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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)

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2020
AND MAJOR TRANSACTION; AND
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 4 December 2019 is set out on pages 5 to 35 of this circular. A letter from the Independent Board Committee of Changan Minsheng APLL Logistics Co., Ltd. is set out on pages 36 to 37 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 38 to 62 of this circular.

The notice for convening the EGM to be held at 10:00 a.m. on 20 December 2019 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 4 November 2019.

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 19 December 2019) or any adjournment thereof. Completion and delivery of the proxy form will not preclude you from attending, and voting in person at, the meeting or any adjournment thereof if you so wish.

** For identification purpose only*

4 December 2019

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DEFINITIONS

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

“2019 First EGM” or “EGM”	the first extraordinary general meeting of 2019 of the Company to be convened at the Company’s Conference Room, No.1881, Jinkai Road, Yubei District, Chongqing, the PRC on 20 December 2019 for purposes of considering and approving, among others, each of the Non-Exempt Continuing Connected Transactions for 2020 (and the respective annual caps) and the major transaction regarding the deposit transaction with Zhuangbei Finance and the proposed amendments to the Articles of Association
“Announcement”	the announcement published by the Company on 30 October 2017 regarding, among others, the Existing Continuing Connected Transactions
“APLL”	APL Logistics Ltd.
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baogang Zhushang”	Nanjing Baogang Zhushang Metal Products Company Limited
“Board”	the board of directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission, consolidated from the former China Banking Regulatory Commission, and China Insurance Regulatory Commission
“Changan Automobile”	Chongqing Changan Automobile Co., Ltd. (重慶長安汽車股份有限公司), a joint stock company established in China on 31 October 1996, the shares of which are listed on the A and B share markets of the Shenzhen Stock Exchange
“Changan Group”	the group of companies owned or controlled by China Changan from time to time
“Changan Industry Company”	Chongqing Changan Industry (Group) Co., Ltd., a limited liability company established in China on 28 October 1996, formerly known as Changan Automobile Company (Group) Limited (長安汽車(集團)有限責任公司)
“China Changan”	China Changan Automobile Group Company Limited (中國長安汽車集團有限公司), a company established in the PRC on 26 December 2005, former name was China South Industries Automobile Corporation (中國南方工業汽車股份有限公司)

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“China” or “PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Chongqing Changxin”	Chongqing Changxin Construction Co., Ltd.(重慶長鑫建築工程有限公司)
“Circular”	the circular published by the Company on 29 November 2017 regarding, among others, the then Non-Exempt Continuing Connected Transactions contemplated under the framework agreement(s) for the non-exempt continuing connected transactions
“Company”	Changan Minsheng APLL Logistics Co., Ltd. (重慶長安民生物流股份有限公司)
“Continuing Connected Transactions Exempt from Independent Shareholders’ Approval Requirements for 2020”	the continuing connected transactions to be conducted in 2020, as set out under the paragraph headed “Continuing Connected Transactions Exempt from Independent Shareholders’ Approval Requirements for 2020” in the announcement of the Company dated 4 November 2019
“CSG”	China South Industries Group Corporation (中國南方工業集團公司), renamed to China South Industries Group Corporation Co., Ltd. (中國兵器裝備集團有限公司), a company established in the PRC on 1 July 1999 with limited liability
“CFCA”	China Financial Certification Authority (中國金融認證中心)
“Deposit”	the deposit from time to time placed or to be placed by the Group with Zhuangbei Finance pursuant to the framework agreement entered into between the Company and Zhuangbei Finance on 30 October 2017
“Director(s)”	Director(s) of the Company
“Existing Continuing Connected Transactions”	collectively, the Non-Exempt Continuing Connected Transactions for 2020 and the Continuing Connected Transactions Exempt from Independent Shareholders Approval Requirements for 2020
“Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions for 2020”	the framework agreement entered into between the Company with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance on 30 October 2017, all of such agreements are for a term of three years from 1 January 2018 to 31 December 2020, individually or collectively (as the case may be)
“Gram Capital” or “Independent Financial Advisor”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), and appointed by the Company as the independent financial

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	advisor to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Non-Exempt Continuing Connected Transactions for 2020 (and the respective caps for 2020) and the major transaction regarding the deposit transaction contemplated under the framework agreement with Zhuangbei Finance, 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
“Independent Board Committee”	a committee comprised of Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun, all of whom are independent non-executive directors of the Company, formed to advise the Independent Shareholders in connection with the Non-Exempt Continuing Connected Transactions for 2020 (and the respective proposed caps for 2020) and the major transaction regarding the deposit transaction contemplated under the framework agreement with Zhuangbei Finance
“Independent Third Party(ies)”	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which is/are third party(ies) independent of the Company and its connected person(s) (as defined under the Listing Rules)
“Independent Shareholders”	shareholders of the Company that, in relation to the resolutions approving each of the Non-exempt Continuing Connected Transactions for 2020 contemplated under each of the framework agreements with China Changan, Changan Automobile, Zhuangbei Finance and their respective associates, exclude China Changan and its associates; in relation to the resolutions approving the Non-exempt Continuing Connected Transactions for 2020 contemplated under the framework agreement(s) with Minsheng Industrial and its associates, exclude Minsheng Industrial, Ming Sung (HK) and their respective associates
“Latest Practicable Date”	2 December 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Minsheng Industrial”	Minsheng Industrial (Group) Co., Ltd.(民生實業（集團）有限公司), a limited liability company established in China on 10 October 1996
“Ming Sung (HK)”	Ming Sung Industrial Co., (HK) Limited, a company established in Hong Kong with limited liability on 31 May 1949
“Nanjing CMSC”	Nanjing CMSC Logistics Co., Ltd. (南京長安民生住久物流有限公司), a foreign invested joint venture company established in 2007
“Non-Exempt Continuing Connected Transactions for 2020”	the continuing connected transactions to be conducted in 2020 under the Framework Agreements for the Non-Exempt Continuing Connected Transactions for 2020, as set out under the paragraph headed “Non-Exempt Continuing Connected Transactions for 2020 and Major Transaction” in this circular, individually or collectively (as the case may be)
“percentage ratio(s)”	has the same meaning ascribed thereto under the Listing Rules;
“PBOC”	The People’s Bank of China
“RMB”	Renminbi, the lawful currency of 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
Li Xin

Independent non-executive directors:

Chong Teck Sin
Poon Chiu Kwok
Jie Jing
Zhang Yun

Registered Office:

No. 1881
Jinkai Road
Yubei District
Chongqing
The PRC

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

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

* *For identification purpose only*

4 December 2019

To the Shareholders

Dear Sir or Madam,

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2020
AND MAJOR TRANSACTION; AND
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

A. INTRODUCTION

Reference is made to the announcement of the Company dated 4 November 2019 in relation to, among other things, (i) Non-Exempt Continuing Connected Transactions for 2020 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2020 and major transaction with Zhuangbei Finance; and (ii) proposed amendments to the Articles of Association.

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Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders' approval in relation to (i) the Non-Exempt Continuing Connected Transactions for 2020 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2020 and major transaction with Zhuangbei Finance; and (ii) proposed amendments to the Articles of Association at the EGM.

To comply with the requirements of the Listing Rules, the Independent Board Committee will advise the Independent Shareholders regarding the Non-Exempt Continuing Connected Transactions for 2020 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2020 and major transaction with Zhuangbei Finance. The letter from the Independent Board Committee to the Independent Shareholders is included in this circular. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Non-Exempt Continuing Connected Transactions for 2020 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2020 and major transaction with Zhuangbei Finance and whether such transactions are in the interests of the Company and its Shareholders as a whole. The letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders is also included in this circular.

The purposes of this circular are to provide you with:

- (i) further information in relation to the Non-Exempt Continuing Connected Transactions for 2020 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2020 and major transaction with Zhuangbei Finance;
- (ii) further information in relation to the proposed amendments to the Articles of Association;
- (iii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2020 and major transaction; and
- (iv) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2020 and major transaction.

Shareholders are advised to read this circular carefully for details of each of the Non-Exempt Continuing Connected Transactions for 2020 and major transaction (including the proposed cap for 2020 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2020) and the proposed amendments to the Articles of Association before making their decision as regards voting at the 2019 First EGM.

B. BACKGROUND OF THE EXISTING CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION

Reference is made to the Announcement and the Circular of the Company in relation to, among other things, the framework agreement(s) relevant to the Existing Continuing Connected Transactions. The framework agreements were all entered into by the Company on 30 October 2017, each for a term of three years commencing on 1 January 2018 and expiring on 31 December 2020. Details of the framework agreements are set out below:

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- (1) the framework agreement entered into between the Company and Changan Automobile, pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for car raw materials, components and parts) to Changan Automobile and its associates;
- (2) the framework agreement entered into between the Company and China Changan, pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for car raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) to China Changan and its associates;
- (3) the framework agreement entered into between the Company and Minsheng Industrial, pursuant to which the Group shall purchase logistics services from Minsheng Industrial and its associates;
- (4) the framework agreement entered into between the Company and Zhuangbei Finance, pursuant to which Zhuangbei Finance shall provide the Group with settlements, deposit and loans, note discounting services;
- (5) the framework agreement entered into between the Company and Minsheng Industrial, pursuant to which the Group shall provide logistics services to Minsheng Industrial and its associates;
- (6) the framework agreement entered into between the Company and China Changan, pursuant to which the Group shall purchase security and cleaning services, property leasing services and logistics services from China Changan and its associates;
- (7) the framework agreement entered into between the Company and APLL, pursuant to which the Group shall (i) provide logistics services to APLL and its associates and (ii) purchase logistics services from APLL and its associates;
- (8) the framework agreement entered into between the Company and Chongqing Changxin, pursuant to which the Group shall purchase maintenance services from Chongqing Changxin and its associates;
- (9) the framework agreement between the Company and Zhuangbei Finance, pursuant to which the Group shall provide financial logistics services to Zhuangbei Finance and its associates; and
- (10) the framework agreement entered into between Nanjing CMSC and Baogang Zhushang, pursuant to which Nanjing CMSC shall provide logistics services to Baogang Zhushang and its associates.

Accordingly, based on the relevant percentage ratios according to the then scale of transactions for each of the Existing Continuing Connected Transactions,

- (a) the Company published the Announcement and Circular, and obtained the then Independent Shareholders' approval with respect to the entering into each of the framework agreements and the annual cap for the year ended 31 December 2018 for the transactions contemplated under each of the framework agreements set out in items (1) to (4) above. Please refer to the Announcement, Circular and the announcement on poll results published by the Company on 15 December 2017 for further details; and

(b) the Company published the announcement and circular with respect to the annual cap for the year ending 31 December 2019 for the transactions contemplated under each of the framework agreements set out in items (1) to (10) above, and obtained the then Independent Shareholders' approval with respect to the annual cap for the year ending 31 December 2019 for the transactions contemplated under each of the framework agreements set out in items (1) to (4) above. Please refer to the announcement, circular and announcement on poll results published by the Company on 13 November 2018, 14 December 2018 and 31 December 2018, respectively, for further details.

In order to continue with the Existing Continuing Connected Transactions in 2020, the Company has set the annual cap of each of the Existing Continuing Connected Transactions for the financial year ending 31 December 2020. Based on the relevant percentage ratios according to the scale of transactions, the transactions contemplated under the above framework agreements will be classified as the "Non-Exempt Continuing Connected Transactions for 2020" and the "Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2020", respectively. With respect to the Non-Exempt Continuing Connected Transactions for 2020 (including the deposit transactions with Zhuangbei Finance which also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules), the Company proposes to seek for approval by Independent Shareholders at the forthcoming 2019 First EGM. With respect to the Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements for 2020, please refer to the announcement of the Company dated 4 November 2019 for details.

Apart from setting the cap for each of the Existing Continuing Connected Transactions for the financial year ending 31 December 2020, the Company confirms that there have been no changes to the terms of each of the above framework agreements.

C. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2020 AND MAJOR TRANSACTION

1. Relationship between the parties

As at the Latest Practicable Date, China Changan holds approximately 25.44% of the issued share capital of the Company and 19.33% of the equity interests of Changan Automobile. In addition, CSG holds 100% equity interests in China Changan and 21.56% equity interests in Changan Automobile. Zhuangbei Finance is a member company of CSG in that CSG holds a 22.9% equity interest in Zhuangbei Finance and China Changan holds a 12.46% equity interest in Zhuangbei Finance. As at the Latest Practicable Date, the Company holds approximately 0.81% equity interests in Zhuangbei Finance. Therefore, according to the Listing Rules, the transactions between the Group and each of 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. Changan Group CCT

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

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- (1) provision of logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for car raw materials, components and parts) to Changan Automobile and its associates; and
- (2) provision of logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for car raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) to China Changan and its associates.

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

For logistics industry, 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.

For the three years ended 31 December 2018, the historical percentage of the revenue derived from the transactions with Changan Automobile and its associates to the Company's total revenue was approximately 89.7%, 83.9% and 81.9%, respectively, while the historical percentage of the revenue derived from the transactions with China Changan and its associates to the Company's total revenue was approximately 0.3%, 0.2% and 1.2%, respectively. Given that the revenue derived from transaction with Changan Automobile and China Changan and their respective associates accounted for a substantial portion of the revenue of the Group, if Changan Group ceases to use or substantially reduces the use of the Group's logistics services and if the Group is not able to secure new customers with similar sales volume on terms acceptable to the Group, the business scale of the Group will be substantially reduced and the financial performance of the Group will be adversely affected. To mitigate the potential risk that may cause to the Group, the Group has adopted the following measures:

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

Apart from the above, the Group also actively explores more non-automobile logistics businesses and multimodal transportation (多式聯運) businesses.

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

(1) Consolidating traditional business:

Under the current grim domestic automobile market, in order to stabilize the business foundation, the Group has stepped up efforts to explore traditional business to ensure primary sources of business and revenue. In 2019, the Group developed finished vehicle transportation with Chengdu branch of Yiqi Logistics Co., Ltd. ("**Yiqi Logistics**"), finished vehicle transportation of Saic-iveco Hongyan brand with Hangzhou Changan Minsheng Anji Logistics Company Limited ("**Hangzhou Changan**"). Yiqi Logistics, Tianjin Gang Economic and Technical Cooperation Limited Liability Company ("**Tianjin Gang Limited**"), GAC Business Co., Ltd. and the Company established a joint venture, which is owned as to 23% by Yiqi Logistics, 51% by Tianjin Gang Limited, 21% by GAC Business Co., Ltd. and 5% by the Company. The Company holds 50% of equity interests of Hangzhou Changan. Each of Yiqi Logistics, Tianjin Gang Limited, GAC Business Co., Ltd. is Independent Third Party.

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

In addition to consolidating the traditional business, the Group explores the automobile logistics business from non-connected parties, such as transportation of body in white of Geely brand automobiles from Ningbo Yuantian Supply Chain Management Company Limited ("**Ningbo Yuantian**"), transportation of Tesla sedans with China Automobile Trading Co., Ltd., etc.. Pursuant to the business contract entered into between the Company and Ningbo Yuantian, the Company shall transport body in white of Geely brand automobiles by road for Ningbo Yuantian from Ningbo of Zhejiang province to Chengdu of Sichuan province for a term commencing from 1 March 2019 to 31 December 2019. The service rate is approximately RMB2,550 (before tax) per car. Pursuant to the business contract entered into between the Company and China Automobile Trading Co., Ltd., the Company shall transport finished vehicle in car transporters from Shanghai port to designated delivery destination within designated timeframe. The service rate varies from destinations. The service rate ranges from RMB1,292 to RMB2,462 for transportation from Shanghai port to Beijing, Tianjin, Shandong and Shenyang. In addition, the service rate also varies from RMB1,429 to RMB3,494 for transportation from Shanghai port to Chengdu, Xi'an, Taiyuan, Chongqing, Zhengzhou and Kunming. Each of Ningbo Yuantian and China Automobile Trading Co., Ltd. is Independent Third Party.

(3) Exploring the non-automobile logistics business :

Based on the automobile logistics business, the Group gradually tapped into the non-automobile aspects of the logistics market. In 2018, the Group developed bulk transportation of mineral raw materials and products of BOSAI Group. In 2019, the Group developed storage business with SABIC Innovative Plastics, household appliances of Haier brand with Chongqing Jingqun Logistics Company Limited. Each of BOSAI Group, SABIC Innovative Plastics and Chongqing Jingqun Logistics Company Limited is Independent Third Party.

The Group will base on and consolidate our automobile logistics business and on the basis of stabilizing the Group's main source of revenue, gradually explore business from non-connected parties and non-automobile logistics business. The Company endeavors to leverage on the Group's strength in provision of integrated logistics service along the automotive supply chain to expand logistics business with non-related parties.

In 2019, the Group has been exploring tyre assembly business from an independent substantial customer. The Company envisages that the Group could cut into the fierce competition among logistics suppliers of the independent substantial customer and thereby further mitigating the uncertainties and risks of limited sources of business under the grim domestic automobile market and maximizing the revenue of the Group. Please refer to the announcement of the Company dated 6

November 2019 regarding the establishment of a joint venture company with Shenyang Changyou Automobile Supply Chain Co., Ltd. (an Independent Third Party) for the purpose of exploring tyre assembly business and other logistics business to be awarded from time to time by the potential independent substantial customer. In addition, Changan Minsheng (Shanghai) Supply Chain Co., Ltd., a wholly-owned subsidiary of the Company, entered into a service contract with Chongqing Hafo Logistics Co., Ltd. (which is an Independent Third Party), pursuant to which Changan Minsheng (Shanghai) Supply Chain Co., Ltd. shall provide auto parts logistic services to Chongqing Hafo Logistics Co., Ltd. for a term commencing on 1 September 2019 and expiring on 30 June 2022. The transaction amount per year is estimated to be approximately RMB13 million.

It has been the long-term goal of the Group to maintain a balance of customer portfolio to minimize customer concentration risk. For the years ended 31 December 2017, 31 December 2018 and the nine months ended 30 September 2019, the Company had roughly 1,298, 1,296 and 1,396 customers who are Independent Third Parties and the transaction amount (unaudited) of the logistic business with business partners who are Independent Third Parties amounted to RMB1,034 million, RMB846 million and RMB650 million (unaudited), representing approximately 15.6%, 16.5% and 21.2% of the revenue of the Group. Together with the major customers sourced by the Group in 2019, the Group expects that the revenue to be contributed by customers who are Independent Third Parties will continue to rise in 2020. Based on the information currently available to the Group, the Group estimates that the revenue to be contributed by customers who are Independent Third Parties for the year ending 31 December 2020 will not be less than 22% of the total revenue of the Group.

To demonstrate the Company's determination to minimize customer concentration risk, the Company has formed a special working group for market development. The special working group is led by the general manager and comprises all functional departments. Market development personnel will gather market information and will follow up and pursue business contact when appropriate. In addition, 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 will from time to time evaluate the achievement of the special working group and the effectiveness of the reward scheme.

With the concerted efforts of the Group and taking into account the estimated revenue to be generated from the diversified businesses mentioned above, the Group expects that the proportion of the revenue from non-connected persons will be further increased.

3. Framework Agreements for the Non-Exempt Continuing Connected Transactions for 2020

Based on the relevant percentage ratios according to the scale of transactions, the framework agreements comprised in the Non-Exempt Continuing Connected Transactions for 2020 are:

- (1) the framework agreement entered into between the Company and Changan Automobile on 30 October 2017, pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for car raw materials, components and parts) to Changan Automobile and its associates;
- (2) the framework agreement entered into between the Company and China Changan on 30 October 2017, pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for car raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) to China Changan and its associates;

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- (3) the framework agreement entered into between the Company and Minsheng Industrial on 30 October 2017, pursuant to which the Group shall purchase logistics services from Minsheng Industrial and its associates;
- (4) the framework agreement entered into between the Company and Zhuangbei Finance on 30 October 2017, pursuant to which Zhuangbei Finance shall provide the Group with settlements, deposit and loans, note discounting services; and
- (5) the framework agreement entered into between the Company and Minsheng Industrial on 30 October 2017, pursuant to which the Group shall provide logistics services to Minsheng Industrial and its associates.

The Framework Agreements for the Non-Exempt Continuing Connected Transactions for 2020 are not inter-conditional with each other. The transactions contemplated under each of the Framework Agreements for the Non-Exempt Continuing Connected Transactions for 2020 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 for 2020. Payment of each Non-Exempt Continuing Connected Transaction for 2020 will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contract(s) to be entered into pursuant to the relevant framework agreements.

4. Internal Control Measures to ensure the Continuing Connected Transactions be conducted in accordance with the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions for 2020

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:

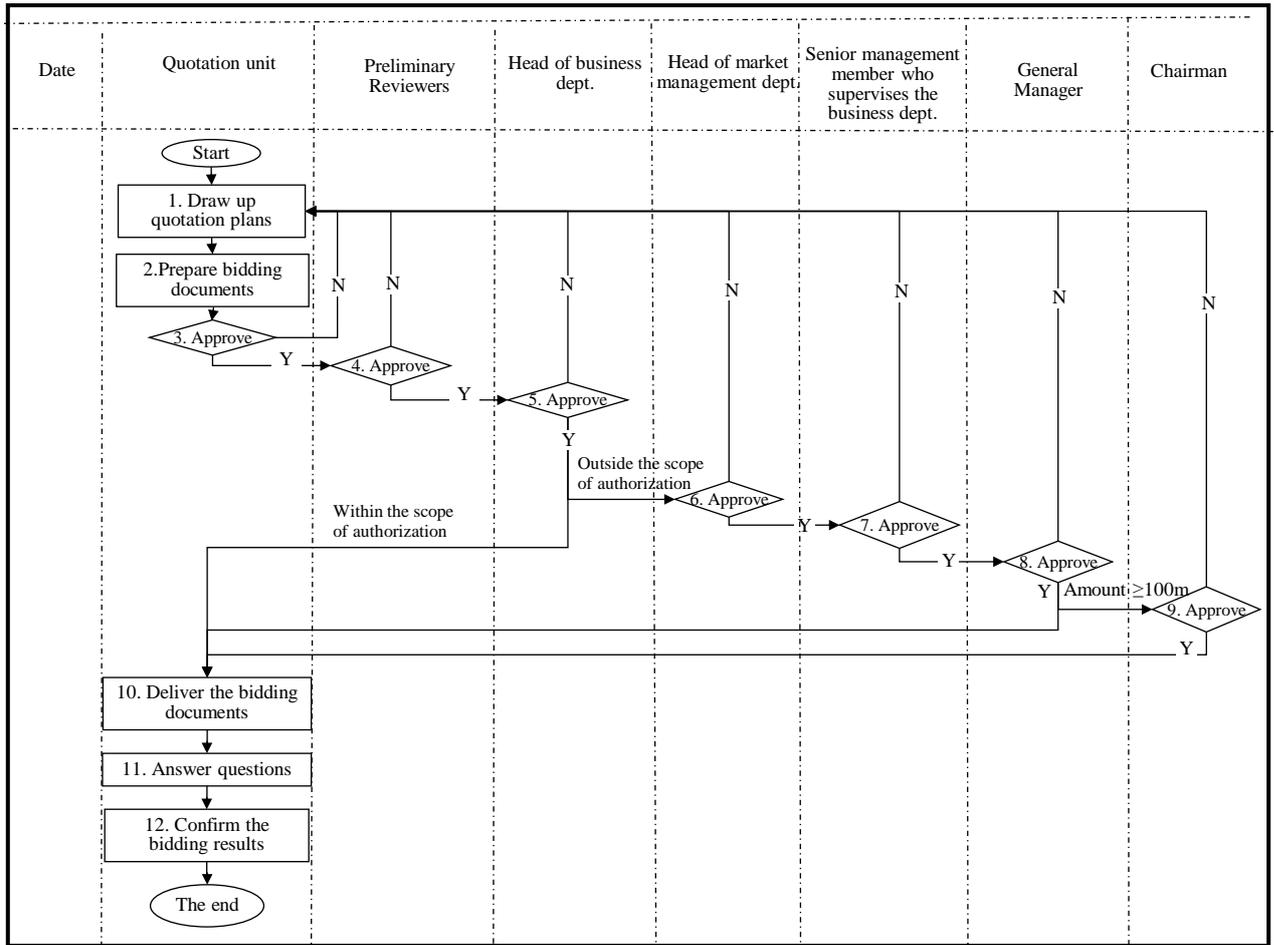
Role	Responsibility	Participants
Bidding representative of the quotation unit (at all levels)	<p>Upon obtaining the solicitation documents or expressions of interest by a customer, bidding representative shall be responsible for:</p> <p>(a) attributing the project to a specific business unit according 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>	Business development managers/commercial attaches/ marketing specialists/ marketing officers

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	(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.	
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
Head of business department (at all levels)	Head of the business operation unit shall be responsible for (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.	Head of the business department, deputy head of the department, commercial manager
Head of the market management department (at all levels)	Head of the market department shall be responsible for reviewing, (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.	Head of the marketing department
Senior management member who supervises the business department	Senior management member who supervises the business department shall be responsible for further reviewing, (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.	Senior management member
General Manager	General manager of the Company will be responsible for approving, (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.	General Manager
Chairman	Chairman of the Company will be responsible for approving all projects with an estimated revenue of over RMB100 million.	Chairman

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(b) 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.

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- (6) The external auditors of the Company will conduct an interim review and year-end audit for each financial year, and will issue their opinion and letter to the Board in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the preceding financial year pursuant to the Listing Rules. In addition, according to the Listing Rules, the independent non-executive Directors of the Company will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm 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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In 2019, the Group provided automobile aftermarket spare parts transportation services for Changan Automobile. The contract for provision of such logistic service (and the related the service rate) was awarded to the Group through public bidding.

Other than the above, no services provided by the Group so far in 2019 to each of China Changan, Minsheng Industrial and their respective associates was determined by bidding process.

5. Pricing Policy, Historical Figures, Historical Caps (2017-2019), Proposed Cap for 2020 and Rationale

The caps in respect of each of the Non-Exempt Continuing Connected Transactions and major transaction for 2020 are set out as follows:

1. Logistics services (including but not limited to the following logistics services: finished vehicle transportation, tyre 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> <p>(1) Bidding Price: the price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. The Company has established Bidding Quotation Process and Bidding Quote Management Procedures. Briefly, the Company’s enterprise technical department will draw up the technical and operation plans whereas the marketing and customer service department will provide business plan and the two departments will collaborate in preparing the bidding document in accordance with the specific requirements of our customers. Bidding representative of the Company will deliver the bidding offer and follow up on the bidding process. The Company will set up a working group to assist the bidding representative in the response to the bidding before the bidding representative will finally be informed of the bidding results.</p> <p>(2) Internal Compared Price: in determining the quote to be offered by the Group in internal compared pricing method, whenever practical and appropriate, the Company will comprehensively consider the feasibility of the project, and the Company’s knowledge on at least two competing third parties to ascertain whether and at what price the Group should participate in the project.</p> <p>(3) Cost-plus Price: to be determined with reference to a reasonable cost plus a reasonable profit margin. The Company will consider the labor cost, equipment operation cost, material inputs and etc. to comprehensively measure the cost. The profit margin for each project varies depending on the different technical requirements, staffing, resources commitment and location.</p> <p>If the Group does not have a choice in the pricing policy, the Group will endeavor to determine the price(s) based on cost-plus basis to ensure that the Group can achieve a reasonable profit in participating in the project(s).</p>			
	Proposed cap and basis	Historical figures	Historical caps (for 2017-2019)	Proposed Cap for 2020
	For the two years ended 31 December 2018, and 9 months ended 30 September 2019, RMB5,551,987,000, RMB4,187,495,000	For the three years ending 31 December 2019, RMB12,500,000,000, RMB8,500,000,000	For the year ending 31 December 2020, RMB4,060,000,000	Changan Automobile is one of the four major automakers in the PRC, with roughly 16 manufacturing bases and up to 35 plants for finished vehicles and engines production

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	<p>and RMB2,412,040,000 respectively</p>	<p>0 and RMB7,500,000,00 0 respectively</p>	<p>worldwide, several JV brands and vast pool of clientele in the PRC. As a long-term business partner of Changan Automobile, the Group's logistics services has been highly recognized by Changan Automobile and its associates, as such, Changan Automobile intends to continue to purchase logistics services from the Group for the year ending 31 December 2020. The annual cap for the year ending 31 December 2020 is determined based on (1) the historical figures for the year ended 31 December 2017 and 2018, (2) estimated annual transaction amount with Changan Automobile and its associates for the year ending 31 December 2019 as November and December used to be the peak seasons for sale of automobiles by Changan Automobile, and (3) the Group's estimated increase in the purchasing volume of logistic services by Changan Automobile and its associates for the year of 2020.</p> <p>Although there is a decline in the transaction amount between the Group and Changan Automobile and its associates in the past, the Directors are of the view that Changan Automobile and its associates would increase purchasing volume of logistics services in 2020 as several improved models of vehicles such as CS75 Plus, CS85 COUPE, which were launched recently, have received popularity in the market. In addition, as the Directors understand, Changan Automobile and its associates also expect to launch several improved models in late 2019 and new models of vehicles next year including the improved models of OUSHANG X7 and Mazda 3 Axela, whilst Changan Ford</p>
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				<p>will introduce the production of Lincoln-brand Automobile. All these will contribute to the increased demand for logistic services by Changan Automobiles and its associates from the Group. Accordingly, the Directors are of the view that the setting of the annual cap of RMB4,060,000,000 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>			
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Proposed cap and basis	Historical figures	Historical caps (for 2018-2019)	Proposed Cap for 2020	Basis of determination of the Proposed Cap for 2020
	For the year ended 31 December 2018 and 9 months ended 30 September 2019, RMB61,691,000 and RMB50,940,000	For the year ended 31 December 2018 and the year ending 31 December 2019, RMB300,000,000 and	For the year ending 31 December 2020, RMB95,000,000	China Changan has more than ten member companies which are mainly engaged in parts production. Currently, the Group has established steady business contact with several member companies of China

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		RMB250,000,000		<p>Changan such as Sichuan Jianan Industrial Co. Ltd., Chengdu Huachuan Electric Parts Co., Ltd., Harbin Dongan Automotive Power Co., Ltd., Harbin Dongan Automotive Engine Manufacturing Co., Ltd., South Inter Air-Conditioner Co., Ltd.. In order to maximize revenue, the Group intends to continue to conduct business with China Changan and its associates for the upcoming year. The proposed annual cap for the year ending 31 December 2020 is determined after having considered the transaction amount for the year ended 31 December 2018, the estimated amount for the year ending 31 December 2019 and the Group's expected increase in the transaction amount from conducting business with China Changan and its associates for the year ending 31 December 2020. The proposed annual cap represents less than one third of the annual cap for logistic services between the Group and China Changan and its associates set for the year ended 31 December 2018. In arriving at the proposed annual cap for the year ending 31 December 2020 at RMB95,000,000, the Directors have, apart from the factors set out above, also considered the rebound in the domestic automobile market in that the sale of automobile parts by China Changan and its associates including Sichuan Jianan Industrial Co., Ltd. for 2020 will increase. In addition, Chengdu Huachuan Electric Parts Co., Ltd., an associate of China Changan and the producer of automobile parts for Changan Automobile, have appointed the Group to provide logistic services for them. Accordingly, the Directors are of the view that the demand for</p>
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				<p>logistic services by China Changan and its associates from the Group will increase in 2020. Accordingly, the Directors are of the view that the setting of the annual cap for the year ending 31 December 2020 at RMB95,000,000 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 2017-2019)	Proposed Cap for 2020	Basis of determination of the Proposed Cap for 2020
	<p>For the two years ended 31 December 2018, and 9 months ended 30 September 2019, RMB344,540,000, RMB202,450,000 and RMB154,690,000 respectively</p>	<p>For the three years ending 31 December 2019, RMB1,400,000,000, RMB1,000,000,000 and RMB700,000,000 respectively</p>	<p>For the year ending 31 December 2020, RMB265,000,000</p>	<p>Minsheng Industrial and its associates have been the major suppliers of waterway transportation services to the Group. Minsheng Industrial and its associates can make up for the lack of direct resources of the Company along the Yangtze River to assist the Group in providing better services for our customers. Minsheng Industrial and its associates has been providing services for the Group for a considerable period of time and the Group is satisfied with their</p>

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				overall service quality. The annual cap for the year ending 31 December 2020 is arrived at after having considered (1) Minsheng Industrial's relatively strong presence in waterway transportation service and its growing strength in waterway transportation along the Yangtze River; and (2) the transaction amount for the year ended 31 December 2017 and 2018. In addition, the cost of waterway transportation is relatively low. In order to cut back costs, the Group expects to increase the use of water transportation. The Company is of the view that the annual cap for the year ending 31 December 2020 is fair and reasonable.
4. Settlement, deposits and loans, note discounting services to be provided by Zhuangbei Finance to the Group				
Pricing policy	<p>The fees and charges payable by the Group to Zhuangbei Finance under the framework agreement will be on terms not less favourable than the benchmark rates set by PBOC (if applicable) as well as those available from other independent commercial banks in the PRC and are determined on the following bases:</p> <ul style="list-style-type: none"> ● Settlement services – the fees charged for the settlement services must not be higher than (i) the relevant benchmark charging rates set by PBOC (if applicable); and (ii) the fees charged by other independent commercial banks in the PRC for providing services of similar nature. ● Deposit services – the interest rates for Deposits placed by the Group must not be lower than (i) the relevant benchmark interest set by PBOC; and (ii) the interest rates provided by other independent commercial banks in the PRC for deposits of similar nature and under similar terms. ● Provision of loans – the interest rates for borrowings by the Group must not be higher than (i) the relevant benchmark interest rates set by PBOC; and (ii) the interest rates charged by other independent commercial banks in the PRC for borrowings of similar nature and under similar terms. ● Note discounting services – the fees charged for the services and the interest rates for the note discounting services must not be higher than (i) the relevant benchmark charging rates (if applicable) and interest rates set by PBOC; and (ii) the fees and interest rates charged by other independent commercial banks in the PRC for providing note discounting services of similar nature and under similar terms. <p>When Zhuangbei Finance provides note discounting and loan services to the Group, the conditions for providing such services by Zhuangbei Finance to the Group shall be on normal commercial terms and on terms which are 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>			
	The maximum amount of	Historical figures	Historical caps (for 2017-2019)	Proposed Cap for 2020
	For the two years	For the three years	For the year ending 31	Zhuangbei Finance is a non-

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<p>Deposit (including interests) on a daily basis</p>	<p>ended 31 December 2018, and 9 months ended 30 September 2019, RMB410,433,000, RMB442,985,000 and RMB348,530,048 respectively</p>	<p>ended 31 December 2019, RMB700,000,000, RMB450,000,000 and RMB350,000,000 respectively</p>	<p>December 2020, RMB200,000,000</p>	<p>banking financial company with a sound capital base and renowned credibility among the member companies of CSG. In the past few years, Zhuangbei Finance has been providing the Group with settlement services, deposit services, provision of loans, and note discounting services. Given the close relationship between the Group and Zhuangbei Finance, the terms of the financial services offered by Zhuangbei Finance to the Group can better serve Group's requirements. The annual cap for the year ending 31 December 2020 has been substantially reduced to reflect (1) the historical maximum daily outstanding balances of deposits placed by the Group with Zhuangbei Finance for the year ended 31 December 2017, 2018 and 9 months ended 30 September 2019; (2) the overall treasury requirements of the Group for the year ending 31 December 2020. Zhuangbei Finance provides the Group with settlement services free of charge, the Group mainly settles transaction fees with major suppliers through the Company's accounts with Zhuangbei Finance, as such, the Company maintains deposits in accounts with Zhuangbei Finance. Currently, the Company mainly deposits with other licensed banking institutions in the PRC such as China Merchants Bank, China Construction Bank. As at 30 September 2019, the Group had a total deposit of approximately RMB623 million. As such, the proposed cap of the deposit (on a daily basis) with Zhuangbei Finance for 2020 represents approximately one third of the total deposits of the Group. The Directors are of the view that measure can reduce the financial risk of capital concentration and the proposed</p>
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				cap for the year ending 31 December 2020 is fair and reasonable.
5. Logistics services provided by the Group to Minsheng Industrial 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>			
	Proposed cap and basis	Historical figures	Historical caps (for 2017-2019)	Proposed Cap for 2020
	For the two years ended 31 December 2018 and 9 months ended 30 September 2019, RMB4,131,000 , RMB9,088,000 , and RMB16,340,000 respectively	For the three years ended 31 December 2019, RMB30,000,000, RMB20,000,000 and RMB20,000,000 respectively	For the year ending 31 December 2020, RMB23,000,000	Minsheng Industrial and its associates has strong foothold in waterway transportation along the Yangtze River with abundant resources such as ro-ro ships and vast waterway logistics network. However, Minsheng Industrial and its associates comparatively lacks strength in land transportation, storage, etc. The Group provides transportation by land, railway or other intermodal transportation services before the cargo reaches the departure port for transportation by the ro-ro ships or after the cargo reaches destination port to Minsheng Industrial and its

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				<p>associates. In addition, the Group occasionally provides storage of finished vehicles or automobile parts, station management and so on. The Group believes that the proposed annual cap for the year ending 31 December 2020 is fair after having considered the historical amount for the nine months ended 30 September 2019. In addition, the setting of the cap allows modest room for business expansion for similar services between the Group and Minsheng Industrial and its associate for the year ending 31 December 2020.</p>
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6. Reasons for and Benefits of the Non-Exempt Continuing Connected Transactions for 2020 and Major Transaction

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. The Group currently has 5 tyre assembly lines established solely for the purpose of providing tyre assembly services to Changan Ford Automobile Company Limited ("**Changan Ford**"), an associate of Changan Automobile. The designed capacity for the 5 tyre assembly lines is approximately 1,032,000 automobiles, equivalent of 5,160,000 pieces of tyres. For the three years ended 31 December 2018, the utilization rate of the 5 tyre assembly lines was 91.45%, 80.23%, and 36.60%, respectively. Since last year, the domestic automobile market witnessed a significant decline due to the sluggish domestic automobile market, Changan Ford's production and sales volume decreased sharply. The utilization rate of the 5 tyre assembly lines for the first ten months of 2019 was approximately 16.65%, representing a decrease of 19.95% compared to the utilization rate of whole year of 2018.

Changan Ford and Changan Mazda Automobile Co., Ltd. ("**Changan Mazda**") are both joint ventures of Changan Automobile and key associates of Changan Automobile. For the year ended 31 December 2018, the revenue of the Group from provision of logistics services for each of Changan Automobile, Changan Ford, Changan Mazda was approximately RMB1,226,978,400, RMB2,147,212,200 and RMB460,116,900, respectively. For the nine months ended 30 September 2019, the revenue of the Group from provision of logistics services was approximately RMB964,990,000, RMB887,986,100 and RMB259,849,200, respectively, accounting for approximately 32%, 29% and 9%, respectively, to the total revenue derived from logistic services of the Group for the nine months ended 30 September 2019.

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. Against the background of the downward pressure for domestic automobile market, 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. The Company therefore is of the view that the Group should continue to provide comprehensive automobile logistics services for

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Changan Automobile and its associates to maximize the revenue of the Group.

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, such as Sichuan Jianan Industrial Co. Ltd., Chengdu Huachuan Electric Parts Co., Ltd., Harbin Dongan Automotive Power Co., Ltd., Harbin Dongan Automotive Engine Manufacturing Co., Ltd., South Inter Air-Conditioner Co., Ltd. by providing logistics services such as automobile parts distribution, transportation, storage, etc. 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 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. The historical amount of outstanding loans advanced by Zhuangbei Finance as at 31 December 2016, 2017 and 2018 were RMB6,000,000, RMB8,000,000 and RMB10,000,000, respectively, whilst the deposits placed with Zhuangbei Finance as at 31 December 2016, 2017 and 2018 were RMB266,061,000, RMB244,855,750.16 and RMB442,984,937.81. The amount of outstanding loans was not more than that of the deposits placed with Zhuangbei Finance at any point of time.

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

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

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

Minsheng Industrial and its associates specialized in waterway transportation and has affluent resources such as ro-ro ships, vessels and vast waterway logistics network, enabling them to operate smoothly along the Yangtze River. However, in order to provide comprehensive logistics solution to its customer, like combined transportation by waterway plus road, occasionally, Minsheng Industrial and its associates find themselves in need of logistics services from the Group such as station management support and road transportation support. As a longstanding business partner of Minsheng Industrial, the Group's strength is in provision of comprehensive logistics solutions which could cater to the needs of Minsheng Industrial and its associates. The Directors are of the view that the Group should continue to do business with Minsheng Industrial and its associates in the hope that by combining the resources and strength from both parties, Minsheng Industrial and the Group will find common ground to cooperate to our mutual benefit.

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 2020 and major transaction will be conducted on normal commercial terms or on terms no less favorable than those available from independent third parties under prevailing local market conditions, and that the Non-exempt Continuing Connected Transactions for 2020 and major transaction were entered in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

7. Financial Effects of the Deposit Transaction on the Group

As at 30 June 2019, the total deposit amount of the Group was approximately RMB821,956,329 and the deposit amount with Zhuangbei Finance was approximately RMB260,821,634, representing approximately 32% of the total deposit amount of the Group.

For the six months period ended 30 June 2019, the deposit interest income from Zhuangbei Finance was approximately RMB1,580,108, representing approximately 31% of the total deposit interest income of the Group and approximately 6% of the Group's profit before tax during the corresponding period.

Therefore, the Company anticipates that the deposit interest income to be earned from Zhuangbei Finance for the year ending 31 December 2020 will not have any material impact to the Group's earnings, assets and liabilities.

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

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

LETTER FROM THE BOARD

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

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

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

9. Board of Directors' Views

The Board has approved the proposals of Non-Exempt Continuing Connected Transactions for 2020 with each of Changan Automobile, China Changan and their respective associates and the Non-Exempt Continuing Connected Transactions for 2020 and major transactions with Zhuangbei Finance. Except for Mr. Xie Shikang, Mr. Shi Jinggang and Mr. Li Xin, who being the directors nominated by China Changan and are therefore treated as the related Directors under the relevant PRC laws, are deemed to be interested in the Non-Exempt Continuing Connected Transactions for 2020 with each of Changan Automobile, China Changan and their respective associates and the Non-Exempt

Continuing Connected Transactions for 2020 and major transaction with Zhuangbei Finance, none of the other Directors has abstained from voting on the relevant resolutions approving the proposed caps of the non-exempt continuing connected transactions for 2020 of the Company with each of Changan Automobile, China Changan and their respective associates, and the proposed caps of the non-exempt continuing connected transactions and major transaction for 2020 of the Company with Zhuangbei Finance.

The Board has approved the proposal of Non-Exempt Continuing Connected Transactions for 2020 with Minsheng Industrial and its associates. Except for Mr. Chen Wenbo and Mr. Chen Xiaodong, who being the directors nominated by Minsheng Industrial and are therefore treated as the related Directors under the relevant PRC laws, who are deemed to be interested in the Non-Exempt Continuing Connected Transactions for 2020 with Minsheng Industrial and its associates, none of the other Directors has abstained from voting on the relevant resolutions approving the proposed caps of the non-exempt continuing connected transactions for 2020 of the Company with Minsheng Industrial and its associates.

10. Implication under the Listing Rules

Since one or more of the applicable percentage ratios of each of the Non-Exempt Continuing Connected Transactions for 2020 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions for 2020 (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 2020 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 2020 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.

The proposed caps of the Non-Exempt Continuing Connected Transactions for 2020 with each of Changan Automobile, China Changan, Minsheng Industrial and their respective associates, and the major transaction regarding the deposit transactions with Zhuangbei Finance are subject to approval by the Independent Shareholders in accordance with the Listing Rules. China Changan and its associates will abstain from voting in relation to the resolutions for approving the proposed caps of the non-exempt continuing connected transactions for 2020 of the Company with each of Changan Automobile, China Changan and their respective associates, and the proposed caps of the non-exempt continuing connected transactions and the major transaction on the deposit transaction between the Company and Zhuangbei Finance. Minsheng Industrial, Ming Sung (HK) and their respective associates will abstain from voting in relation to the resolutions approving the proposed caps of the non-exempt continuing connected transactions for 2020 of the Company with Minsheng Industrial and its associates. The voting at the 2019 First EGM will be taken by a poll and the Company will make an announcement of the poll results.

11. General Information

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

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

China Changan is a 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

The Board proposes to amend (a) Article 19 and (b) paragraph 2 of Article 13 of the Articles of Association of the Company. The purpose of amending the Articles of Association is to reflect the minor change in the name of the Company's substantial shareholder and the changes in scope of business operation of the Company.

The amendments of the Articles of Association are subject to approval by the Shareholders at the 2010 First EGM by way of special resolution and the approval from the relevant PRC government authorities.

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The proposed amendments to Article 19 and paragraph 2 of Article 13 of the Articles of Association are set out below:

(a) The original Article 19 is:

“After the Company was registered to be established, approved by the securities regulatory authority of the State Council, a total number of 55,000,000 overseas listed foreign shares (including 5,000,000 existing shares sold by the shareholders of State-owned shares) were issued by the Company in Hong Kong in Feb., 2006. The total number of ordinary shares of the Company in issue is 162,064,000. The shareholders of the Company and their respective shareholdings are as follow:

China Changan Automobile Group Co., Ltd., holds 41,225,600 shares, representing 25.44% of the total issued share capital;

APL Logistics Ltd (Singapore), holds 33,619,200 shares, representing 20.74% of the total issued share capital;

Minsheng Industrial (Group) Company Limited, holds 25,774,720 shares, representing 15.90% of the total issued share capital;

Ming Sung Industrial Co., (HK) Limited, holds 6,444,480 shares, representing 3.98% of the total issued share capital;

Shareholders of the overseas listed foreign shares, in aggregate hold 55,000,000 shares, representing 33.94% of the total issued share capital.”

which is proposed to be amended as follows:

“After the Company was registered to be established, approved by the securities regulatory authority of the State Council, a total number of 55,000,000 overseas listed foreign shares (including 5,000,000 existing shares sold by the shareholders of State-owned shares) were issued by the Company in Hong Kong in Feb., 2006. The total number of ordinary shares of the Company in issue is 162,064,000. The shareholders of the Company and their respective shareholdings are as follow:

China Changan Automobile Group ~~Co., Ltd.~~ Company Limited, holds 41,225,600 shares, representing 25.44% of the total issued share capital;

APL Logistics Ltd (Singapore), holds 33,619,200 shares, representing 20.74% of the total issued share capital;

Minsheng Industrial (Group) Company Limited, holds 25,774,720 shares, representing 15.90% of the total issued share capital;

Ming Sung Industrial Co., (HK) Limited, holds 6,444,480 shares, representing 3.98% of the total issued share capital;

Shareholders of the overseas listed foreign shares, in aggregate hold 55,000,000 shares, representing 33.94% of the total issued share capital.”

(b) The original paragraph 2 of Article 13 is:

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“The Company’s scope of business covers: general freight transport; road transport of dangerous goods; road transport of large-sized objects; multimodal transport; cargo transport agent; non-vessel carrier business; storage service (excluding hazardous chemicals and hazardous waste), distribution, packing, sub-packaging; developing logistics software and information service as well as logistics planning, management and consulting service; Internet-based cars and accessories retail; import and export business or agent service; forwarding for imported and exported cargos by sea, air and land including cargo canvass, consignment, booking, storage, transshipment, container FCL and LCL, settling freight, customs clearance, inspection application and insurance and relevant service for short-distance transport and consulting. It also engages in packing, assembling and selling auto raw materials and parts as well as manufacturing, selling, leasing and maintaining packaging for auto parts; maintenance of automobiles and parts and components (operational with relevant administrative license or approval); auto sales; automobile leasing; used automobiles brokerage; machinery equipment leasing. In addition, the Company provides service of containers freight stations, such as cargo storage (excluding dangerous goods), stowage, tally, forwarding, information service, handling, loading and unloading; recycling of renewable resources (excluding articles subject to approval from relevant authorities such as solid waste, dangerous waste and scrapped vehicles); property management; house leasing services.”

which is proposed to be amended as follows:

“The Company’s scope of business covers: general freight transport; road transport of dangerous goods; road transport of large-sized objects; container road transport; refrigerated truck road transport; multimodal transport; city distribution; cargo transport agent; international freight forwarding service; non-vessel carrier business; import and export of goods and technology; storage service (excluding hazardous chemicals and hazardous waste), distribution, packing, sub-packaging; station operation. ~~developing logistics software and information service as well as logistics planning, management and consulting service; Internet-based cars and accessories retail; import and export business or agent service; forwarding for imported and exported cargos by sea, air and land including cargo canvass, consignment, booking, storage, transshipment, container FCL and LCL, settling freight, customs clearance, inspection application and insurance and relevant service for short-distance transport and consulting.~~ It also engages in packing, assembling and selling auto raw materials and parts as well as manufacturing, selling, leasing and maintaining packaging for auto parts; maintenance of automobiles and parts and components (operational with relevant administrative license or approval); auto sales; Internet-based cars and accessories retail; car charging service; automobile leasing; machinery equipment leasing; used automobiles brokerage; services relating to Internet of Things technology, computer software and hardware development and services; logistics planning, management and consulting service; property management; house leasing services; ~~machinery equipment leasing.~~ ~~In addition, the Company provides service of containers freight stations, such as cargo storage (excluding dangerous goods), stowage, tally, forwarding, information service, handling, loading and unloading;~~ recycling of renewable resources (excluding articles subject to approval from relevant authorities such as solid waste, dangerous waste and scrapped vehicles); ~~property management; house leasing services.”~~

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

The Board proposes the Shareholders to, at the 2019 First EGM, approve the authorization to the Board and the person(s) delegated by the Board to, subject to the aforesaid amendment requirements

LETTER FROM THE BOARD

and in accordance with the requirements and recommendations of the relevant regulatory authorities, further adjust and amend the Articles of Association, and to complete the registration of changes and file the same at the Industrial and Commercial Bureau and other relevant government authorities after the completion of amendments to the Articles of Association when the above amended provisions of the Articles of Association are submitted to regulatory authorities for approval. If the aforesaid amendments are approved at the 2019 First EGM, the Board will authorize the Chairman of the Board to make the decision and attend to the aforesaid matters.

E. 2019 FIRST EGM

The 2019 First EGM will be held for considering and approving, among others, each of the Non-Exempt Continuing Connected Transactions for 2020 and major transaction (including the proposed cap for 2020 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2020) and 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 Non-Exempt Continuing Connected Transactions for 2020 with each of Changan Automobile, China Changan and their respective associates and the Non-Exempt Continuing Connected Transactions for 2020 and major transaction with Zhuangbei Finance, will abstain from voting in the relevant resolutions approving the proposed caps of the non-exempt continuing connected transactions for 2020 of the Company with each of Changan Automobile, China Changan and their respective associates, and the proposed caps of the non-exempt continuing connected transactions and major transaction for 2020 of the Company with Zhuangbei Finance.

Minsheng Industrial (holding 25,774,720 Shares or approximately 15.90% of the equity interest in the Company as at the Latest Practicable Date), Ming Sung (HK) (holding 6,444,480 Shares or approximately 3.98% of the equity interest in the Company as at the Latest Practicable Date) and their respective associates, who are involved in, or interested in the Non-Exempt Continuing Connected Transactions for 2020 with Minsheng Industrial and its associates, will abstain from voting in the resolutions approving the proposed caps of the non-exempt continuing connected transactions for 2020 of the Company with Minsheng Industrial and its associates.

Save as disclosed above and according to the information available to the Company, none of the Shareholders shall be required to abstain from voting in any of the resolutions regarding the Non-Exempt Continuing Connected Transactions for 2020 and the major transaction proposed at the 2019 First EGM.

The notice of the 2019 First EGM, together with the relevant reply slip and proxy form, have been issued to Shareholders on 4 November 2019. 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 19 December 2019).

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.

LETTER FROM THE BOARD

The resolutions regarding each of the Non-Exempt Continuing Connected Transactions for 2020 and major transaction (including the proposed cap for 2020 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2020) 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 2019 First EGM, the Company has suspended registration of transfer of shares from 19 November 2019 and will end on 20 December 2019, both days inclusive. Holders of H Shares whose names are recorded in the register of members of the Company on 20 December 2019 are entitled to attend and vote at the 2019 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 36 to 37 of this circular, and which contains their recommendation in respect of the Non-Exempt Continuing Connected Transactions for 2020 and major transaction. The letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Non-Exempt Continuing Connected Transactions for 2020 and major transaction and whether such transactions are in the interests of the Company and its Shareholders as a whole is set out on pages 38 to 62 of this circular.

The Independent Board Committee, having taken into account the advice of Gram Capital, considers that the Non-Exempt Continuing Connected Transactions for 2020 and major transaction are fair and reasonable so far as the Independent Shareholders are concerned and that such transactions are in the interests of the Company and its Shareholders as a whole. Accordingly, it is recommended that the Independent Shareholders vote in favor of the relevant resolutions to approve each of the Non-Exempt Continuing Connected Transactions for 2020 and major transaction (including the proposed cap for 2020 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2020).

The Directors (including the independent non-executive Directors) consider that the Non-Exempt Continuing Connected Transactions for 2020 and major transaction by way of ordinary resolutions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders vote in favor of the ordinary resolutions thereby approving each of the Non-Exempt Continuing Connected Transactions for 2020 and major transaction (including the proposed cap for 2020 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2020) to be proposed at the 2019 First EGM as set out in the notice of the 2019 First EGM.

LETTER FROM THE BOARD

The Directors consider that the Proposed Amendments to the Articles of Association by way of 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 Appendix I and II respectively, of this circular.

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



重慶長安民生物流股份有限公司

Changan Minsheng APLL Logistics Co., Ltd. *

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

(Stock Code: 01292)

4 December 2019

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2020 AND MAJOR TRANSACTION

To the Independent Shareholders

Dear Sirs or Madam,

We, the Independent Board Committee of Changan Minsheng APLL Logistics Co., Ltd., are advising the Independent Shareholders in connection with the Non-Exempt Continuing Connected Transactions for 2020 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2020 and major transaction with Zhuangbei Finance, details of which are set out in the letter from the Board contained in the circular (“**Circular**”) of the Company to the Shareholders dated 4 December 2019, of which this letter forms a part. Terms defined in this circular shall have the same meanings when used herein unless the context otherwise requires.

Under the Listing Rules, the conduct of the Non-Exempt Continuing Connected Transactions for 2020 with each of Changan Automobile, China Changan and Minsheng Industrial and their respective associates and the Non-Exempt Continuing Connected Transactions for 2020 and major transaction with Zhuangbei Finance require the approval of the Independent Shareholders at the 2019 First EGM.

We wish to draw your attention to the letter of advice from Gram Capital set out on pages 38 to 62 of this circular. We have discussed the letter and the opinion contained therein with Gram Capital.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among others, the factors and reasons considered by, and the opinion of, Gram Capital, as stated in its aforementioned letter, we consider each of the Non-Exempt Continuing Connected Transactions for 2020 and major transaction (including the proposed cap for 2020 for each of the non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2020) to be fair and reasonable so far as the Independent Shareholders are concerned. We are of the view that each of the Non-Exempt Continuing Connected Transactions for 2020 and major transaction (including the proposed cap for 2020 for each of the non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2020) 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 2019 First EGM to be proposed at the EGM to be held on 20 December 2019 and thereby approve each of the Non-Exempt Continuing Connected Transactions for 2020 and major transaction (including the proposed cap for 2020 for each of the Non-Exempt Continuing Connected Transactions and the maximum outstanding daily balance on the Deposit for 2020).

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 Non-Exempt Continuing Connected Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
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4 December 2019

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

Dear Sirs,

**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 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 4 December 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 30 October 2017, the Company entered into the framework agreements in relation to certain continuing connected transactions (including the Non-Exempt Continuing Connected Transactions) with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance, each for a term of three years commencing on 1 January 2018 and expiring on 31 December 2020.

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

In order to continue with the Non-Exempt Continuing Connected Transactions, the Company set the annual cap of each of the Non-Exempt Continuing Connected Transactions.

As such, the Company estimated and will seek for approval by Independent Shareholders at the 2019 First EGM the annual cap(s) for the year ending 31 December 2020 (“FY2020”) (the “2020 Annual Cap(s)”) in relation to the Non-Exempt Continuing Connected Transactions.

The Independent Board Committee comprising Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Non-Exempt Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Non-Exempt Continuing Connected Transactions are 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 Non-Exempt Continuing Connected Transactions and major transaction (including the 2020 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.

BASIS OF OUR OPINION

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

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Changan Automobile, China Changan, Minsheng Industrial, Zhuangbei Finance or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Non-exempt Continuing Connected Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the

Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. BACKGROUND

The Non-Exempt Continuing Connected Transactions

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

- (a) the Framework Agreement for the Non-Exempt Continuing Connected Transactions with Changan Automobile (the “**Changan Automobile CCT Agreement**”), pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for car raw materials, components and parts) to Changan Automobile and its associates (the “**Changan Automobile CCT**”);
- (b) the Framework Agreement for the Non-Exempt Continuing Connected Transactions with China Changan (the “**China Changan CCT Agreement**”), pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for car raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) to China Changan and its associates (the “**China Changan CCT**”);
- (c) the Framework Agreement for the Non-Exempt Continuing Connected Transactions with Minsheng Industrial (the “**Minsheng Industrial CCT Provision Logistics Agreement**”), pursuant to which the Group shall purchase logistics services from Minsheng Industrial and its associates (the “**Minsheng Industrial Logistics Purchase CCT**”);
- (d) the Framework Agreement for the Non-Exempt Continuing Connected Transactions with Zhuangbei Finance (the “**Zhuangbei Finance CCT Agreement**”), pursuant to which Zhuangbei Finance shall provide the Group with settlements, deposit and loans, note discounting services; and

(e) the Framework Agreement for the Non-Exempt Continuing Connected Transactions with Minsheng Industrial (the “**Minsheng Industrial CCT Purchase Logistics Agreement**”), pursuant to which the Group shall provide logistics services to Minsheng Industrial and its associates (the “**Minsheng Industrial Logistics Provision CCT**”).

In order to continue with the Non-Exempt Continuing Connected Transactions in FY2020, the Company set the annual cap of each of the Non-Exempt Continuing Connected Transactions for FY2020.

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 2019 and the two years ended 31 December 2018 as extracted from the Company’s interim report for the six months ended 30 June 2019 (the “**2019 Interim Report**”) and annual report for the year ended 31 December 2018 (the “**2018 Annual Report**”):

	For the six months ended 30 June 2019	For the year ended 31 December 2018	For the year ended 31 December 2017	Change from 2017 to 2018
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	%
Revenue	1,920,833	5,112,410	6,614,423	(22.71)
Gross profit	113,220	347,962	487,164	(28.57)
Profit attributable to owners of the parent	13,994	46,109	127,299	(63.78)

As depicted by the above table, the Group’s revenue for the year ended 31 December 2018 (“**FY2018**”) decreased by approximately 22.71% as compared to that for the year ended 31 December 2017 (“**FY2017**”). With reference to the 2018 Annual Report and as advised by the Management, such decrease was mainly attributable to unfavorable price of logistics services provided by the Group, coupled with the overall decline of the automotive industry, especially the substantial decline in production and sales volume of Changan Automobile (the Group’s major customer). The Group’s profit attributable to owners of the parent for FY2018 decreased by approximately 63.78% as compared to that for FY2017. With reference to the 2018 Annual Report and as advised by the Management, such decrease was mainly attributable to the continuous increase in the costs of provision of the automobile logistics services as a result of the full implementation of the national policy of 《GB1589-2016汽車、掛車及汽車列車外廓尺寸、軸荷及質量限制》 (Limits of Dimensions, Axle Load and Mass for Motor Vehicles, Trailers and Combined Vehicles (GB1589-2016)* since 1 July 2018.

With reference to the 2019 Interim Report, the Company will adhere to the strategy of cost efficiency through excellent operation and innovation to transform and upgrade itself in such a period of arduous struggles and recuperation. Furthermore, the Company will continue to streamline management, improve employee professional capabilities to assist itself to weather the current winter for automobile industry and achieve decent business performance under such circumstances.

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 a substantial Shareholder and a connected person of the Company. CSG holds 100% equity interests of China Changan. China Changan is primarily engaged in automobile and motorcycle production; automobile and motorcycle engines production; the design, development, production and sale of automobile and motorcycle components and parts; sale of optical devices, electronic optoelectronic devices, night vision devices, information and communication devices; and the relevant technical development, technical transfer, technical consultation, technical services and import and export business and consultation on assets merger and asset restructuring.

Information on Changan Automobile

With reference to the Board Letter, Changan Automobile produces and sells automobiles and is a major customer of the Group. CSG and China Changan holds approximately 21.56% and 19.33% equity interests of Changan Automobile respectively. Changan Automobile is a connected person of the Company.

Information on Minsheng Industrial

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

Information on Zhuangbei Finance

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

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

2. 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. Against the background of the downward pressure for domestic automobile market, 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. The Company therefore is of the view that the Group should continue to provide comprehensive automobile logistics services for Changan Automobile and its associates to maximize the revenue of the Group.

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 FY2017, the historical amount of the Changan Automobile CCT of approximately RMB5.55 billion represented approximately 83.94% of the Group's total revenue; and (ii) 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.

With reference to the Board Letter, given that the revenue derived from transaction with Changan Automobile and China Changan and their respective associates accounted for a substantial portion of the Group's revenue, if Changan Group ceases to use or substantially reduces the use of the Group's logistics services and if the Group is not able to secure new customers with similar sales volume on terms acceptable to the Group, the business scale of the Group will be substantially reduced and the financial performance of the Group will be adversely affected. To mitigate the potential risk that may cause to the Group (the "**Concentration Risk**"), the Group has adopted the measures set out under the sub-section headed "C. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2020 AND MAJOR TRANSACTION - 2. Changan Group CCT" of the Board Letter.

With reference to the Board Letter, apart from the above, the Group also actively explores more non-automobile logistics businesses and multimodal transportation businesses. The Group consolidates the traditional business to stabilize the primary revenue sources, encourages the further expansion of logistics services, actively explores the automobile logistics business with non-related parties and on top of the automobile logistics, the Group extends its logistics services to non-automobile business. The main achievements by the Group to secure business relationship with the various parties (including consolidating traditional business, exploring the automobile logistics business from non-connected parties and exploring the non-automobile logistics business) are set out under the sub-section headed "C. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2020 AND MAJOR TRANSACTION - 2. Changan Group CCT" of the Board Letter.

Details of the other actions taken by the Company to mitigate the Concentration Risk are set out under the sub-section headed "C. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2020 AND MAJOR TRANSACTION - 2. Changan Group CCT" of the Board Letter.

For our due diligence purpose, we obtained certain contracts entered into between the Group and Independent Third Parties in respect of the actions taken by the Company to mitigate the Concentration Risk as above-mentioned. With the efforts of the Group and taking into account the estimated revenue to be generated from the diversified businesses mentioned above, the Group expects that the proportion of the revenue from non-connected persons will increase and the Concentration Risk can be eased.

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 2018 to 31 December 2020
Pricing policy	<p>Subject to client's request, the pricing of the services provided under the agreement shall be determined in accordance with the principles and order below (the "Changan Automobile CCT Pricing Policy"): </p> <p>For the procurement of logistics services from the Group, Changan Automobile or its associate (as the case may be) may request the Group to (1) participate in bidding process; or (2) provide quotation for Changan Automobile's or its associate's internal comparison.</p> <p>If Changan Automobile or its associate (as the case may be) do not request a bidding process or internal quotations comparison, the Group will determine the price on a cost-plus basis.</p> <p>(1) Bidding Price: The price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. The Company established bidding quotation process and administration on bidding quotation. Briefly, the Company's enterprise technical department draws up technical and operation plans whereas marketing and customer service department provide business plan and the two departments collaborate in preparing the bidding document in accordance with the specific requirements of the Company's customers. The Company's bidding representative delivers bidding offer and follows up on the bidding process. The Company sets up a working group to assist the bidding representative in response to the bidding before obtaining bidding results.</p> <p>(2) Internal compared price: The price will be determined by Changan Automobile or its associate (as the case may be) by comparing internally the quote offered by the Company or its subsidiaries (as the case may be) and the quote offered by several independent third parties. In determining the quote to be offered by the Group in internal compared pricing method, the Company considers the feasibility of the project and applies cost-plus basis (as detailed below) to offer quote. Starting from 2018, whenever practicable and appropriate, the Company will also consider the Group's knowledge on at least two competing third parties to ascertain whether and at what price the Group should participate in the project.</p>

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

With reference to the Board Letter, 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.

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 2018 Annual Report and as confirmed by the Management of the Company, the independent non-executive Directors have reviewed, among other things, the Changan Automobile CCT for FY2018 (the “**INED Review**”) and confirmed, among other things, that the Changan Automobile CCT was: (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 2018 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 FY2018, 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 the Group’s continuing connected transactions (including the Changan Automobile CCT) for FY2018: (i) have received the approval from the Board and/or the general meeting; (ii) are in accordance with the pricing policies of the Company (in respect of services provision only); (iii) have been entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have not exceeded the annual cap disclosed in the previous announcements (the “**Auditor Confirmation**”).

With reference to the Board Letter, the Company had established a series of internal control

measures (including the key procedures under the Company’s bidding quotation process and bidding quote management procedure) in order to ensure that the pricing mechanism and terms of the transaction are fair and reasonable and no less favorable than the terms provided by any independent third party so as to ensure that they serve the interest of the Company and the Shareholders as whole. Details of the aforesaid internal control measures are set out under the section headed “4. Internal Control Measures to ensure the continuing connected transactions be conducted in accordance with the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions for 2020” 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, existing annual caps and the proposed annual cap for the Changan Automobile CCT (the “**Changan Automobile Cap(s)**”):

	For the year ended 31 December 2017 RMB	For the year ended 31 December 2018 RMB	For the year ending 31 December 2019 RMB
Historical amounts	5,551,987,000	4,187,495,000	2,412,040,000 ^(Note)
Existing annual caps	12,500,000,000	8,500,000,000	7,500,000,000
	For the year ending 31 December 2020 RMB		
Changan Automobile Cap	4,060,000,000		

Note: The figure is for the nine months ended 30 September 2019.

The following is the basis of determining of the Changan Automobile Cap as extracted from the Board Letter: Changan Automobile is one of the four major automakers in the PRC, with roughly 16 manufacturing bases and up to 35 plants for finished vehicles and engines production worldwide, several JV brands and vast pool of clientele in the PRC. As a long-term business partner of Changan Automobile, the Group’s logistics services has been highly recognized by Changan Automobile and its associates, as such, Changan Automobile intends to continue to purchase logistics services from the Group for FY2020. The annual cap for FY2020 is determined based on (1) the historical figures for the year ended 31 December 2017 and 2018, (2) estimated annual transaction amount with Changan Automobile and its associates for the year ending 31 December 2019 as November and December used to be the peak seasons for sale of automobiles by Changan Automobile, and (3) the Group’s estimated increase in the purchasing volume of logistic services by Changan Automobile and its associates for the year of 2020. Although there is a decline in the transaction amount between the Group and Changan Automobile and its associates in the past, the Directors are of the view that Changan Automobile and its associates would increase purchasing volume of logistics services in 2020 as several improved models of vehicles such as CS75 Plus, CS85 COUPE, which were launched recently, have received popularity in the market. In addition, as the Directors understand, Changan Automobile and its associates also expect to launch several improved models in late 2019 and new models of vehicles next year including the improved models of OUSHANG X7 and Mazda 3 Axela, whilst Changan Ford will introduce the production of Lincoln-brand Automobile. All these will contribute to the increased demand for logistic services by Changan Automobiles and its associates from the Group. Accordingly, the Directors are of the view that the setting of the annual

cap of RMB4,060,000,000 is fair and reasonable.

As depicted from the above table, Changan Automobile CCT amounts decreased from FY2017 to FY2018 and were less than half of the Changan Automobile Caps for FY2017 and FY2018. As advised by the Management, they expect the Changan Automobile CCT amount to be approximately RMB3.2 billion for the year ending 31 December 2019 (“FY2019”).

Accordingly, the Changan Automobile Cap for FY2020 was set at a level significantly lower than the Changan Automobile Caps for the three years ending 31 December 2019.

Although there was decline in the Changan Automobile CCT amount from FY2017 to FY2018, the Management expects that the introduction of new models and improved models of vehicles by Changan Automobile (the “**Changan Automobile CCT Growth Factor**”) will increase demand for logistics services to be provided by the Group to Changan Automobile and its associates (i.e. finished vehicle transportation, tire assembly, and supply chain management for car raw materials, components and parts). Hence, the Changan Automobile Cap for FY2020 was set at RMB4.06 billion, being a level higher than the expected Changan Automobile CCT amount of approximately RMB3.2 billion for FY2019.

To assess the fairness and reasonableness of the Changan Automobile Cap for FY2020, we discussed with the Management regarding the basis and assumptions underlying the projections of the Changan Automobile Cap, including the Changan Automobile CCT Growth Factor. With reference to the Board Letter and as confirmed by the Management, Changan Automobile and its associates recently launched several improved models of vehicles such as CS75 Plus, CS85 COUPE which received popularity in the market. In addition, the Management also expects Changan Automobile and its associates to launch several improved models of vehicles in late 2019 and new models of vehicles in 2020 including the improved models of OUSHANG X7 and Mazda 3 Axela, whilst Changan Ford will introduce the production of Lincoln-brand automobile. All these will contribute to the increased demand for the Changan Automobile CCT.

For our due diligence purpose, we obtained a calculation of expected additional demand for the Changan Automobile CCT for FY2020 prepared by the Company. Such calculation is based on the expected additional demand of logistic services in terms of vehicle units (with reference to the historical sales of vehicles with comparable models in the PRC) and logistic fee per unit (with reference to historical logistic fee per unit). According to the calculation, expected additional demand for the Changan Automobile CCT amounted to approximately RMB0.7 billion for FY2020. We noted that the aforesaid historical sales of vehicles with comparable models in the PRC was obtained by the Company from public sources (such as news.bitauto.com and www.16888.com). The aforesaid logistic fee per unit adopted in the calculation of expected additional demand for the Changan Automobile CCT for FY2020 is also consistent with the historical logistic fee per unit according to the Company’s record. Having also taken into account the expected Changan Automobile CCT amount of approximately RMB3.2 billion for FY2019 and buffer, the Changan Automobile Cap for FY2020 was set at RMB4.06 billion.

Taken into account the aforesaid basis of determination of the Changan Automobile Cap for FY2020, we concur with the Directors that the Changan Automobile Cap for FY2020 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 2020, 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.

3. 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 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, such as Sichuan Jianan Industrial Co. Ltd., Chengdu Huachuan Electric Parts Co., Ltd., Harbin Dongan Automotive Power Co., Ltd. Harbin Dongan Automotive Engine Manufacturing Co., Ltd., South Inter Air-Conditioner Co., Ltd. by providing logistics services such as automobile parts distribution, transportation, storage, etc. 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 RMB50.94 million for the nine months ended 30 September 2019), 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 2018 to 31 December 2020

Pricing policy Subject to client's request, the pricing of the services provided under the agreement shall be determined in accordance with the principles and order below (the "**China Changan CCT Pricing Policy**"):

For the procurement of logistics services from the Group, China Changan or its associate (as the case may be) may request the Group to (1) participate in bidding process; or (2) provide quotation for China Changan's or its associate's internal comparison.

If China Changan or its associate (as the case may be) do not request a bidding process or internal quotations comparison, the Group will determine the price on a cost-plus basis.

(1) **Bidding Price:** The price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. The Company established bidding quotation process and administration on bidding quotation. Briefly, the Company's enterprise technical department draws up technical and operation plans whereas marketing and customer service department provide business plan and the two departments collaborate in preparing the bidding document in accordance with the specific requirements of the Company's customers. The Company's bidding representative delivers bidding offer and follows up on the bidding process. The Company sets up a working group to assist the bidding representative in response to the bidding before obtaining bidding results.

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

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

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, 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.

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 FY2018; 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 FY2018; and (iii) the Company has established a series of internal control measures (including the key procedures under the Company’s bidding quotation process and bidding quote management procedure) in order to ensure that the pricing mechanism and terms of the transaction are fair and reasonable and no less favorable than the terms provided by any independent third party so as to ensure that they serve the interest of the Company and the Shareholders as whole.

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, existing annual caps and the proposed annual cap for the China Changan CCT (the “China Changan Cap”):

	For the year ended 31 December 2018	For the year ending 31 December 2019
	RMB	RMB
Historical amounts	61,691,000	50,940,000 <i>(Note)</i>
Existing annual caps	300,000,000	250,000,000
	For the year ending 31 December 2020	
	RMB	
China Changan Cap	95,000,000	

Note: The figure is for the nine months ended 30 September 2019.

The following is the basis of determining of the China Changan Cap for FY2020 as extracted from the Board Letter: China Changan has more than ten member companies which are mainly engaged in parts production. Currently, the Group has established steady business contact with several member companies of China Changan such as Sichuan Jianan Industrial Co. Ltd., Chengdu Huachuan Electric Parts Co., Ltd., Harbin Dongan Automotive Power Co., Ltd., Harbin Dongan Automotive Engine Manufacturing Co., Ltd., South Inter Air-Conditioner Co., Ltd.. In order to maximize revenue, the Group intends to continue to conduct business with China Changan and its associates for the upcoming year. The proposed annual cap for FY2020 is determined after having considered the transaction amount for the year ended 31 December 2018, the estimated amount for the year ending 31 December 2019 and the Group's expected increase in the transaction amount from conducting business with China Changan and its associates for FY2020. The proposed annual cap represents less than one third of the annual cap for logistic services between the Group and China Changan and its associates set for the year ended 31 December 2018. In arriving at the proposed annual cap for the year ending 31 December 2020 at RMB95,000,000, the Directors have, apart from the factors set out above, also considered the rebound in the domestic automobile market in that the sale of automobile parts by China Changan and its associates including Sichuan Jianan Industrial Co., Ltd. for 2020 will increase. In addition, Chengdu Huachuan Electric Parts Co., Ltd., an associate of China Changan and the producer of automobile parts for Changan Automobile, have appointed the Group to provide logistic services for them. Accordingly, the Directors are of the view that the demand for logistic services by China Changan and its associates from the Group will increase in 2020. Accordingly, the Directors are of the view that the setting of the annual cap for the year ending 31 December 2020 at RMB95,000,000 is fair and reasonable.

We noticed that the substantial difference between (i) the historical amount of the China Changan CCT for the 9 months ended 30 September 2019 (i.e. approximately RMB51 million); and (ii) the China Changan Cap for FY2019 (i.e. RMB250 million). Upon our enquiry, the Management advised us that such difference was mainly due to decrease in China Changan's products sale during the nine months ended 30 September 2019 as compared to that for the corresponding period in 2018 which in turn led to decrease in demand for the China Changan CCT. As such we consider that it is reasonable for the Company to set the China Changan Cap for FY2020 significantly lower than that for the two years ending 31 December 2019.

To assess the fairness and reasonableness of the China Changan Cap for FY2020, we also discussed with the Management the basis and assumptions underlying the projections of the China Changan Cap. During our discussion with the Management, we understood that (i) the Management estimated the China Changan CCT amount to be approximately RMB70 million for FY2019; and (ii) the recent introduction of new car components and parts by member companies of China Changan may contribute to potential demand of the China Changan CCT in FY2020. The Management advised us that (i) Sichuan Jianan Industrial Co., Ltd. (an associate of China Changan) will increase its demand for the China Changan CCT by approximately RMB10 million in FY2020 as a result of its sale growth; and (ii) Chengdu Huachuan Electric Parts Co., Ltd. (an associate of China Changan and the producer of automobile parts for Changan Automobile) appointed the Group to provide logistic services and its expected demand for the China Changan CCT is approximately RMB15 million in FY2020. Therefore, the China Changan Cap was set at RMB95,000,000 for FY2020.

Taken into account the aforesaid basis of determination of the China Changan Cap for FY2020, we concur with the Directors that the China Changan Cap 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 2020, 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.

4. THE MINSHENG INDUSTRIAL LOGISTICS PURCHASE CCT

Reasons for the Minsheng Industrial Logistics Purchase CCT

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

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

In view of the above, we concur with the Directors that the Minsheng Industrial Logistics Purchase 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 Logistics Purchase CCT

The following table summarises the principal terms of the Minsheng Industrial Logistics Purchase 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 logistics services provided to the Group by Minsheng Industrial and its associates.
Term	From 1 January 2018 to 31 December 2020
Pricing policy	The pricing of the services provided under the agreement shall be determined in accordance with the principles and order below (the " Minsheng Industrial Logistics Purchase CCT Pricing Policy "):

(1) Bidding Price: The price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. According to the Company's 《投標報價管理程序》 (*Bidding Quote Management Procedures**), in terms of procurement through bidding, the Company publishes announcements at public media such as 中國採購與招標網 (*China Procurement and Bidding Website**, “**China Bidding**”) to invite bidders. The Group screens and selects bidders who can undertake the procurement with relevant qualification and capability.

(2) Internal Compared Price: Pursuant to the Company's 《比價採購定點定價管理程序》 (*Compared Pricing Management Procedures**), The price will be determined by the Company or its subsidiaries (as the case may be) by comparing internally the quote offered by Minsheng Industrial or its associate (as the case may be) and the quote offered by at least two independent third parties. In terms of internal compared pricing, the Group chooses the lowest quotes offered among the eligible participants as its procurement price.

At present, there are only a few suppliers who have the qualification and capability to provide Yangtze River automobile related transportation services. To increase procurement efficiency and ensure the reasonableness of prices, the Company usually adopts the internal compared pricing policy for selection of its water transportation supplier. 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 Logistics Purchase 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 Logistics Purchase 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 Logistics Purchase 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 transaction are fair and reasonable and no less favorable than the terms provided by any independent third party so as to ensure that they serve the interest of the Company and the Shareholders as whole.

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

Basis of the Minsheng Purchase Cap

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

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Historical amounts	344,540,000	202,450,000	154,690,000 <i>(Note)</i>
Existing annual caps	1,400,000,000	1,000,000,000	700,000,000
	For the year ending 31 December 2020		
	<i>RMB</i>		
Minsheng Purchase Cap	265,000,000		

Note: The figure is for the nine months ended 30 September 2019.

The following is the basis of determining of the Minsheng Purchase Cap as extracted from the Board Letter: Minsheng Industrial and its associates have been the major suppliers of waterway transportation services to the Group. Minsheng Industrial and its associates can make up for the lack of direct resources of the Company along the Yangtze River to assist the Group in providing better services for our customers. Minsheng Industrial and its associates has been providing services for the Group for a considerable period of time and the Group is satisfied with their overall service quality. The annual cap for FY2020 is arrived at after having considered (1) Minsheng Industrial's relatively strong presence in waterway transportation service and its growing strength in waterway transportation along the Yangtze River; and (2) the transaction amount for the year ended 31 December 2017 and 2018. In addition, the cost of waterway transportation is relatively low. In order to cut back costs, the Group expects to increase the use of water transportation. The Company is of the view that the annual cap for FY2020 is fair and reasonable.

We noticed that the utilisation rates of the existing annual caps of the Minsheng Industrial Logistics Purchase CCT for the two years ended 31 December 2018 were low. Upon our enquiry, the Management advised us that the Management expects the amount of Minsheng Industrial Logistics Purchase CCT for FY2019 to be approximately RMB211 million, representing approximately 30% of the Minsheng Purchase Cap for FY2019. Accordingly, the Minsheng Purchase Cap for FY2020 was set significantly lower than the existing annual caps for three years ending 31 December 2019.

To assess the fairness and reasonableness of the Minsheng Purchase Cap for FY2020, we discussed with the Management regarding the basis and assumptions underlying the projections of the Minsheng Purchase Cap.

After considering Minsheng Industrial's relatively strong presence in waterway transportation service and its growing strength in waterway transportation along the Yangtze River, the Management considered that it is prudent to set the Minsheng Purchase Cap at RMB265 million for FY2020 to cover potential demand of the Group.

Currently, around 20% of the Group's transportation is waterway transportation. The Group plans to increase this portion to around 40% in future. The Minsheng Purchase Cap of RMB265 million for FY2020 can cover the aforesaid plan.

Taken into account the aforesaid basis of determination of the Minsheng Purchase Cap for FY2020, we concur with the Directors that the Minsheng Purchase Cap is fair and reasonable.

Shareholders should note that as the Minsheng Purchase 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 2020, and they do not represent forecasts of cost or expense incurred from the Minsheng Industrial Logistics Purchase CCT. Consequently, we express no opinion as to how closely the actual cost or expense to be incurred under the Minsheng Industrial Logistics Purchase CCT will correspond with the Minsheng Purchase Cap.

As aforementioned, other than Minsheng Industrial, the Group entered into waterway transportation contracts with Independent Third Parties. The Management advised us that (i) the waterway transportation services procurement from Independent Third Parties represents approximately 11% of the Group's total waterway transportation services procurement for FY2018; and (ii) the Company plans to increase the proportion of waterway transportation services procurement from Independent Third Parties. Accordingly, the Group's potential reliance on Minsheng Industrial Logistics Purchase CCT can be eased.

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

5. THE DEPOSIT TRANSACTION UNDER THE ZHUANGBEI FINANCE CCT AGREEMENT

Reasons for the Deposit Transaction

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

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

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

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

In view of the above, we concur with the Directors that the 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 settlements, deposit and loans, note discounting services.
Term	From 1 January 2018 to 31 December 2020
Pricing policy	The interest rates for deposits placed by the Group must not be lower than (i) the relevant benchmark interest set by PBOC; and (ii) the interest rates provided by other independent commercial banks in the PRC for deposits of similar nature and under similar terms.

For our due diligence purpose, we requested and obtained from the Company 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 Transactions); (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 Transactions); and (iii) the Company had established a series of internal control measures in order to ensure that the pricing mechanism and terms of the transaction are fair and reasonable and no less favorable than the terms provided by any independent third party so as to ensure that they serve the interest of the Company and the Shareholders as whole.

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

In September 2018, Zhuangbei Finance was rated as “AAA Credit Rating” by China Lianhe Credit Rating Co., Ltd. (聯合資信評估有限公司), which evidenced that Zhuangbei Finance has healthy cash flow and strong capability to repay its debt.

In order to 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 (the “Undertaking”) as a part of the framework agreement to the Company. Details of the Undertaking are set out in the section headed “8. Risks Control Relating to the Deposits Transaction under the Framework Agreement with Zhuangbei Finance” in the Board Letter.

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

Basis of the Deposit Cap

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

	For the year ended 31 December 2017 <i>RMB</i>	For the year ended 31 December 2018 <i>RMB</i>	For the year ending 31 December 2019 <i>RMB</i>
Actual amounts of the historical highest daily outstanding balances of Deposit (including interests)	410,433,000	442,985,000	348,530,048 ^(Note)
Existing annual caps (maximum daily outstanding balances of deposit (including interests))	700,000,000	450,000,000	350,000,000
	For the year ending 31 December 2020 <i>RMB</i>		
Deposit Cap (maximum daily outstanding balances of deposit (including interests))	200,000,000		

Note: The figure is for the nine months ended 30 September 2019.

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. In the past few years, Zhuangbei Finance has been providing the Group with settlement services, deposit services, provision of loans, and note discounting services. Given the close relationship between the Group and Zhuangbei Finance, the terms of the financial services offered by Zhuangbei Finance to the Group can better serve Group's requirements. The annual cap for FY2020 has been substantially reduced to reflect (1) the historical maximum daily outstanding balances of deposits placed by the

Group with Zhuangbei Finance for the year ended 31 December 2017, 2018 and 9 months ended 30 September 2019; (2) the overall treasury requirements of the Group for FY2020. Zhuangbei Finance provides the Group with settlement services free of charge, the Group mainly settles transaction fees with major suppliers through the Company's accounts with Zhuangbei Finance, as such, the Company maintains deposits in accounts with Zhuangbei Finance. Currently, the Company mainly deposits with other licensed banking institutions in the PRC such as China Merchants Bank and China Construction Bank. As at 30 September 2019, the Group had a total deposit of approximately RMB623 million. As such, the proposed cap of the deposit (on a daily basis) with Zhuangbei Finance for FY2020 represents approximately one third of the total deposits of the Group. The Directors are of the view that measure can reduce the financial risk of capital concentration and the proposed cap for FY2020 is fair and reasonable.

To assess the fairness and reasonableness of the Deposit Cap for FY2020, 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 FY2018 and the nine months ended 30 September 2019 were close to the Deposit Caps for FY2018 and FY2019 respectively. As advised by the Management, the Group intends to reduce the Deposit amount in FY2020, therefore, the Deposit Cap was set at a lower level of RMB200 million.

Having considered the foregoing basis in determining the Deposit Cap, we consider that the Deposit Cap can provide flexibility for the Group to manage its cash deposit and thus are fair and reasonable.

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

6. THE MINSHENG INDUSTRIAL LOGISTICS PROVISION CCT

Reasons for the Minsheng Industrial Logistics Provision CCT

With reference to the Board Letter, Minsheng Industrial and its associates specialized in waterway transportation and has affluent resources such as ro-ro ships, vessels and vast waterway logistics network, enabling them to operate smoothly along the Yangtze River. However, in order to provide comprehensive logistics solution to its customer, like combined transportation by waterway plus road, occasionally, Minsheng Industrial and its associates find themselves in need of logistics services from the Group such as station management support and road transportation support. As a longstanding business partner of Minsheng Industrial, the Group's strength is in provision of comprehensive logistics solutions which could cater to the needs of Minsheng Industrial and its associates. The Directors are of the view that the Group should continue to do business with Minsheng Industrial and its associates in the hope that by combining the resources and strength from both parties, Minsheng Industrial and the Group will find common ground to cooperate to our mutual benefit.

With reference to the 2018 Annual Report, Minsheng Industrial and its associates need to purchase logistics technology services such as OTM (Oracle Transportation Management), station management services, etc. from the Group to ensure a smooth logistics operation. The cooperation between the Group and Minsheng Industrial can complement each other and seek common progress through resource sharing and optimized resources allocation.

In view of the above, we concur with the Directors that the Minsheng Industrial Logistics Provision 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 Logistics Provision CCT

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

Parties	(i) The Company; and (ii) Minsheng Industrial
Subject of the transaction	The Group shall provide logistics services to Minsheng Industrial and its associates
Term	From 1 January 2018 to 31 December 2020
Pricing policy	<p>Generally, the pricing of the logistics services to be provided by the Group is market driven. The pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order below (the “Minsheng Industrial Logistics Provision CCT Pricing Policy”):</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 《投標報價管理程序》 (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>

With reference to the Board Letter, 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.

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We understood from the Management that no transaction under the Minsheng Industrial Logistics Provision CCT was conducted on “bidding price” basis so far. When Minsheng Industrial request the Group for quotation, the Group will derive the quotation on cost-plus basis as above-mentioned. For our due diligence purpose, we obtained the cost-plus pricing documents of certain Minsheng Industrial Logistics Provision 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 Minsheng Industrial Logistics Provision 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 Minsheng Industrial Logistics Provision 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 Logistics Provision CCT); and (iii) the Company has established a series of internal control measures (including the key procedures under the Company's bidding quotation process and bidding quote management procedure) in order to ensure that the pricing mechanism and terms of the transaction are fair and reasonable and no less favorable than the terms provided by any independent third party so as to ensure that they serve the interest of the Company and the Shareholders as whole.

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

Basis of the Minsheng Provision Cap

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

	For the year ended 31 December 2017 RMB	For the year ended 31 December 2018 RMB	For the year ending 31 December 2019 RMB
Historical amounts	4,131,000	9,088,000	16,340,000 <i>(Note)</i>
Existing annual caps	30,000,000	20,000,000	20,000,000
	For the year ending 31 December 2020 RMB		
Minsheng Provision Cap	23,000,000		

Note: The figure is for the nine months ended 30 September 2019.

The following is the basis of determining of the Minsheng Purchase Logistics Cap as extracted from the Board Letter: Minsheng Industrial and its associates has strong foothold in waterway transportation along the Yangtze River with abundant resources such as ro-ro ships and vast waterway logistics network. However, Minsheng Industrial and its associates comparatively lacks strength in land transportation, storage, etc. The Group provides transportation by land, railway or other intermodal transportation services before the cargo reaches the departure port for transportation by the ro-ro ships or after the cargo reaches destination port to Minsheng Industrial and its associates.

In addition, the Group occasionally provides storage of finished vehicles or automobile parts, station management and so on. The Group believes that the proposed annual cap for FY2020 is fair after having considered the historical amount for the nine months ended 30 September 2019. In addition, the setting of the cap allows modest room for business expansion for similar services between the Group and Minsheng Industrial and its associate for FY2020.

To assess the fairness and reasonableness of the Minsheng Provision Cap for FY2020, we discussed with the Management regarding the basis and assumptions underlying the projections of the Minsheng Provision Cap.

We noticed that there has been an upward trend in the utilisation rates of the existing annual cap of the Minsheng Industrial Logistics Provision CCT and the historical amount of Minsheng Industrial Logistics Provision CCT for the nine months ended 30 September 2019 reached approximately 81.70% of the Minsheng Provision Cap for FY2019. Besides, the Group started to provide transportation services after the cargo reaches destination port to Minsheng Industrial and its associates in the second half of FY2018. The Management expects that the Group will continue to expand such service between the Group and Minsheng Industrial and its associate. Hence, the Minsheng Provision Cap for FY2020 was set at RMB23 million, being approximately 15% higher than the Minsheng Provision Cap for FY2019.

Taken into account the aforesaid basis of determination of the Minsheng Provision Cap for FY2020, we concur with the Directors that the Minsheng Provision Cap is fair and reasonable.

Shareholders should note that as the Minsheng Provision 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 2020, and they do not represent forecasts of revenue or income to be generated from the Minsheng Industrial Logistics Provision CCT. Consequently, we express no opinion as to how closely the actual revenue or income to be incurred under the Minsheng Industrial Logistics Provision CCT will correspond with the Minsheng Provision Cap.

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

LISTING RULES IMPLICATIONS

The Management confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Non-Exempt Continuing Connected Transactions must be restricted by respective annual caps; (ii) the terms of the Framework Agreements for the Non-Exempt Continuing Connected Transactions (together with the 2020 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 2020 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 2020 Annual Caps. In the event that the total amounts of the Non-Exempt Continuing Connected Transactions are anticipated to exceed the 2020 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

Having taken into account that above factors and reasons, we are of the opinion that (i) the terms the Non-Exempt Continuing Connected Transactions (including the 2020 Annual Caps) are on normal commercial terms and are fair and reasonable; and (ii) the each of the Non-Exempt Continuing Connected Transactions is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM to approve the proposed annual caps of FY2020 for the Non-Exempt Continuing Connected Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

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

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 2016, 2017 and 2018 have been disclosed in the following documents:

- Annual report of the Company for the year ended 31 December 2016 published on the HKExnews website (www.hkexnews.hk) and the Company's website on 17 April 2017 (Pages 70 to 140).
- Annual report of the Company for the year ended 31 December 2017 published on the HKExnews website (www.hkexnews.hk) and the Company's website on 17 April 2018 (Pages 54 to 124).
- 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).

2. Indebtedness

As at the close of business on 30 November 2019, 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 RMB4,000,000 from Zhuangbei Finance. In addition, Harbin Branch of Changan Minsheng APLL Logistics Co., Ltd., a branch company of the Company, and Hangzhou Changan Minsheng APLL Logistics Co., Ltd., a subsidiary of the Company respectively entered into finance leasing and leaseback arrangements with United Prosperity Investment (Shenzhen) Co., Ltd. ("leasing and leaseback arrangements"). The leasing and leaseback arrangements is in nature a loan with the tire assembly lines as security and the aggregate principal of the leasing and leaseback arrangements is approximately RMB27,390,000, which bears interest at an effective interest rate 4.75% per annum with quarterly instalment payments up to the maturity date on 31 December 2020.

Save as disclosed above, as at the close of business on 30 November 2019, 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's requirements for at least twelve months from the date of publication of this circular.

4. Financial and Trading Prospects

As disclosed in the 2019 Interim Report of the Company, for the six months ended 30 June 2019, affected by deterioration in production and sales to customers, the Group recorded a total revenue of approximately RMB1,920,833,000, representing a decrease of approximately 27.61% as compared with the corresponding period of last year. For the six months ended 30 June 2019, affected by a confluence of unfavorable factors such as the sluggish overall automobile industry, intensifying competition in the domestic automobile logistics market, the sliding logistics service prices as well as the ever-rising operational costs and increasing transportation cost, the Group's gross profit margin and net profit margin decreased to 5.89% (for six months ended 30 June 2018: 8.25%) and 0.98% (for six months ended 30 June 2018: 2.48%), respectively. The profit attributable to the equity holders of the Company for the six months ended 30 June 2019 went down to approximately RMB13,994,000 from approximately RMB51,997,000 in the corresponding period of last year.

From a global perspective, in 2019, the world will see a profound change in the political and economic landscape accompanying with ups and downs in inter-state relationships and perplexing dynamics. The trade tension between the United States and China is shoring up the costs of commodities and services, eroding consumer confidence and holding consumers back from long-range expenditure, which caused significant decrease in expenditures on consumer durables like automobiles.

The automobile productions and sales for the first half of 2019 point to a sustained weak performance, weaker than expected in early 2019. There are some favorable factors conducive to the potential picking up in the market demand in the latter half of 2019 such as the new automobile purchase tax policy effective from 1 July 2019 and the policies of "stepwise relaxation of foreign shareholding in a joint venture", "promotion of used automobile export", "withdrawal of the previous restriction on circulation of used automobiles" and "recycle of scrapped vehicles" announced by the government in most recent two years aiming to stimulate the overall automobile and related consumptions and refine the automotive consumption chain. However, the switching into "China VI" vehicle emission standards in parts of China in such grim and complex general environment is likely to put downward pressure on the overall industry in the second half of 2019. The sluggish automobile market and intensifying competition will likely have a negative impact on the automobile logistics business.

All staff of the Company will stand united behind the efforts to ride over the sluggish market with determination. The Company will always keep our mission in mind and see through each operational plan with urgency and passion. The Company will press ahead and seize opportunities despite all the difficulties. The Company will adhere to the strategy of cost efficiency through excellent operation and innovation to transform and upgrade itself in such a period of arduous struggles and recuperation. Furthermore, the Company will continue to streamline management, improve employee professional capabilities to assist itself to weather the current winter for automobile industry and achieve decent business performance under such circumstances.

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") (note 1)	Beneficial owner	25,774,720(L) (Domestic Shares)	24.07%	-	15.90%
Minsheng Industrial	Interest of a controlled corporation	6,444,480(L) (Non-H Foreign Shares)	6.02%	-	3.98%
Ming Sung Industrial Co., (HK) Limited ("Ming Sung (HK)") (note 1)	Beneficial owner	6,444,480(L) (Non-H Foreign Shares)	6.02%	-	3.98%
Pemberton Asian Opportunities Fund	Beneficial owner	5,000,000 (L)	-	9.09%	3.09%
788 China Fund Ltd.	Investment manager	4,000,000 (L)	-	7.27%	2.47%
McIntyre Steven (note 2)	Interest of a controlled corporation	3,423,000(L)	-	6.22%	2.11%
Braeside Investments, LLC (note 2)	Investment manager	3,423,000(L)	-	6.22%	2.11%
Braeside Management, LP (note 2)	Investment manager	3,423,000(L)	-	6.22%	2.11%

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

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. Li Xin Deputy General Manager of the Development Strategy Department 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 2018, being the date to which the latest published audited accounts of the Company and its subsidiaries were made up to.

4. MATERIAL LITIGATION

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

5. CONSENT OF EXPERT

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

Name	Qualification
Gram Capital	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to each of the Non-exempt Continuing Connected Transactions for 2020 and major transaction (including the Proposed Caps and the maximum outstanding daily balance on the Deposits for 2020)

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 2018 (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 2018 (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 2019 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) On 31 December 2017, Harbin Branch of Changan Minsheng APLL Logistics Co., Ltd., a branch company of the Company, and Hangzhou Changan Minsheng APLL Logistics Co., Ltd., a subsidiary of the Company respectively entered into finance leasing and leaseback arrangements with United Prosperity Investment (Shenzhen) Co., Ltd. ("leasing and leaseback arrangements"). The leasing and leaseback arrangements is in nature a loan with the tire assembly lines as security and the aggregate principal of the leasing and leaseback arrangements is approximately RMB27,390,000, which bears interest at an effective interest rate 4.75% per annum with quarterly instalment payments up to the maturity date on 31 December 2020.

- (b) On 7 February 2018, the Company entered into a transfer contract of land use right with the Land Resources and Housing Management Bureau of Jiangjin District in Chongqing, the PRC, pursuant to which, the Company secured a land plot within the comprehensive bonded area in Luohuang Industrial Park in Jiangjin District of Chongqing, the PRC, with a total site area of approximately 42,404.39 square meters (equivalent to approximately 63.6066 mu) for a transfer price of RMB20,990,200.
- (c) On 5 December 2018, the Company, Chongqing Port Logistics Group Co., Ltd. (“Port Group”), SAIC Anji Logistics Co., Ltd. (“Anji Logistics”), and Chongqing Guoyuan Ro-Ro Terminal Company Limited (“Ro-Ro Company”) entered into a Capital Increase and Shareholders Agreement, pursuant to which, the Company agreed to contribute RMB85,072,038.96, while Port Group will contribute RMB107,026,113.53, and Anji Logistics will contribute RMB82,327,779.64 respectively to the capital increase of Ro-Ro Company (which will then be restructured into a joint venture company), and to regulate their respective rights and obligations of the parties in the management and operation of Ro-Ro Company. Immediately after completion of the capital increase and the restructuring, Ro-Ro Company will be owned as to 31% by the Company, as to 39% by Port Group and as to the remaining 30% by Anji Logistics.
- (d) To avoid dilution of the Company’s equity interests in Zhuangbei Finance, the Company entered into the Capital Increase and Shareholders’ Subscription Agreement with Zhuangbei Finance on 20 May 2019. 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. As the subscription was made on a pro rata basis, the Company continues to own approximately 0.81% of the enlarged equity interests in Zhuangbei Finance and enjoys the rights and assumes the liabilities to the extent of the Company’s total capital contribution in Zhuangbei Finance.
- (e) On 29 October 2019, the Company, Tianjin Gang Economic and Technical Cooperation Limited Company, Yiqi Logistics Co., Ltd. and GAC Business Co., Ltd. entered into a joint venture agreement, 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. shall 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.
- (f) On 6 November 2019, the Company and Shenyang Changyou Automobile Supply Chain Co., Ltd. entered into a joint venture agreement, pursuant to which, the parties have agreed to establish a joint venture company and each of the Company and Shenyang Changyou Automobile Supply Chain Co., Ltd. shall 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.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Herbert Smith Freehills at 23/F., Gloucester Tower, 15 Queen’s Road Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 31 December 2019:

- a) the articles of association of the Company;
- b) the Framework Agreements for Non-Exempt Continuing Connected Transactions for 2018~2020;
- c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- d) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- e) the consent letter of Gram Capital referred to in the paragraph headed “CONSENT OF EXPERT” in this Appendix;
- f) the annual reports of the Company for the three financial years ended 31 December 2016, 2017 and 2018 respectively;
- g) the material contracts referred to in item 10 of this Appendix;
- h) the 2019 Interim Report of the Company; and
- i) this circular.