcement/circular of a shareholders' general meeting in accordance with the abovementioned laws, regulations and any other securities regulatory provision, such provisions shall prevail.</u></p>	<p>to the original Article 64.</p>
6.	<p>Article 50</p> <p>For any person who is a registered shareholder or who claims to be entitled to have his name (title) entered in the register of shareholders in respect of shares in the Company, if his share certificate (hereinafter, "original share certificate") is lost, he may apply to the Company for a replacement share certificate in respect of such shares (hereinafter, the "Relevant Shares"). Unless the Company is certain that the original share certificate is destroyed, it shall not issue any new share certificate to replace the original one.</p> <p>Applications for a replacement share certificate by shareholders of domestic shares shall be addressed pursuant to Article 150 of the <i>Company Law</i>.</p> <p>.....</p>	<p>Article 50</p> <p>For any person who is a registered shareholder or who claims to be entitled to have his name (title) entered in the register of shareholders in respect of shares in the Company, if his share certificate (hereinafter, "original share certificate") is lost, he may apply to the Company for a replacement share certificate in respect of such shares (hereinafter, the "Relevant Shares"). Unless the Company is certain that the original share certificate is destroyed, it shall not issue any new share certificate to replace the original one.</p> <p>Applications for a replacement share certificate by shareholders of domestic shares shall be addressed pursuant to Article 150 <u>relevant article</u> of the <i>Company Law</i>.</p> <p>.....</p>	<p>The specific article number in <i>Company Law</i> quoted in the original Article 50 has changed.</p>
7.	<p>Article 64</p> <p>When the Company convenes the Shareholders' Meeting, written notices of the meeting shall be provided in no less 45 days prior to the date of the meeting (but not more than 60 days) to notify all the shareholders registered in the register of shares with respect to the matters to be considered, and the date and the place of the meeting. For the overseas listed foreign shares shareholders, the</p>	<p>Article 64</p> <p>When the Company convenes the shareholders' <u>general meeting</u>, written notices of the meeting shall be provided in no less 45 <u>20 clear business days</u> prior to the date of the meeting (but not more than 60 days) to notify all the shareholders registered in the register of shares with respect to the matters to be considered, and the date and the place of the meeting. <u>When the Company</u></p>	<p>To comply with the notice requirement under the Listing Rules.</p>

LETTER FROM THE BOARD

	<p>notice of general meeting, circulars and the relevant documents may, in accordance with laws, administrative regulations, listing rules of the place where the Company's shares are listed, be published on the website of the Company, the website of the Stock Exchange of Hong Kong and other websites designated by the Listing Rules from time to time. A shareholder who intends to attend the meeting shall deliver his written reply concerning his attendance in no less than 20 days before the date of the meeting.</p> <p>.....</p>	<p><u>convenes the shareholders extraordinary meeting, written notices of the meeting of the meeting shall be provided in no less 10 clear business days or 15 days (whichever is longer) prior to the date of the meeting to notify all the shareholders registered in the register of shares with respect to the matters to be considered, and the date and the place of the meeting.</u></p> <p>For the overseas listed foreign shares shareholders, the notice of general meeting, circulars and the relevant documents may, in accordance with laws, administrative regulations, listing rules of the place where the Company's shares are listed, be published on the website of the Company, the website of the Stock Exchange of Hong Kong and other websites designated by the Listing Rules from time to time. A shareholder who intends to attend the meeting shall deliver his written reply concerning his attendance in no less than 20 days before the date of the meeting.</p> <p><u>The business day mentioned in the Articles of Association of the Company shall mean the date on which the Stock Exchange of Hong Kong opens for securities trading.</u></p> <p>.....</p>	
8.	<p>Article 66</p> <p>The Company shall, based on the written replies received from shareholders, calculate the numbers of voting shares represented by the shareholders who intend to attend the meeting 20 days prior to the date of the general meeting of shareholders. In the event that the number of voting shares represented by the shareholders who intend to attend the meeting represents one half or more of the Company's total voting shares, the Company may hold the meeting. If otherwise, then the Company shall, within 5 days, notify the shareholders again by public notice of the matters to be considered, and the place and the date for the meeting. The Company may not hold the meeting following the publication of such notice.</p>	<p><u>(Deleted)</u></p>	<p>As the original Article 66 is proposed to be deleted, the numbering of the subsequent articles will also need to be re-numbered accordingly, which shall include the relevant adjustments to the numbering of</p>

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			other provisions quoted in relevant provisions.
9.	<p>Article 68</p> <p>Notice of general meeting of shareholders shall be served on each shareholder (whether or not entitled to vote at the meeting), by personal delivery or prepaid mail to their addresses as shown in the register of shareholders. For the holders of domestic shares, notices of the general meeting may also be issued by way of public announcements. For holders of overseas listed foreign shares, the notice of general meeting, circulars and the relevant documents may, in accordance with laws, administrative regulations, listing rules of the place where the Company's shares are listed, be published on the website of the Company, the website of the Stock Exchange of Hong Kong and other websites specified by the Listing Rules from time to time.</p> <p>The public announcement as referred to in the preceding paragraph shall be published in 1 or more national newspapers designated by the securities regulatory authority of the State Council within 45 days to 50 days prior to the date of the meeting. Upon publication of such announcements, the holders of domestic shares shall be deemed to have received the notice for the Shareholders' Meeting.</p>	<p>Article 68<u>67</u></p> <p>Notice of general meeting of shareholders shall be served on each shareholder (whether or not entitled to vote at the meeting), by personal delivery or prepaid mail to their addresses as shown in the register of shareholders. For the holders of domestic shares, notices of the general meeting may also be issued by way of public announcements. For holders of overseas listed foreign shares, the notice of general meeting, circulars and the relevant documents may, in accordance with laws, administrative regulations, listing rules of the place where the Company's shares are listed, be published on the website of the Company, the website of the Stock Exchange of Hong Kong and other websites specified by the Listing Rules from time to time.</p> <p>The public announcement as referred to in the preceding paragraph shall be published <u>20 clear business days prior to the shareholders' general meeting or 10 clear business days or 15 days (whichever is longer) prior to shareholders' extraordinary meeting</u> in 1 or more national newspapers designated by the securities regulatory authority of the State Council within 45 days to 50 days prior to the date of the meeting. Upon publication of such announcements, the holders of domestic shares shall be deemed to have received the notice for the Shareholders' Meeting.</p>	<p>Consequential amendments following the revision made to the original Article 64.</p>
10.	<p>Article 98</p> <p>A written notice of a class meeting shall be given 45 days prior to the date of the class meeting to notify all the registered shareholders of such class of the matters to be considered, the date and the place of the class meeting. For holders of overseas listed foreign shares; the notice of class meeting, circulars and the</p>	<p>Article 98<u>97</u></p> <p>A written notice of a class meeting shall be given 45 <u>20 clear business days</u> prior to the date of a <u>shareholders general meeting or 10 clear business days or 15 days (whichever is longer) of a shareholders extraordinary meeting</u> the class meeting to notify all the registered shareholders of such class</p>	<p>To comply with the notice requirement under the Listing Rules.</p>

LETTER FROM THE BOARD

	<p>relevant documents may, in accordance with laws, administrative regulations, listing rules of the place where the Company's shares are listed, be published on the website of the Company, the website of the Stock Exchange of Hong Kong and other websites specified by the Listing Rules from time to time. A shareholder who intends to attend the class meeting shall deliver his written reply for the attendance at the meeting 20 days prior to the date of the meeting.</p> <p>In the event that the shareholders who intend to attend such a meeting represent more than half of the total number of voting shares of that class, the Company may hold the class meeting; otherwise, the Company shall within 5 day notify the shareholders of the class, again by public notice, of matters to be considered as well as the date and place for the class meeting. The Company may then hold the class meeting after the publication of such notice.</p>	<p>of the matters to be considered, the date and the place of the class meeting. For holders of overseas listed foreign shares; the notice of class meeting, circulars and the relevant documents may, in accordance with laws, administrative regulations, listing rules of the place where the Company's shares are listed, be published on the website of the Company, the website of the Stock Exchange of Hong Kong and other websites specified by the Listing Rules from time to time. A shareholder who intends to attend the class meeting shall deliver his written reply for the attendance at the meeting 20 days prior to the date of the meeting.</p> <p>In the event that the shareholders who intend to attend such a meeting represent more than half of the total number of voting shares of that class, the Company may hold the class meeting; otherwise, the Company shall within 5 day notify the shareholders of the class, again by public notice, of matters to be considered as well as the date and place for the class meeting. The Company may then hold the class meeting after the publication of such notice.</p>	
11.	<p>Article 100</p> <p>Except for other class of shareholders, shareholders of domestic shares and overseas listed foreign shares are deemed to be shareholders of different classes. Shareholders of domestic shares and non-listed foreign shares shall not be deemed to be shareholders of different classes.</p> <p>The special procedures for approval by class shareholders shall not apply in the following circumstances:</p> <p>(1) where the Company issues, upon the approval by special resolution of its shareholders at a general meeting, either separately or concurrently once every 12 months, not more than 20% of each of its existing issued domestic shares and overseas listed foreign shares;</p>	<p>Article 10099</p> <p>Except for other class of shareholders, shareholders of domestic shares and overseas listed foreign shares are deemed to be shareholders of different classes. Shareholders of domestic shares and non-listed foreign shares shall not be deemed to be shareholders of different classes.</p> <p>The special procedures for approval by class shareholders shall not apply in the following circumstances:</p> <p>(1) where the Company issues, upon the approval by special resolution of its shareholders at a general meeting, either separately or concurrently once every 12 months, not more than 20% of each of its existing issued domestic shares and overseas listed foreign shares;</p>	<p>Amendments made according to the circumstances of the Company.</p>

LETTER FROM THE BOARD

	<p>(2) where the Company’s plan to issue domestic shares and overseas listed foreign shares at the time of its establishment is carried out within 15 months from the date of approval of the securities regulatory authority under the State Council;</p> <p>(3) On transfer of the shares held by the domestic shareholders mentioned in Article 17 of the Articles of Association to overseas investors, then such shares will be listed and traded on overseas stock market.</p>	<p>(2) where the Company’s plan to issue domestic shares and overseas listed foreign shares at the time of its establishment is carried out within 15 months from the date of approval of the securities regulatory authority under the State Council;</p> <p>(3) On transfer of the shares all or part of the shares held by the domestic shareholders <u>or non-listed foreign shares mentioned in Article 17 of the Articles of Association</u> to overseas investors , then such shares will be listed and traded on overseas stock market <u>upon approval of the securities regulation authorities of the State Council and such transferred shares are listed and traded on the overseas stock exchanges under the approval of the overseas securities regulatory authorities, or the domestic shareholders or non-listed foreign shareholders of the Company convert all or part of the issued domestic shares of the Company into overseas listed shares and such converted shares are listed and traded on the overseas stock exchange.</u></p>	
12.	<p>Article 170</p> <p>The Company shall appoint a receiving agent for the shareholders of the overseas-listed foreign shares. Such receiving agent shall receive dividends of the overseas-listed foreign shares on behalf of such relevant shareholders, as well as all other amounts payable to such shareholders.</p> <p>The receiving agent appointed by the Company shall meet relevant requirements of the laws of the places or the relevant regulations of the stock exchange in which the Company’s shares are listed. The receiving agent appointed for shareholders of overseas-listed foreign shares listed in Hong Kong shall be a company registered as a</p>	<p>Article 170169</p> <p>The Company shall appoint a receiving agent for the shareholders of the overseas-listed foreign shares. Such receiving agent shall receive dividends of the overseas-listed foreign shares on behalf of such relevant shareholders, as well as all other amounts payable to such shareholders.</p> <p>The receiving agent appointed by the Company shall meet relevant requirements of the laws of the places or the relevant regulations of the stock exchange in which the Company’s shares are listed. The receiving agent appointed for shareholders of overseas-listed foreign shares listed in Hong Kong shall be a company registered as a</p>	<p>To comply with the requirements under the Listing Rules.</p>

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trust company under the Trustee Ordinance of Hong Kong.	trust company under the Trustee Ordinance of Hong Kong.	
	<u>The Company may exercise the right to forfeit unclaimed dividends, subject to the requirements of the regulations of the jurisdictions in which the shares of the Company are listed, but the right can only be exercised six years or more after the dividend declaration date.</u>	

E. 2020 FIRST EGM

The 2020 First EGM will be held for considering and approving, among others, (i) the transactions under the Finance Lease Agreements, (ii) the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction and (iii) the proposed amendments to the Articles of Association.

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 Finance Lease Agreements, will abstain from voting in the relevant resolutions approving the Finance Lease Agreements.

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 2021 with each of Changan Automobile, China Changan and their respective associates, and the Non-Exempt Continuing Connected Transactions for 2021 and deposit transaction with Zhuangbei Finance, will abstain from voting on the relevant resolutions approving relevant Framework Agreement for Non-Exempt Continuing Connected Transactions with each of Changan Automobile, China Changan and Zhuangbei Finance and the transactions (including the relevant Proposed Caps and the maximum outstanding daily balance on the Deposits for 2021) thereby contemplated.

Minsheng Industrial (holding 25,774,720 Shares or approximately 15.90% of the equity interests in the Company as at the Latest Practicable Date), Ming Sung (HK) (holding 6,444,480 Shares or approximately 3.98% of the equity interests 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 2021 with Minsheng Industrial and its associates, will abstain from voting on the relevant resolution approving the Framework Agreement for Non-Exempt Continuing Connected Transactions with Minsheng Industrial and the transactions (including the Proposed Cap for 2021) thereby contemplated.

Save as disclosed above and according to the information available to the Company, none of the Shareholders shall be required to abstain from voting in any of the resolutions regarding the transactions under the Finance Lease Agreements and the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance proposed at the 2020 First EGM.

LETTER FROM THE BOARD

The notice of the 2020 First EGM, together with the relevant reply slip and proxy form, have been issued to Shareholders on 13 November 2020. 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 29 December 2020).

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

The resolutions regarding each of the transactions under the Finance Lease Agreements and the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance (including the proposed cap for 2021 for each of Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2021) 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.

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

F. CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders of H Shares who will be entitled to attend the 2020 First EGM, the Company has suspended registration of transfer of shares from 1 December 2020 and will end on 30 December 2020, both days inclusive. Holders of H Shares whose names are recorded in the register of members of the Company on 30 December 2020 are entitled to attend and vote at the 2020 First EGM.

G. 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 46 to 47 of this circular, and which contains their recommendation in respect of the transactions under the Finance Lease Agreements and the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance. 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 transactions under the Finance Lease Agreements and the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance and whether such transactions are in the interests of the Company and its Shareholders as a whole is set out on pages 48 to 74 of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of Gram Capital, considers that the transactions under the Finance Lease Agreements and the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance 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 transactions under the Finance Lease Agreements and the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance (including the proposed cap for 2021 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2021).

The Directors (including the independent non-executive Directors) consider that the transactions under the Finance Lease Agreements and the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit 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 transactions under the Finance Lease Agreements and the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction (including the proposed cap for 2021 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2021) to be proposed at the 2020 First EGM as set out in the notice of the 2020 First EGM.

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

H. OTHER INFORMATION

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

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



重慶長安民生物流股份有限公司

Changan Minsheng APLL Logistics Co., Ltd. *

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

(Stock Code: 01292)

14 December 2020

- (I) MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO FINANCE LEASE ARRANGEMENT; AND**
- (II) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2021 AND MAJOR TRANSACTION REGARDING THE DEPOSIT TRANSACTION WITH ZHUANGBEI FINANCE**

To the Independent Shareholders

Dear Sirs or Madam,

We, the Independent Board Committee of Changan Minsheng APLL Logistics Co., Ltd., are advising the Independent Shareholders in connection with (i) the transactions under the Finance Lease Agreements and (ii) the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2021 and the deposit transaction with Zhuangbei Finance, details of which are set out in the letter from the Board contained in the circular (“**Circular**”) of the Company to the Shareholders dated 14 December 2020, of which this letter forms 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 (i) the transactions under the Finance Lease Agreements and (ii) the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2021 and deposit transaction with Zhuangbei Finance require the approval of the Independent Shareholders at the 2020 First EGM.

We wish to draw your attention to the letter of advice from Gram Capital set out on pages 48 to 74 of this circular. We have discussed the letter and the opinion contained therein with Gram Capital.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among others, the factors and reasons considered by, and the opinion of, Gram Capital, as stated in its aforementioned letter, we consider each of transactions under the Finance Lease Agreements and the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance (including the proposed cap for 2021 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on Deposit for 2021) to be fair and reasonable so far as the Independent Shareholders are concerned. We are of the view that each of transactions under the Finance Lease Agreements and the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance (including the proposed cap for 2021 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2021) 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 2020 First EGM to be proposed at the EGM to be held on 30 December 2020 and thereby approve each of transactions under the Finance Lease Agreements and the Non-Exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the deposit transaction with Zhuangbei Finance (including the proposed cap for 2021 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2021).

Yours faithfully,

Mr. Chong Teck Sin

Independent Non-executive Director

Mr. Poon Chiu Kwok

Independent Non-executive Director

Mr. Jie Jing

Independent Non-executive Director

Ms. Zhang Yun

Independent Non-executive Director

** For identification purpose only*

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 Finance Lease Arrangement and 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 2020

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

Dear Sirs,

**(I) MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO FINANCE LEASE ARRANGEMENT;
AND
(II) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS
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 Finance Lease Arrangement and 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 2020 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.

Finance Lease Arrangement

On 20 October 2020, Changyou Supply Chain, a non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreements with Industries Financing, pursuant to which Changyou Supply Chain conditionally agreed to rent and Industries Financing agreed to lease the Leased Assets. The total rent shall not exceed RMB130,280,000 and a lump sum payment of contract security deposit in the sum of RMB4,190,720 and handling fee in the sum of RMB523,840 will be required.

On the same date, Changyou Supply Chain, being the lessee under the Finance Lease Arrangement, entered into (i) a three-party sale and purchase agreement in relation to the Production Lines with Industries Financing (as the purchaser) and Shanghai Hofmann (as the vendor); and (ii) a three-party sale and purchase agreement in relation to the AS/RS with Industries Financing (as the purchaser) and Lead Intelligent (as the vendor), respectively. Pursuant to them, Industries Financing will acquire the Production Line from Shanghai Hofmann and the AS/RS from Lead Intelligent at the consideration of RMB83,888,000 and RMB20,880,000, respectively, which will become the Leased Assets under the Finance Lease Arrangement.

With reference to the Board Letter, Industries Financing is a connected person of the Company and Finance Lease Arrangement constitutes major and non-exempted connected transactions of the Company and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

The Non-Exempt Continuing Connected Transactions

On 4 November 2020, the Company entered into the framework agreements in relation to the Non-Exempt Continuing Connected Transactions with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance, each for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023.

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

In order to provide a more appropriate level of the annual cap for each of 2021, 2022 and 2023 in relation to each of the Non-Exempt Continuing Connected Transactions contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the Company has estimated and will seek for approval by Independent Shareholders at the 2020 First EGM the annual cap in relation to the Non-Exempt Continuing Connected Transactions for 2021 (the "**2021 Annual Cap(s)**"). With respect to the annual cap for each of 2022 and 2023 in relation to the Non-Exempt Continuing Connected Transactions for 2022 and 2023 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the Company will re-comply with the relevant Listing Rule requirements (including setting the annual caps, issuing announcement(s) and obtaining Independent Shareholders' approval).

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 Finance Lease Arrangement and the Non-Exempt Continuing Connected Transactions are fair and reasonable; (ii) whether the Finance Lease Arrangement and the Non-Exempt Continuing Connected Transactions 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 the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Finance Lease Arrangement and the Non-Exempt Continuing Connected Transactions (including the 2021 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, Gram Capital was engaged as independent financial adviser in respect of (i) the continuing connected transactions and major transaction of the Company as contained in the Company's circular dated 14 December 2018; and (ii) the continuing connected transactions and major transaction of the Company as contained in the Company's circular dated 4 December 2019. 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 Finance Lease Arrangement and/or 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, Industries Financing, 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 Finance Lease Arrangement and/or 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 Finance Lease Arrangement and the Non-Exempt Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

1. BACKGROUND

Information on the Group

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

Set out below is the extract of the consolidated financial information of the Group for the six months ended 30 June 2020 and the two years ended 31 December 2019 as extracted from the Company's interim report for the six months ended 30 June 2020 (the "2020 Interim Report") and annual report for the year ended 31 December 2019 (the "2019 Annual Report"):

	For the six months ended 30 June 2020	For the year ended 31 December 2019	For the year ended 31 December 2018	Change from 2018 to 2019
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	%
Revenue	1,828,526	4,341,585	5,112,410	(15.08)
Gross profit	58,131	182,665	347,962	(47.50)
Profit/(Loss) attributable to owners of the parent	(43,318)	(55,967)	46,109	N/A

As depicted by the above table, the Group's revenue for the year ended 31 December 2019 ("FY2019") decreased by approximately 15.08% as compared to that for the year ended 31 December 2018 ("FY2018"). With reference to the 2019 Annual Report, such decrease was mainly due to the decline of automobile production volume and sales volume of the Group's customers. Facing the adverse factors such as the rising transportation cost and labour cost, and tumbling logistics service price, despite the Group's emphasis on management and continuous strengthening of logistics and internal management cost control, the Group's gross profit margin for FY2019 decreased to approximately 4.21% (FY2018: 6.81%). As a result, the Group's gross profit for FY2019 reduced by approximately 47.50% as compared to that for FY2018 and the Group incurred loss attributable to owners of the parent of approximately RMB55.97 million for FY2019 (FY2018: Approximately RMB46.11 million).

The Group continued to make loss attributable to owners of the parent for the six months ended 30 June 2020. With reference to the 2020 Interim Report, the Company will continue to work hard to carry out operational plans and try its best to achieve a decent business results by sizing every moment with passion and overcoming obstacles with unswerving determination. The Company will remain committed to self-transformation and upgrading, high quality development, deepening reform and innovation against all the difficulties and challenges, pushing itself towards becoming a trustworthy first-class intelligent logistics and supply chain provider.

Information on Industries Financing

With reference to the Board Letter, Industries Financing is mainly engaged in supply chain management; investment consulting (excluding restricted items); domestic trade (excluding franchise, monopoly, and special control products); business information consulting, corporate image planning, marketing planning, exhibition planning, cultural event planning, real estate information consulting, real estate brokerage, financial management consulting, brokerage information consulting (all of the above do not include restricted items); translation services; import and export business (except for items prohibited by laws, administrative regulations, and decisions of the State Council, restricted items must be licensed before operation); international freight forwarding services; logistics management and services; sales of automobiles and auto parts; information consulting, trade consulting, enterprise management consulting and consulting services related to the above-mentioned business (operating with a license if the scope of the licensed business is involved). (projects subject to approval in accordance with the law can only be carried out after approval by relevant departments). The permitted operating projects are: printing and copying; financial leasing business; leasing business; purchasing leased assets domestically and abroad; residual value treatment and maintenance of leased assets; leasing transaction consulting and guarantee; concurrently engaged in commercial poly business related to the main business (non-bank financing).

Information on China Changan

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

Information on Minsheng Industrial

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

Information on Zhuangbei Finance

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

Each of Industries Financing, Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance is connected person of the Company.

2. THE FINANCE LEASE ARRANGEMENT

Reasons and benefits of the Finance Lease Arrangement

With reference to the Board Letter, the Finance Lease Agreements and the transactions contemplated thereunder are agreed on normal commercial terms after arm's length negotiations. The Leased Assets are required for the Group's production, and the Finance Lease Arrangement allows the Group to obtain financial resources for obtaining the Lease Assets, which is conducive to the Group development in tyre assembly business and other logistics business.

With reference to the Board Letter, Changyou Supply Chain, being a non-wholly owned subsidiary of the Company and the lessee of the Leased Assets, is mainly engaged in supply chain management; production of automobile components and modules; storage (other than dangerous chemicals), distribution, packaging and assembly; transport of finished vehicles and ordinary freight; production, sale, leasing and maintenance of containers; provision of business information consulting services; logistics planning, management and consulting services; logistics equipment and facilities leasing; import and export of goods, and import and export of technology.

Upon our enquiry, the Management advised us that Changyou Supply Chain was established in November 2019 and its major customer is BMW Brilliance Automotive Co., Ltd. Changyou Supply Chain planned to complete the establishment of its production base in 2021 and commence trial production in the same year. Thereafter, Changyou Supply Chain will commence mass production and generate revenue from 2022. The Lease Assets are key components of Changyou Supply Chain's production base.

Having considered the above, we concur with the Directors that the Finance Lease Arrangement 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 Finance Lease Arrangement

The following table summarises the principal terms of the Finance Lease Arrangement:

Date	20 October 2020
Parties	Lessee: Changyou Supply Chain Lessor: Industries Financing

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Subject matter	Changyou Supply Chain conditionally agreed to rent and Industries Financing agreed to lease the Leased Assets.
Lease term	The lease term of both the Production Lines and the AS/RS will be 60 months at most, which shall commence on the date of Industries Financing paying the first instalment of the purchase price of each of the Production Lines and the AS/RS, respectively.
Lease consideration	<p>Changyou Supply Chain shall pay Industries Financing the total rent not exceeding RMB130,280,000 (calculated based on the interest rate of 5.3% per annum) (the “Maximum Rent”) and a lump sum payment of contract security deposit in the sum of RMB4,190,720 (being 4% of the purchase price of the Leased Assets) and handling fee in the sum of RMB523,840 (being 0.5% of the purchase price of the Leased Assets). The rent shall be paid on quarterly basis.</p> <p>If Changyou Supply Chain is in breach of the terms of the Finance Lease Agreements, Industries Financing will be entitled to use the security deposit to set off directly the amount payable (including all the expenses for recovering the rent and damages, etc.), and Changyou Supply Chain shall be obliged to make up the shortfall of the security deposit within 3 days upon the request of Industries Financing, failing which Changyou Supply Chain shall pay damages to Industries Financing based on 0.1% of the overdue shortfall of the security deposit each day. If Changyou Supply Chain has fulfilled the contract duties normally, the security deposit may be used to set off the last instalment of rent, and any balance of the security deposit will be refunded by Industries Financing into the repayment account of Changyou Supply Chain.</p>
Ownership of the Leased Assets	Subject to Changyou Supply Chain having duly and satisfactorily performed all its obligations under the Finance Lease Agreement, upon the expiration of the Finance Lease Agreements, Changyou Supply Chain has an option to purchase the Productions Lines and the AS/RS from Industries Financing at the nominal consideration of RMB1 each.
Security	During the lease term, when Changyou Supply Chain has commenced cooperation with BMW Brilliance Automotive Co., Ltd. and has generated accounts receivable from that company, Changyou Supply Chain agreed to charge the accounts receivable not exceeding 1.2 times of the rental balance in favour of Industries Financing (the “ AR Charge ”) and register the charge of the accounts receivable at the account receivable financing service platform at the credit investigation center of the PBOC. If the charge amount exceeds 1.2 times of the rental balance, Industries Financing shall complete the discharge procedures for the surplus within 30 days after the request of Changyou Supply Chain.
Three-party sale and purchase agreements	On 20 October 2020, Changyou Supply Chain, being the lessee under the Finance Lease Arrangement, entered into (1) a three-party sale and purchase agreement in relation to the Production Lines with Industries

Financing (as the purchaser) and Shanghai Hofmann (as the vendor); and (2) a three-party sale and purchase agreement in relation to the AS/RS with Industries Financing (as the purchaser) and Lead Intelligent (as the vendor), respectively. Pursuant to them, Industries Financing will acquire the Production Line from Shanghai Hofmann and the AS/RS from Lead Intelligent at the consideration of RMB83,888,000 and RMB20,880,000, respectively, which will become the Leased Assets under the Finance Lease Arrangement.

Changyou Supply Chain, being the lessee of the Leased Assets under the said three-party sale and purchase agreements, will be directly delivered the Production Lines and the AS/RS from Shanghai Hofmann and Lead Intelligent, respectively, but will not assume the responsibility of paying the purchase price of the Leased Assets.

With reference to the Board Letter, the consideration of the Finance Lease Agreements, including the interest rate and hence the maximum rent payable, was determined and arrived at after arm's length negotiations with reference to prevailing market cost and interest rate for finance lease of comparable equipment. The consideration of the finance lease will be paid by the internal resources of Changyou Supply Chain.

As aforementioned, the Maximum Rent is RMB130,280,000 (calculated based on the interest rate of 5.3% per annum). We further understand from the Management that the Maximum Rent was derived from (i) the total consideration for acquiring the Production Line from Shanghai Hofmann and the AS/RS from Lead Intelligent (i.e. RMB83,888,000 + RMB20,880,000 = RMB104,768,000); (ii) the interest rate of 5.3% per annum; and (iii) the possible composition and schedule of the rent payable (i.e. (a) the proportion of interest and principal amount of finance to be paid under each instalment of rent; and (b) the interest amount is maximized if the entire principal amount of finance is paid under the last instalment of rent).

As advised by the Management, subject to the rent schedule to be determined according to Changyou Supply Chain's financing need, the actual total rent may be less than the Maximum Rent.

Upon our enquiry, the Management advised us that Changyou Supply Chain requested for a branch of China Construction Bank and CMB Financial Leasing Co. LTD., being two independent third parties to the Company, for financing proposal in respect of the Lease Assets. For our due diligence purpose, we obtained the financing proposals offered by the aforesaid financial institutions (the "**Independent Financial Institutions**") for comparing key terms of financing as set out below:

	The Finance Lease Arrangement	Proposal offered by Independent Financial Institutions
Financing method	Direct lease	Loan/Direct Lease
Maximum financing amount	100% of the acquisition consideration	70% of the acquisition consideration/valuation of the assets to be acquired
Lease term	60 months	60 months
Interest Rate	5.3%	5% to 5.5%

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Effective interest rate after taking into account taxation	4.69%	4.8% to 5.5%
Security deposit	4% of the acquisition consideration	Not required
Handling fee	0.5% of the financing amount (which is also the acquisition consideration under the Finance Lease Arrangement)	Nil to 3.5% of the financing amount
Security	Required as set out above	Guarantee from controlling shareholder/ asset pledge

As illustrated from the table above, save for the security deposit required, the terms under the Finance Lease arrangement are mostly comparable or better than the terms offered by the Independent Financial Institutions.

The Company also provided us copies of certain finance lease agreements (direct lease) (the “**Independent Agreements**”) entered into between Industries Financing and independent third parties. We noted that the terms under the Finance Lease Arrangement are comparable or better than the terms under the Independent Agreements.

Upon our enquiry, the Management advised us that although the Independent Financial Institutions did not require security deposit, the effective interest rates after taking into account taxation based on the interest rates offered by the Independent Financial Institutions are less favourable than that of the Finance Lease Arrangement. In addition, we noted that under the Independent Agreements, higher percentage (of the financing amount, which also equals to the acquisition consideration) of security deposit is required. Having also considered that if Changyou Supply Chain has fulfilled the contract duties normally, the security deposit may be used to set off the last instalment of rent, and any balance of the security deposit will be refunded by Industries Financing into the repayment account of Changyou Supply Chain, the Management considered the security deposit under the Finance Lease Arrangement to be justifiable.

Furthermore, we noted that under the Independent Agreements, account receivables generated by lessees from specific client is required to be charged in favour of Industries Financing. Such account receivables amounts are required to be higher than the rental balance. Having considered that there will not be any material impact on Changyou Supply Chain as long as it duly performs all obligations under the Finance Lease Agreements, we are of the view that the AR Charge is acceptable.

Taking into account the principal terms of the Finance Lease Arrangement as highlighted above, we consider that the terms of the Finance Lease are on normal commercial terms and are fair and reasonable.

Recommendation on the Finance Lease Arrangement

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Finance Lease Arrangement are on normal commercial terms and are fair and reasonable; and (ii) the Finance Lease Arrangement 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 resolution to be proposed at the EGM to approve the Finance Lease Arrangement and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

3. THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

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

The Company also set the annual cap of each of the Non-Exempt Continuing Connected Transactions for the year ending 31 December 2021 (“**FY2021**”).

3A. THE CHANGAN AUTOMOBILE CCT

Reasons for the Changan Automobile CCT

With reference to the Board Letter, the Group has been in business contact with Changan Automobile from the establishment of the Company and has maintained a good relationship with Changan Automobile ever since. The Group is a major logistics services supplier of Changan Automobile and its associates. The Group's logistics services have been highly recognized by Changan Automobile and its associates. Provision of logistics services to Changan Automobile and its associates by the Group continues to occupy a major portion of the Group's business, thus contributing significantly to the overall revenue of the Group. As such, the Company believes that it is essential to maintain the provision of logistics services by the Group to Changan Automobile and its associates to ensure source of revenue. In addition, according to China Association of Automobile Manufacturers, China auto sales rose 12.8% to approximately 2.57 million vehicles in September 2020 and it was the sixth consecutive month of growth and an uptick from 11.6% gain in August 2020. In conclusion, the domestic automobile market is showing signs of recovery. Furthermore, sales of Changan

Automobile witnessed an average monthly year-on-year growth rate of approximately 13.35% for the nine months ended 30 September 2020. Having regard to the fact that both domestic automobile market and the Company's major customer is bouncing back from a low point in 2019, the Board is of the view that it is in the interests of the Company and its shareholders as a whole that the Group seize the momentum and maximize the revenue to be generated from providing logistics services for Changan Automobile and its associates.

Upon our enquiry, the Management advised us that the Group had provided various logistics services to Changan Automobile for over ten years. We noted that (i) during FY2018, the historical amount of the Changan Automobile CCT of approximately RMB4.19 billion represented approximately 81.91% of the Group's total revenue; and (ii) during FY2019, the historical amount of the Changan Automobile CCT of approximately RMB3.48 billion represented approximately 80.21% of the Group's total revenue.

With reference to the Board Letter, as the Group is primarily engaged in automobile logistics and relies on the automobile production and sales of Changan Group, the fluctuation of Changan Group's automobile production and sales would undoubtedly impact on the business performance of the Group. The Company is fully aware that if Changan Group ceases to use or substantially reduces the use of the Group's logistics services and if the Group is not able to secure new customers with similar sales volume on terms acceptable to the Group, the business scale of the Group will be substantially reduced and the financial performance of the Group will be adversely affected. To mitigate potential risk that may cause to the Group, the Group has adopted the measures set out under the sub-section headed "2. Transactions with Changan Automobile, China Changan, Minsheng Industrial and Independent Third Parties" of the Board Letter.

In addition, for the past few years, the Group has adopted the general development strategy of "beyond Changan Group and beyond Automobile Industry" which in brief indicates that the Group shall (i) consolidate traditional businesses (i.e. automobile logistics businesses with Changan Group); (ii) explore automobile logistics business from non-connected parties; and (iii) explore non-automobile logistics businesses. Furthermore, to maintain a balanced customer portfolio and to mobilize employee enthusiasm in market expansion, the Company has set up a special fund to incentivize and reward those market development personnel. The reward will vary in percentage based on the nature and profit of the developed business with Independent Third Parties. The Company shall from time to time evaluate the achievement of the special working group and the effectiveness of the reward scheme.

Details of the measures adopted and actions taken by the Company to mitigate the aforesaid concentration risk and the Group's main achievements are set out under the sub-section headed "2. Transactions with Changan Automobile, China Changan, Minsheng Industrial and Independent Third Parties" of the Board Letter.

With reference to the Board Letter, the percentage of revenue derived from services provided to Independent Third Parties for each of the three years ended 31 December 2019 is approximately 15.6%, 16.56% and 17.67% respectively. This indicates the Group's progress in mitigating concentration risk.

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 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 2021 to 31 December 2023
Pricing policy	<p>Generally, the pricing of the logistics services to be provided by the Group is market driven. As the transactions contemplated under the framework agreement shall be conducted on a non-exclusive basis, the Group has specified marketing and client servicing teams to liaise with and ascertain whether any particular logistic service will be conducted by public tender. The pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order as set out below (the “Changan Automobile CCT Pricing Policy”):</p> <ol style="list-style-type: none">(1) Bidding price: the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. The Company has established bidding quotation process and bidding quote management procedures. Briefly, the Company’s enterprise technical department will draw up the technical and operation plans whereas the marketing and customer service department will provide business plan and the two departments will collaborate in preparing the bidding document in accordance with the specific requirements of the Group’s customers. Bidding representative of the Company will deliver the bidding offer and follow up on the bidding process. The Company will set up a working group to assist the bidding representative in the response to the bidding before the bidding representative will finally be informed of the bidding results.(2) Internal compared price: in determining the quote to be offered by the Group in internal compared pricing method, whenever practical and appropriate, the Company will comprehensively consider the feasibility of the project, and the Company’s knowledge on at least two competing third parties to ascertain whether and at what price the Group should participate in the project.(3) Cost-plus Price: to be determined with reference to a reasonable cost plus a reasonable profit margin. The Company will consider the labor cost, equipment operation cost, material inputs and etc. to comprehensively measure the cost. The profit margin for each project varies depending on the different technical requirements, staffing, resources commitment and location.

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

For our due diligence purpose, we obtained (i) a set of bidding documents (including solicitation document, transaction assessment form and the corresponding confirmation on selection of the Company for the provision of logistics services) in relation to the bidding process for the provision of logistics services; (ii) the quotation requests issued by associate of Changan Automobile, the corresponding quotation lists submitted and the corresponding confirmation on selection of the Company for the provision of logistics services, which indicated the participation of the Group in the bidding process for the provision of logistics services to Changan Automobile and its associates and that the Group had provided quotation for them to compare with other services providers; and (iii) the cost-plus pricing documents of certain Changan Automobile CCT, which demonstrated the cost-plus pricing with gross profit margin higher than the overall gross profit margin of the Group. 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 2019 Annual Report and as confirmed by the Management of the Company, the independent non-executive Directors have reviewed the Group's continuing connected transactions (including the Changan Automobile CCT) for FY2019 (the "**INED Review**") and confirmed that the Group's continuing connected transactions (including the Changan Automobile CCT) were: (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole (the "**INED Confirmation**").

With reference to the 2019 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 (including the Changan Automobile CCT) for FY2019, in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the auditor of the Company confirmed to the Board that in respect of the Group's continuing connected transactions (including the Changan Automobile CCT) for FY2019: (i) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provisions of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the agreements governing the transactions; and (iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Company (the "**Auditor Confirmation**").

With reference to the Board Letter, the Company has established a series of internal control measures in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favorable than the terms provided by any independent third party so as to ensure that they serve the interest of the Company and the Shareholders as a whole. Details of the aforesaid internal control measures are set out under the sub-section headed "4. Internal Control Measures to 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.

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

Basis of the Changan Automobile Cap

The table below demonstrates the historical amounts, historical/existing annual caps and the proposed annual cap for the Changan Automobile CCT (the “**Changan Automobile Cap(s)**”):

	For the year ended 31 December 2018 RMB	For the year ended 31 December 2019 RMB	For the year ending 31 December 2020 (“FY2020”) RMB
Historical amounts	4,187,495,000	3,482,580,000	2,686,210,000 ^(Note)
Historical/Existing annual caps	8,500,000,000	7,500,000,000	4,060,000,000
	For the year ending 31 December 2021 RMB		
Changan Automobile Cap	4,100,000,000		

Note: The figure is for the nine months ended 30 September 2020.

The basis of determining of the Changan Automobile Cap is set out in the Board Letter.

To assess the fairness and reasonableness of the Changan Automobile Cap for FY2021, we discussed with the Management regarding the basis and assumptions underlying the projections of the Changan Automobile Cap.

As advised by the Management, the historical amount of Changan Automobile CCT was approximately RMB1,227 million for the third quarter of 2020, which was higher than those for each of the first and second quarter of 2020. The historical amount of Changan Automobile CCT for the third quarter of 2020 began to recover from the negative impact of COVID-19 and such recovery is expected to continue in the fourth quarter of 2020. Accordingly, the Company conservatively estimated the actual amount of Changan Automobile CCT for the fourth quarter of 2020 to be the same as that for the third quarter of 2020 (i.e. approximately RMB1,227 million).

Given the above, the estimated actual amount of Changan Automobile CCT and its annual cap utilization rate for FY2020 will be approximately RMB3,913 million and 96% respectively. Based on the record provided by the Management, we noted that the historical amount of Changan Automobile CCT for the fourth quarter of 2019 was higher than those for each of the first three quarters of 2019. Accordingly, we do not doubt the aforesaid estimated annual cap utilization rate for FY2020.

With reference to the Board Letter and as advised by the Management, Changan Ford (a joint stock company established by Changan Automobile and Ford Motor Company as a joint venture, being a major customer under the Changan Automobile CCT) recorded approximately 51.3% year on year decrease in sales in 2019. Such decrease also led to decrease in the historical amount of Changan Automobile CCT in FY2019. The Group’s historical revenue attributable to Changan Ford for each of FY2018 and FY2019 and the nine months ended 30 September 2020 was approximately RMB2,147 million, RMB1,128 million and approximately RMB913 million, respectively. The Management expects that the Group’s revenue attributable to Changan Ford may reach approximately RMB1,312 million in FY2021.

Given the high estimated annual cap utilization rate for FY2020 and the anticipated continual recovery of Changan Automobile’s business, we consider that it is reasonable for the Company to set the Changan Automobile Cap for FY2021 at a level slightly higher than that for FY2020.

In light of the above, we concur with the Directors that the Changan Automobile Cap for FY2021 is fair and reasonable.

Shareholders should note that as the Changan Automobile Cap 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 2021, and they do not represent forecasts of revenue or income to be generated from Changan Automobile CCT. Consequently, we express no opinion as to how closely the actual revenue or income to be generated from the Changan Automobile CCT will correspond with the Changan Automobile Cap.

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

3B. THE CHINA CHANGAN CCT

Reasons for the China Changan CCT

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

China Changan is essentially a large enterprise with businesses mainly ranging from parts and components to automobile retail. It has roughly 15 member companies engaging in parts production such as automobile engines, transmissions, power components, chassis, shock absorbers, supercharges, pistons and so on. The Group stepped up efforts in exploring the parts business of China Changan and its associates ever since China Changan became one of the substantial shareholders of the Company. Currently, the Group has established steady business contact with several member companies of China Changan. The Group anticipates that by leveraging on the current business relationship, the Group can establish more business contact with Changan Group and can tap into the market potentials presented by China Changan and its associates, thereby increasing business sources and maximizing revenue of the Group.

Having also taken into account that the China Changan CCT is contributing revenue to the Group (i.e. approximately RMB52.76 million for the nine months ended 30 September 2020), we concur with the Directors that the China Changan CCT is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

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 2021 to 31 December 2023
Pricing policy	<p>Generally, the pricing of the logistics services to be provided by the Group is market driven. As the transactions contemplated under the framework agreement shall be conducted on a non-exclusive basis, the Group has specified marketing and client servicing teams to liaise with and ascertain whether any particular logistic service will be conducted by public tender. The pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order as set out below (the “China Changan CCT Pricing Policy”):</p> <ol style="list-style-type: none">(1) Bidding price: the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. The Company has established bidding quotation process and bidding quote management procedures. Briefly, the Company’s enterprise technical department will draw up the technical and operation plans whereas the marketing and customer service department will provide business plan and the two departments will collaborate in preparing the bidding document in accordance with the specific requirements of the customers. Bidding representative of the Company will deliver the bidding offer and follow up on the bidding process. The Company will set up a working group to assist the bidding representative in the response to the bidding before the bidding representative will finally be informed of the bidding results.(2) Internal compared price: in determining the quote to be offered by the Group in internal compared pricing method, whenever practical and appropriate, the Company will comprehensively consider the feasibility of the project, and the Company’s knowledge on at least two competing third parties to ascertain whether and at what price the Group should participate in the project.(3) Cost-plus price: to be determined with reference to a reasonable cost plus a reasonable profit margin. The Company will consider the labor cost, equipment operation cost, material inputs and etc. to comprehensively measure the cost. The profit margin for each project varies depending on the different technical requirements, staffing, resources commitment and location.

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

We understood from the Management that no transaction under the China Changan CCT was conducted on “bidding price” basis so far. For our due diligence purpose, we obtained (i) the quotation requests issued by associate of China Changan, the corresponding quotation lists submitted and the corresponding confirmation on selection of the Company for the provision of certain supply chain management services, which indicated the participation of the Group in the bidding process for the provision of supply chain management services to China Changan and its associates and that the Group had provided quotation for them to compare with other services providers; and (ii) the cost-plus pricing documents of certain China Changan CCT, which demonstrated the cost-plus pricing with gross profit margin higher than the overall gross profit margin of the Group. 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 Group’s continuing connected transactions (including the China Changan CCT) for FY2019; and (ii) the auditor of the Company had conducted the Auditor Review and provided the Auditor Confirmation regarding the Group’s continuing connected transactions (including the China Changan CCT) for FY2019; and (iii) the Company has established a series of internal control measures in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favorable than the terms provided by any independent third party so as to ensure that they serve the interest of the Company and the Shareholders as a whole.

We 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.

Basis of the China Changan Cap

The table below demonstrates the historical amounts, historical/existing annual caps and the proposed annual cap for the China Changan CCT (the “**China Changan Cap(s)**”):

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ending 31 December 2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Historical amounts	61,691,000	69,517,000	52,760,000 ^(Note)
Historical/Existing annual caps	300,000,000	250,000,000	95,000,000
	For the year ending 31 December 2021		
	<i>RMB</i>		
China Changan Cap	120,000,000		

Note: The figure is for the nine months ended 30 September 2020.

The basis of determining of the China Changan Cap is set out in the Board Letter.

To assess the fairness and reasonableness of the China Changan Cap for FY2021, we discussed with the Management regarding the basis and assumptions underlying the projections of the China Changan Cap.

As advised by the Management, the historical amount of China Changan CCT was approximately RMB21.68 million for the third quarter of 2020, which was higher than those for each of the first and second quarter of 2020. The historical amount of China Changan CCT for the third quarter of 2020 began to recover from the negative impact of COVID-19 and such recovery is expected to continue in the fourth quarter of 2020. Accordingly, the Company conservatively estimated the actual amount of China Changan CCT for the fourth quarter of 2020 to be the same as that for the third quarter of 2020 (i.e. RMB21.68 million).

Given the above, the estimated actual amount of China Changan CCT and its annual cap utilization rate for FY2020 will be approximately RMB74.44 million and 78% respectively. Based on the record provided by the Management, we noted that the historical amount of China Changan CCT for the fourth quarter of 2019 was higher than those for each of the first two quarters of 2019 and approximately 10% lower than that for the third quarter of 2019. Accordingly, we do not doubt the aforesaid estimated annual cap utilization rate for FY2020.

Although the China Changan Cap for FY2020 is not expected to be fully utilized, the Management intends to set the China Changan Cap for FY2021 at approximately 26% higher (i.e. RMB25 million) than that for FY2020 to cater for the possible growth in the amount of China Changan CCT which may be led by: (i) newly developed inbound logistics business with Tsingshan Industry (the “**Inbound Logistics Business**”), an associate of China Changan, including the provision of warehousing and distribution of spare parts, raw materials, finished products, defective products, containers etc. by the Company to Tsingshan Industry; and (ii) the finished product transport within Chongqing and long-distance transport business which the Company intends to develop with Tsingshan Industry in 2021 based on the strategic cooperation agreement recently entered into between the Company and Tsingshan Industry (the “**Strategic Cooperation Agreement**”), pursuant to which the Company will expand the cooperation into a comprehensive suite of logistics services for the whole supply chains extending from the procurement of raw materials to sales of finished products, such as short distance run and long distance convection transportation.

For our due diligence purpose, we obtained (i) a copy of the Strategic Cooperation Agreement which set out the aforesaid scope of cooperation; (ii) internal estimation record for transaction amount (i.e. approximately RMB24 million) in FY2021 under the Inbound Logistics Business; and (iii) quotation record for the transactions to be conducted under the Strategic Cooperation Agreement which indicates that transactions of approximately RMB22 million may take place in FY2021.

In light of the above, we concur with the Directors that the China Changan Cap for FY2021 is fair and reasonable.

Shareholders should note that as the China Changan Cap 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 2021, and they do not represent forecasts of revenue or income generated from China Changan CCT. Consequently, we express no opinion as to how closely the actual revenue or income to be generated from the China Changan CCT will correspond with the China Changan Cap.

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

3C. 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 its customers. However, the Group currently does not have any vessel or enough freight carriers to ensure an independent operation of business. Therefore, the Group needs to purchase logistics services from suppliers with sufficient transportation capacity and logistics facilities and equipment. Minsheng Industrial is fully equipped with ro-ro ships of various volumes and car transporters that is compliant with the current regulation of GB1589 and has extensive, well-established logistics network across the country. Therefore, Minsheng Industrial and its associates are competent in providing logistics services to the Group. In addition, Minsheng Industrial and its associates have been a credible and reliable business partner of the Group, and have been providing various logistics services such as waterway transportation of 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 the Group's advantage and provide the Group's customers with quality services and maximize the revenue of the Group. The Directors are of the view that the transaction is in the interest of the Company and its Shareholders as a whole.

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. The market share of Minsheng Industrial's Ro-Ro transportation for automobiles reached about 70% in Chongqing.

With reference to the Board Letter and as advised by the Management, the Group also entered into waterway transportation contracts with Independent Third Parties. The proportion of waterway transportation provided by Minsheng Industrial and Independent Third Parties for FY2018, FY2019 and the nine months ended 30 September 2020 was approximately 89:11, 88:12 and 86:14 respectively. To mitigate potential concentration risk that may cause to the Group, the Group will continue to increase the proportion of waterway transportation provided by Independent Third Parties and expects the proportion of waterway transportation provided by Minsheng Industrial and Independent Third Parties to be approximately 80:20 for FY2021.

In view of the above, we concur with the Directors that 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	The Group shall purchase logistics services from Minsheng Industrial and its associates
Term	From 1 January 2021 to 31 December 2023
Pricing policy	The pricing of the services provided under the agreement shall be determined in accordance with the principles and order of this section: <ol style="list-style-type: none">(1) Bidding price: the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. According to the bidding quote management procedures, in terms of procurement through bidding, the Company shall publish announcements at such public media as China Bidding to invite bidders. The Group will screen and select bidders whom the Group considers can undertake the procurement with relevant qualification and capability.(2) Internal compared price: the price will be determined by the Company or its subsidiaries (as the case may be) by comparing internally the quote offered by Minsheng Industrial or its associate (as the case may be) and the quote offered by at least two independent third parties or the price of services of similar nature purchased by independent third parties. In terms of internal compared pricing, the Group will choose the lowest quotes offered among the eligible participants as its procurement price. Pursuant to the compared pricing management procedures, in terms of internal compared pricing, the Group shall compare quotes provided by or the price of services of similar nature purchased by at least two independent third parties.

At present, there are only a few suppliers who have the qualification and capability to provide Yangtze River automobile related transportation services. To increase procurement efficiency and ensure the reasonableness of prices, the Company usually adopts the internal compared pricing policy for selection of its water transportation supplier. Other than Minsheng Industrial, the Group entered into waterway transportation contracts with Independent Third Parties. The price for waterway transportation varies depending on the number of route(s) and other factors. The Company will obtain fee quotes from at least three suppliers including Minsheng Industrial and its associates and compared pricing and the service to be rendered for each route.

We understood from the Management that no transaction under the Minsheng Industrial CCT was conducted on “bidding price” basis so far. For our due diligence purpose, we requested and obtained from the Company price comparison documents for certain logistics services provided by Minsheng Industrial or its associate and independent third party to the Group. We noted from the reviewed documents that the prices charged by Minsheng Industrial or its associate are less than those offered by independent third party to the Group for the same services.

As aforementioned, (i) the independent non-executive Directors had conducted the INED Review and provided the INED Confirmation regarding the Group’s continuing connected transactions (including the Minsheng Industrial CCT); (ii) the auditor of the Company had conducted the Auditor Review and provided the Auditor Confirmation regarding the Group’s continuing connected transactions (including the Minsheng Industrial CCT); and (iii) the Company has established a series of internal control measures in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favorable than the terms provided by any independent third party so as to ensure that they serve the interest of the Company and the Shareholders as a whole.

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

Basis of the Minsheng Industrial Cap

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

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ending 31 December 2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Historical amounts	202,450,000	216,470,000	158,910,000 <i>(Note)</i>
Historical/Existing annual caps	1,000,000,000	700,000,000	265,000,000
	For the year ending 31 December 2021		
	<i>RMB</i>		
Minsheng Industrial Cap	250,000,000		

Note: The figure is for the nine months ended 30 September 2020.

The basis of determining of the Minsheng Industrial Cap is set out in the Board Letter.

To assess the fairness and reasonableness of the Minsheng Industrial Cap for FY2021, we discussed with the Management regarding the basis and assumptions underlying the projections of the Minsheng Industrial Cap.

As advised by the Management, the historical amount of Minsheng Industrial CCT was approximately RMB79.21 million for the third quarter of 2020, which was higher than those for each of the first and second quarter of 2020. The historical amount of Minsheng Industrial CCT for the third quarter of 2020 began to recover from the negative impact of COVID-19 and such recovery is expected to continue in the fourth quarter of 2020. Accordingly, the Company conservatively estimated the actual amount of Minsheng Industrial CCT for the fourth quarter of 2020 to be the same as that for the third quarter of 2020 (i.e. RMB79.21 million). Based on the record provided by the Management, we noted that the historical amount of Minsheng Industrial CCT for the fourth quarter of 2019 was higher than that for the third quarter of 2019 and its proportion to the full year transaction amount was comparable to the proportion of estimated amount of Minsheng Industrial CCT for the fourth quarter of 2020 to the estimated full year transaction amount. Accordingly, we do not doubt the aforesaid estimated annual cap utilization rate for FY2020.

Given the above, the estimated actual amount of Minsheng Industrial CCT and its annual cap utilization rate for FY2020 will be approximately RMB238.12 million and 90% respectively. Although the estimated annual cap utilization rate for FY2020 is high, the Management only set the Minsheng Industrial Cap for FY2021 at approximately 5% higher than the estimated actual amount of Minsheng Industrial CCT for FY2020 to cater for possible growth in the amount of Minsheng Industrial CCT which may be led by potential increase in logistics demand from Changan Automobile.

In light of the above, we concur with the Directors that the Minsheng Industrial Cap for FY2021 is fair and reasonable.

Shareholders should note that as the Minsheng Industrial Cap 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 2021, 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 Industrial Cap.

In light of the above, we consider that the terms of the Minsheng Industrial CCT are on normal commercial terms and are fair and reasonable.

3D. THE DEPOSIT TRANSACTION UNDER THE FRAMEWORK AGREEMENT WITH ZHUANGBEI FINANCE

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; and
- (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.

With reference to the Board Letter and as advised by the Management, the Group estimates to have a total deposit of approximately RMB906 million in FY2021 and the expected percentage of deposits to be allocated between Zhuangbei Finance and other independent licensed banking corporations is 21% and 79% respectively (in FY2018, FY2019 and the nine months ended 30 September 2020, the Group placed deposits with 3, 3 and 4 independent licensed banking corporations respectively and expected to placed deposits with 5 independent licensed banking corporations in FY2021). The deposits to be placed with Zhangbei Finance represents a smaller portion of the total deposits of the Group as compared to those to be placed with independent licensed banking corporations and as such the Group's capital is reasonably allocated between non-banking institutions and independent commercial banks.

In view of the above, we concur with the Directors that 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	Zhuangbei Finance shall provide the Group with certain financial services, including deposit services.
Term	From 1 January 2021 to 31 December 2023
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 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 Group's continuing connected transactions (including the Deposit Transaction); (ii) the auditor of the Company had conducted the Auditor Review and provided the Auditor Confirmation regarding the Group's continuing connected transactions (including the Deposit Transaction); and (iii) the Company has established a series of internal control measures in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favorable than the terms provided by any independent third party so as to ensure that they serve the interest of the Company and the Shareholders as a whole.

As 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 November 2019, Zhuangbei Finance was rated as "AAA Credit Rating" by China Lianhe Credit Rating Co., Ltd. (聯合資信評估有限公司), which evidenced that Zhuangbei Finance has healthy cash flow and strong capability to repay its debt.

In order to control the potential risks relating to the Deposits Transaction, 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 (the "**Undertaking**") as a part of the framework agreement to the Company. Details of the Undertaking are set out in the sub-section headed "8. Risks Control Relating to the Deposits Transaction under the Framework Agreement with Zhuangbei Finance" in the Board Letter.

As advised by the Management, the Company conducts regular assessment on the financial transactions (including the Deposit Transaction) with Zhuangbei Finance. For our due diligence purpose, we obtained the Company's assessment report in 2020. We noted from the aforesaid assessment report that Zhuangbei Finance did not breach the Undertaking.

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

Basis of the Deposit Cap

The table below demonstrates the historical amounts, historical/existing annual caps and the proposed annual cap for the Deposit Transaction (the “Deposit Cap”):

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ending 31 December 2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Actual amounts of the historical highest daily outstanding balances of Deposit (including interests)	442,985,000	348,630,000	198,530,000 <i>(Note)</i>
Historical/Existing annual caps (maximum daily outstanding balances of deposit (including interests))	450,000,000	350,000,000	200,000,000
	For the year ending 31 December 2021		
	<i>RMB</i>		
Deposit Cap (maximum daily outstanding balances of deposit (including interests))	190,000,000		

Note: The figure is for the nine months ended 30 September 2020.

With reference to the Board Letter, Zhuangbei Finance is a non-banking financial company with a sound capital base and renowned credibility among the member companies of CSG. As Zhuangbei Finance provides the Group with free settling services, the Group maintains a deposits account in Zhuangbei Finance to settle transaction fees with major suppliers. The proposed annual cap for FY2021 is determined after considering (i) the historical maximum daily outstanding balance of deposits placed by the Group with Zhuangbei Finance for the nine months ended 30 September 2020 and the utilization rate of the 2020 annual cap; and (ii) the total deposits of the Group as at 30 September 2020. As at 30 September 2020, the Group had total deposit of approximately RMB810 million. The proposed annual cap of the deposit (on a daily basis) with Zhuangbei Finance represents less than 25% of the total deposits of the Group as at 30 September 2020. The Company is of the view that by allocating the Group’s cash among Zhuangbei Finance and other licensed banking institutions in the PRC such as China Merchants Bank, China Construction Bank and Industrial and Commercial Bank of China, the Group is able to reasonably reduce the financial risks of capital overconcentration while retaining the benefit of financial settlement through Zhuangbei Finance. As such, the Directors are of the view that the proposed annual cap for FY2021 for the deposit transaction with Zhuangbei Finance is fair and reasonable.

To assess the fairness and reasonableness of the Deposit Cap for FY2021, we discussed with the Management the basis and assumptions underlying the projections of the Deposit Cap.

We noted that the actual amount of the historical highest daily outstanding balances of Deposit Transactions (including interests) for the nine months ended 30 September 2020, being approximately RMB199 million, was close to the Deposit Cap for FY2020. As the Company is of the view that by allocating the Group’s cash among Zhuangbei Finance and other licensed banking institutions in the PRC, the Group is able to reasonably reduce the financial risks of capital overconcentration while retaining the benefit of financial settlement through Zhuangbei Finance, it is

reasonable for the Company to reduce the Deposit Transaction amount in FY2021 and set the Deposit Cap for FY2021 at a lower level of RMB190 million.

Taken into account the aforesaid basis of determining the Deposit Cap for FY2021, we concur with the Directors that the Deposit Cap for FY2021 is fair and reasonable.

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

Listing Rules implications on the Non-Exempt Continuing Connected Transactions

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 respective annual caps; (ii) the terms of the Framework Agreements for the Non-Exempt Continuing Connected Transactions (together with the 2021 Annual 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 2021 Annual 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 (in respect of services provision only); and (iv) have exceeded the 2021 Annual Caps. In the event that the total amounts of the Non-Exempt Continuing Connected Transactions are anticipated to exceed the 2021 Annual 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 on the Non-Exempt Continuing Connected Transactions

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms the Non-Exempt Continuing Connected Transactions (including the 2021 Annual Caps) are on normal commercial terms and are fair and reasonable; and (ii) 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 resolutions to be proposed at the EGM to approve the Non-Exempt Continuing Connected Transactions (including the 2021 Annual Caps) and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
David Kwan
Director

Note: Mr. David Kwan 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 10 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 2017, 2018 and 2019 have been disclosed in the following documents:

- 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).
- Annual report of the Company for the year ended 31 December 2018 published on the HKExnews website (www.hkexnews.hk) and the Company's website on 16 April 2019 (Pages 58 to 140).
- Annual report of the Company for the year ended 31 December 2019 published on the HKExnews website (www.hkexnews.hk) and the Company's website on 21 April 2020 (Pages 60 to 148).

2. Indebtedness

As at the close of business on 30 November 2020, 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 RMB6,000,000 from a PRC commercial bank. 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 2020, 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 and having taking into account the currently available internal resources of the Group, are of the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least twelve months from the date of publication of this circular.

4. Financial and Trading Prospects

As disclosed in the 2020 Interim Report of the Company, for the six months ended 30 June 2020, affected by decline in production and sales of automobiles by customers, the Group recorded a total revenue of approximately RMB1,828,526,000, representing a decrease of approximately 4.80% as compared with the corresponding period of last year. For the six months ended 30 June 2020, due to the overall weakness of the domestic automotive industry, intensified competition in the automotive logistics market, continued decline in logistics service prices, and rising operating costs caused by rising transportation costs and other unfavorable factors, the Group's gross profit margin and net profit margin decreased to 3.17% (for six months ended 30 June 2019: 5.89%) and (2.15%) (for six months ended 30 June 2019: 0.98%), respectively. The profit attributable to the equity holders of the Company for the six months ended 30 June 2020 decreased to approximately RMB (43,318,000) from approximately RMB13,994,000 in the corresponding period of last year.

From a global perspective, the pandemic continues to spread rapidly, and the prevention and control situation is still severe. Affected by the pandemic, the world economy has slid into recession and subsequent recovery will be prolonged, while, at the same time, the global trade protectionism and geopolitical risks will further increase uncertainties for global economic recovery. From the perspective of the domestic situation, the economy will gradually recover as a result of better virus control, proactive macroeconomic policies, and a massive domestic market which will support further reform, opening-up and the continuous release of innovation. That being said, the unstable Sino-US relations and fast spreading of virus worldwide will lead to greater uncertainties in terms of global economic recovery. The pressure and challenges facing China's economic development are still great.

With the increasing uncertainty of global and domestic microeconomic trends, the development trend of automobile industry in the second half of 2020 is also challenging. From the perspective of international situation, the current international market environment is complicated and international economic and trade rules have entered into a period of in-depth adjustment, which would confront the domestic automakers with harsher export environment. In addition, the statistics released by China Association of Automobile Manufacturers has shown that automobile exports in the first half of 2020 totaled 386,000 units, representing a decrease of 20.9% compared with the corresponding period of last year. Under the combined effect of the objective conditions of repeated overseas resurgence of the virus, suppressed exports and intensified trade frictions, the prospects for export of automobiles in the second half of 2020 are also not optimistic. From a domestic perspective, as China has achieved positive results in the overall epidemic prevention and control and economic and social development, the overall recovery of economic operations has continued to improve, especially driven by various consumer promotion policies, market players have accelerated the resumption of business and market, consumption by residents has increased in an orderly manner, market vitality has gradually increased, and market sales have continued to improve.

With crisis comes the opportunities and with challenges comes with new prospects. In the second half of 2020, the Company will continue to work hard to carry out operational plans and try its best to achieve a decent business results by sizing every moment with passion and overcoming obstacles with unswerving determination. The Company will remain committed to self-transformation and upgrading, high quality development, deepening reform and innovation against all the difficulties and challenges, pushing itself towards becoming a trust-worthy first-class intelligent logistics and supply chain provider.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTEREST

(a) Directors and Supervisors of the Company

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

(b) Substantial Shareholders

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

Name of Shareholders	Capacity	Number of Shares	Percentage of Domestic Shares (non-H Foreign Shares Included)	Percentage of H Shares	Percentage of Total Registered Share Capital
China South Industries Group Co., Ltd.	Interest of a controlled corporation	41,225,600(L) (Domestic Shares)	38.51%	-	25.44%
China Changan Automobile Group Company Limited ("China Changan")	Beneficial owner	41,225,600(L) (Domestic Shares)	38.51%	-	25.44%
Kintetsu World Express, Inc.	Interest of a controlled corporation	33,619,200(L) (Non-H Foreign Shares)	31.40%	-	20.74%

APL Logistics Ltd. ("APL Logistics")	Beneficial owner	33,619,200(L) (Non-H Foreign Shares)	31.40%	-	20.74%
重慶盧作孚股權基金 管理有限公司	Interest of a controlled corporation	32,219,200(L) (Domestic Shares and Non-H Foreign Shares)	30.09%	-	19.88%
Minsheng Industrial (Group) Co., Ltd. ("Minsheng Industrial") (<i>note 1</i>)	Beneficial owner	25,774,720(L) (Domestic Shares)	24.07%	-	15.90%
Minsheng Industrial	Interest of a controlled corporation	6,444,480(L) (Non-H Foreign Shares)	6.02%	-	3.98%
Ming Sung Industrial Co., (HK) Limited ("Ming Sung (HK)") (<i>note 1</i>)	Beneficial owner	6,444,480(L) (Non-H Foreign Shares)	6.02%	-	3.98%
Pemberton Asian Opportunities Fund	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 (<i>note 2</i>)	Interest of a controlled corporation	3,423,000(L)	-	6.22%	2.11%
Braeside Investments, LLC (<i>note 2</i>)	Investment manager	3,423,000(L)	-	6.22%	2.11%
Braeside Management, LP (<i>note 2</i>)	Investment manager	3,423,000(L)	-	6.22%	2.11%

Note 1: Ming Sung (HK) is the subsidiary of Minsheng 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. Chen Wenbo Deputy General Manager of Minsheng Shipping Co., Ltd.
- b. William K Villalon President of APL Logistics Ltd.
- c. Chen Xiaodong Board Secretary & the Head of Corporate Planning Department of Minsheng Shipping Co., Ltd.
- d. Man Hin Wai Paul Regional Vice President, North Asia of APL Logistics Ltd.
- e. Xia Lijun Head of the General Office of China Changan

Supervisors

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

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company and its subsidiaries since 31 December 2019, 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 transactions under the Finance Lease Agreements and the Non-exempt Continuing Connected Transactions for 2021 with each of Changan Automobile, China Changan and Minsheng Industrial and the deposit transaction with Zhuangbei Finance (including the Proposed Caps and the maximum outstanding daily balance on the Deposit)

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 2019 (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 2019 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

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

8. COMPETING INTERESTS

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

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

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

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

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

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

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

9. MISCELLANEOUS

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

10. MATERIAL CONTRACTS

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

- (a) the capital increase and shareholders agreement entered into between 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”) on 5 December 2018, pursuant to which, the Company agreed to contribute RMB85,072,038.96, while Port Group would contribute RMB107,026,113.53, and Anji Logistics would contribute RMB82,327,779.64 respectively to the capital increase of Ro-Ro Company (which would then be restructured into a joint venture company).
- (b) the Capital Increase and Shareholders’ Subscription Agreement entered into between the Company and Zhuangbei Finance on 20 May 2019, pursuant to which the Company subscribed for 7,570,000 subscription shares at RMB2.13 per each subscription share of Zhuangbei Finance for a subscription price of RMB16,124,100.
- (c) the joint venture agreement entered into between the Company, Tianjin Gang Economic and Technical Cooperation Limited Company, Yiqi Logistics Co., Ltd. and GAC Business Co., Ltd. on 29 October 2019, pursuant to which, the parties agreed to establish a joint venture company and each of the Company, Tianjin Gang Economic and Technical Cooperation Limited Company, Yiqi Logistics Co., Ltd., GAC Business Co., Ltd. would contribute in cash respectively in the amount of RMB22,700,000, RMB231,540,000, RMB104,420,000, RMB95,340,000, representing 5%, 51%, 23%, 21% of the equity of the joint venture company.
- (d) the joint venture agreement entered into between the Company and Shenyang Changyou Automobile Supply Chain Co., Ltd. on 6 November 2019, pursuant to which, the parties agreed to establish a joint venture company and each of the Company and Shenyang Changyou Automobile Supply Chain Co., Ltd. would contribute in cash respectively in the amount of RMB45,900,000 and RMB44,100,000, representing 51% and 49% of the equity of the joint venture company.
- (e) the Finance Lease Agreements.

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 30 December 2020:

- a) the articles of association of the Company;
- b) the Finance Lease Agreements;
- c) the Framework Agreements for the Non-Exempt Continuing Connected Transactions for 2021~2023;
- d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- e) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- f) the consent letter of Gram Capital referred to in the paragraph headed "CONSENT OF EXPERT" in this Appendix;
- g) the annual reports of the Company for the three financial years ended 31 December 2017, 2018 and 2019 respectively;
- h) the material contracts referred to in item 10 of this Appendix;
- i) the 2020 Interim Report of the Company; and
- j) this circular.