

華富建業企業融資有限公司
Quam Capital Limited
於香港註冊成立之有限公司
Incorporated in Hong Kong with limited liability

香港干諾道中 111 號永安中心 5 樓及 24 樓 (2401 及 2412 室)
5/F & 24/F (Room 2401 & 2412), Wing On Centre, 111 Connaught Road Central, Hong Kong
Tel: (852) 3184 8600 | Fax: (852) 2111 9032
www.quamcapital.com | www.quamplus.com/tc



23 January 2025

Changan Minsheng APLL Logistics Co., Ltd.
No. 1881
Jinkai Road
Yubei District
Chongqing
The PRC

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2025
AND THE MAJOR TRANSACTION REGARDING THE DEPOSIT TRANSACTION
WITH ZHUANGBEI FINANCE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2025 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, details of which are set in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 23 January 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the announcement dated 30 October 2023 (the “**2023 Announcement**”) and the circular dated 23 January 2024 (the “**2024 Circular**”) of the Company in relation to, among others, the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions entered into by the Company with each of Changan Automobile, China Changan, Minsheng Industrial and Zhuangbei Finance, each for a term of three years commencing on 1 January 2024 and expiring on 31 December 2026 (both days inclusive). The entering into the Framework Agreements for the Non-Exempt Continuing Connected Transactions and the annual caps for 2024 for each of the Non-Exempt Continuing Connected Transactions contemplated thereunder were approved by the Shareholders of the Company at the general meeting held on 19 February 2024.

As mentioned in the 2023 Announcement and 2024 Circular, the Company sought approval from the Shareholders at the general meeting to approve the annual caps for 2024 in relation to the Non-Exempt Continuing Connected Transactions contemplated under each of the Framework Agreement(s) for the

Non-Exempt Continuing Connected Transactions. Since the Company would like to provide a more appropriate level of the annual caps for each Non-Exempt Continuing Connected Transactions for each year, the Company will re-comply with the relevant Listing Rules requirements (including setting the annual caps, issuing announcement(s) and obtaining Independent Shareholders' approval) for the Proposed Caps for 2025 and 2026 in relation to each of the Non-Exempt Continuing Connected Transactions contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions.

The cap(s) for 2024 (including the maximum outstanding daily balance on the Deposit for 2024) for the Non-Exempt Continuing Connected Transactions under each of the Framework Agreements for the Non-exempt Continuing Connected Transactions with each of Changan Automobile, China Changan, Minsheng Industrial and their respective associates and Zhuangbei Finance have expired on 31 December 2024. As such, the Company has estimated and will seek for approval by Independent Shareholders at the EGM for the annual cap(s) (including the maximum outstanding daily balance on the Deposit) for the year ending 31 December 2025 in relation to the Non-Exempt Continuing Connected Transactions contemplated under each of the Framework Agreement(s) for the Non-Exempt Continuing Connected Transactions. With respect to the Non-Exempt Continuing Connected Transactions for the year ending 31 December 2026 contemplated under the Framework Agreements for the Non-Exempt Continuing Connected Transactions, the Company will re-comply with the relevant Listing Rules requirements (including setting the annual cap, issuing announcement(s) and obtaining Independent Shareholders' approval).

Apart from setting the cap for 2025 for each Non-Exempt Continuing Connected Transactions in manner as disclosed in this circular, the Company confirms that there have been no changes to the terms of the Framework Agreements for the Non-Exempt Continuing Connected Transactions nor the categories of the Non-Exempt Continuing Connected Transactions contemplated thereunder.

As at the Latest Practicable Date, China Changan holds approximately 25.44% of the total issued share capital of the Company and 17.98% equity interests in Changan Automobile. In addition, CSGC holds 100% equity interests in China Changan and 14.23% equity interests in Changan Automobile. SIAMC, a wholly-owned subsidiary of CSGC, holds 4.60% equity interests in Changan Automobile. The ultimate shareholder of SIAMC is CSGC. The ultimate beneficial owner of CSGC is the SASAC of the State Council of the PRC. Zhuangbei Finance is a member company of CSGC in that CSGC holds 22.90% equity interests and China Changan holds 13.27% equity interests. The ultimate beneficial owner of Zhuangbei Finance is CSGC. As at the date of the announcement of the Company dated 2 December 2024, the Company holds approximately 0.81% equity interests in Zhuangbei Finance. Therefore, according to the Listing Rules, the transactions between the Group and each of China Changan, Changan Automobile, Zhuangbei Finance and their respective associates constitute connected transactions of the Company.

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

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Li Ming, Mr. Man Wing Pong and Ms. Chen Jing, has been established to advise the Independent

Shareholders as to (i) whether the entering into of the Non-Exempt Continuing Connected Transactions for 2025 is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Independent Shareholders as a whole; (ii) whether the terms of the Non-Exempt Continuing Connected Transactions for 2025 are normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned; (iii) whether the Proposed Cap in respect of each of the Non-Exempt Continuing Connected Transactions for 2025 have been fairly and reasonably arrived at; and (iv) how the Independent Shareholders should vote in respect of the proposed resolution at the EGM to approve the Non-Exempt Continuing Connected Transactions for 2025 (including the Proposed Cap for each of Non-Exempt Continuing Connected Transactions for 2025), taking into account our recommendation.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser, our role is to give independent opinions to the Independent Board Committee and the Independent Shareholders as to (i) whether the entering into of the Non-Exempt Continuing Connected Transactions for 2025 is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Independent Shareholders as a whole; (ii) whether the terms of the Non-Exempt Continuing Connected Transactions for 2025 are normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned; (iii) whether the Proposed Cap in respect of each of the Non-Exempt Continuing Connected Transactions for 2025 have been fairly and reasonably arrived at; and (iv) how the Independent Shareholders should vote in respect of the proposed resolution at the EGM to approve the Non-Exempt Continuing Connected Transactions for 2025 (including the Proposed Cap for each of Non-Exempt Continuing Connected Transactions for 2025).

During the past two years, we have acted an Independent Financial Adviser in relation to certain transactions of the Company, including (i) the Non-Exempt Continuing Connected Transactions of the Company as disclosed in its circular dated 23 January 2024; and (ii) the subscription of the new domestic shares of the Company under the specific mandate and application for whitewash waiver as disclosed in its circular dated 4 November 2024 (collectively, the “**Past Engagements**”). For the Past Engagements, we provided independent advisory services to the independent board committee and/or independent shareholders of the Company. Thus, we do not consider the Past Engagements would affect our independence to act as the Independent Financial Adviser. Except for the Past Engagements, we have not acted as an independent financial adviser or financial adviser in relation to any transactions of the Company or its connected persons during the past two years. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2025. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Non-Exempt Continuing Connected Transactions for 2025, and accordingly, are eligible to give independent advice and recommendations on the Non-Exempt Continuing Connected Transactions for 2025. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their

respective substantial shareholders or associates or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

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

- (i) the Framework Agreements for the Non-Exempt Continuing Connected Transactions;
- (ii) the Circular;
- (iii) the annual report of the Company for the financial year ended 31 December 2023 (the “**Annual Report 2023**”) and the interim report of the Company for the six months ended 30 June 2024 (the “**Interim Report 2024**”); and
- (iv) the relevant market data and information available from public sources and the website of the Stock Exchange.

We have also relied on all relevant information and representations supplied, and the opinions expressed, by the Directors and the management of the Company (collectively, the “**Management**”) and discussed with them about the underlying assumptions in relation to the Non-Exempt Continuing Connected Transactions for 2025. We have assumed that all such information and representations contained or referred to in the Circular are true and accurate in all material respects as the date thereof. Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have also confirmed that, having made all reasonable enquiries and to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular, the omission of which make any statement in the Circular misleading. We have found no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management, and they have confirmed that no material information have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading. Based on the reasonable steps we have taken as mentioned above, we have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

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

concert with them.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2025, we have taken into account the following principal factors and reasons.

1. Information of the Group

1.1. Background information of the Group

The Group is principally engaged in supply chain management services for automobiles and automobile raw materials, components and parts. Such services include finished vehicle transportation and related logistics services, automobile raw materials and components and parts supply chain management services, tire sub-packaging and after sales logistics services, among others. Besides, the Company also provides non-automobile commodities transportation services.

1.2. Financial information of the Group

Set out below is a summary of the financial information of the Group for the two financial years ended 31 December 2022 (“FY2022”) and 31 December 2023 (“FY2023”) as extracted from the Annual Report 2023, and the six months ended 30 June 2023 (“HY2023”) and 30 June 2024 (“HY2024”) as extracted from the Interim Report 2024:

	FY2022	FY2023	HY2023	HY2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	7,720,202	7,968,998	3,984,312	4,165,153
Operating profit	66,535	75,146	25,817	42,631
Net profit attributable to shareholders of parent	38,482	56,447	28,135	29,260

	As at 31	As at 31	As at 30 June
	December 2022	December 2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Non-current assets	1,341,713	1,504,505	1,481,158
Current assets	3,573,957	3,669,907	3,900,827
Total assets	4,915,670	5,174,412	5,381,985
Non-current liabilities	196,476	255,306	222,443
Current liabilities	2,557,321	2,729,542	2,972,249
Total liabilities	2,753,797	2,984,848	3,194,692
Net assets	2,161,873	2,189,564	2,187,293

Comparison between FY2022 and FY2023

Revenue of the Group increased by approximately 3.2% from approximately RMB7,720.2 million for FY2022 to approximately RMB7,969.0 million for FY2023, which was mainly attributable to the increase of the sales volume of vehicles of the Group's major customer, Changan Automobile and its associates and thus their increase in demand for the Group's finished vehicles transportation services and supply chain management services of automobile raw materials and components and parts, partially offset by the decrease in the revenue from non-automobile commodities transportation services. Changan Automobile and its associates contributed approximately 65.1% and 67.5% of the Group's revenue for FY2022 and FY2023, respectively.

The Group's cost of operations amounted to approximately RMB7,322.2 million and RMB7,597.7 million for FY2022 and FY2023 respectively. Net profit attributed to the shareholders of parent of the Group increased by approximately 46.7% from approximately RMB38.5 million for FY2022 to approximately RMB56.4 million for FY2023, which was mainly attributable to the increase of the revenue as mentioned above and the decrease in administrative expenses, in particular, employee's salary, partially offset by the increase in research and development expenses.

Comparison between HY2023 and HY2024

Revenue of the Group increased by approximately 4.5% from approximately RMB3,984.3 million for HY2023 to approximately RMB4,165.2 million for HY2024, which was mainly attributable to the growth of the automobile industry, which have led to an increase of the sales volume of vehicles of Changan Automobile and its associates and thus their increasing demand for the Group's services. Changan Automobile and its associates contributed approximately 62.9% and 63.5% of the Group's revenue for HY2023 and HY2024, respectively.

The Group's cost of operations amounted to approximately RMB3,809.4 million and RMB3,974.3 million for HY2023 and HY2024 respectively. Net profit attributed to the shareholders of the parent of the Group increased by approximately 4.0% from approximately RMB28.1 million for HY2023 to approximately RMB29.3 million for HY2024, which was mainly attributable to the increase of the revenue as mentioned above.

Assets and liabilities

As at 30 June 2024, total assets of the Group was approximately RMB5,382.0 million, of which accounts receivable and fixed assets amounted to approximately RMB1,740.1 million and RMB704.8 million, representing approximately 32.3% and 13.1% of total assets of the Group, respectively. Total liabilities of the Group as at 30 June 2024 was approximately RMB3,194.7 million, of which accounts payable amounted to approximately RMB1,785.5 million or accounting for approximately 55.9% of total liabilities of the Group. The Group's net assets remained relatively stable at approximately RMB2,161.9 million, RMB2,189.6 million and RMB2,187.3 million as at 31 December 2022, 31 December 2023 and 30 June 2024 respectively.

1.3. Outlook of the Group

The Group's business performance is driven by the China's automobile market. Although under the challenges such as intensified competition resulting in the carmakers taking price reduction and the complicated domestic and international economic environment, China's automobile market has demonstrated a growth in 2024, with the new energy vehicles market continuing to grow rapidly while the traditional fuel vehicles market facing a huge downward pressure. The growth of the industry has also been driven by a series of policies implemented by PRC government, such as providing subsidies for the purchase of new cars to replace old ones, subsidies for the purchase of new energy cars in the rural areas, etc., while the effect of COVID-19 was not the main cause for the industry growth according to the information published by China Association of Automobile Manufacturers (http://www.caam.org.cn/chn/4/cate_154/con_5236619.html), which is a social organisation founded with the approval of the Ministry of Civil Affairs of the People's Republic of China, consisted of over 3,000 members of enterprises and institutions as well as organisations engaged in production and management of automobiles, auto parts and vehicle-related industries in China. According to the data published by China Association of Automobile Manufacturers (http://www.caam.org.cn/chn/4/cate_154/con_5236619.html), from January to December 2024, the total sales volume of automobiles in China was approximately 31.4 million, representing a year-on-year growth of approximately 4.5%, while the total sales volume of new energy cars in China was approximately 12.9 million, representing a strong increase of approximately 35.5% year-on-year. In addition, the export volume of automobiles in China has reached approximately 5.9 million from January to December 2024, with a strong year-on-year growth of approximately 19.3%, demonstrating a rising competitiveness of Chinese brands in overseas market. The growth of the automobile industry is conducive to the development of the automobile logistics industry in China.

With reference to the 2024 Interim Report, the Group will focus on ensuring stable growth, while mitigating risk and promoting reforms in the second half of 2024, with the goal to become a first-class green intelligent logistics and supply chain service provider. Taking into account the historical growth in revenue and profit of the Group for recent financial years / periods as discussed in section 1.2 above, and the growth in the PRC automobile industry as discussed above, we expect that the business performance of the Group will experience a steady growth in the near term.

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

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

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

and specialty product) to China Changan and its associates;

- (3) the framework agreement with Minsheng Industrial, pursuant to which the Group shall purchase logistics services from Minsheng Industrial and its associates; and
- (4) the framework agreement with Zhuangbei Finance, pursuant to which Zhuangbei Finance shall provide the Group with settlements, deposit and loans, note discounting services.

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

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

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

China Changan is primarily engaged in automobile and motorcycle production; automobile and motorcycle engines production; the design, development, production and sale of automobile and motorcycle components and parts; sale of optical devices, electronic optoelectronic devices, night vision devices information and communication devices and the relevant technical development, technical transfer, technical consultation, technical services and import and export business and consultation on assets merger and asset restructuring.

Minsheng Industrial engages in transportation via rivers and by sea.

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

2.2. Reasons for and benefits of the Non-Exempt Continuing Connected Transactions for 2025

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

Since the establishment of the Company, the Group has had maintained a business relationship with Changan Automobile. Provision of logistics services to Changan Automobile and its associates by the Group occupies a major portion of the Group's business, thus contributing significantly to the revenue of the Group. As such, the Company believes that it is essential to maintain the provision of logistics services by the Group to Changan Automobile and its associates to maintain such source of revenue.

According to the announcement of Changan Automobile, for the year ended 31 December 2024 ("FY2024"), the sales volume of Changan Automobile reached approximately 2.68 million vehicles,

representing an increase of approximately 5.12% as compared with 2023. The Management expected that the logistics demand of Changan Group will increase taking into account the sales performance of the Changan Automobile's products, the new cars models released recently and the expansion plan of Changan Automobile in Thailand by setting up a base for new energy cars there, among others. Since September 2024, Changan Automobile has released new models, including the Deepal L07, Avita 07, Qiyuan E07, the fourth-generation CS75PLUS, Changan Kaicheng V989 and so on. Therefore, the Board is of the view, and we concur, that the continuing connected transaction with respect to the provision of logistics services to Changan Automobile and its associates is in the interests of the Company and its Shareholders as a whole, and is in the ordinary and usual course of business of the Group.

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

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

China Changan is a large enterprise with businesses mainly ranging from parts and components to automobile retail, including parts production such as automobile engines, transmissions, power components, chassis, shock absorbers, supercharges, pistons and so on. The Group stepped up efforts in exploring the parts business of China Changan and its associates ever since China Changan became one of the substantial shareholders of the Company. Currently, the Group has established steady business relationships with several member companies of China Changan, by providing logistics services such as automobile parts distribution, transportation, storage, etc. By leveraging the existing business relationship with Changan Group, the Management anticipated that 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 maximising revenue of the Group. Therefore, the Board is of the view, and we concur, that the continuing connected transaction with respect to the provision of logistics services to China Changan and its associates is in the interests of the Company and its Shareholders as a whole, and is in the ordinary and usual course of business of the Group.

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

According to the Letter from the Board, the Group is an automobile logistics service provider for providing comprehensive logistics solution to customers but it currently does not have any vessel or enough freight carriers to ensure an independent operation of business. Therefore, the Group needs to purchase logistics services from suppliers with sufficient transportation capacity and logistics facilities and equipment. Minsheng Industrial is equipped with ro-ro ships of various volumes and car transporters that has extensive, well-established logistics network across the country. In addition,

Minsheng Industrial and its associates have been providing various logistics services such as waterway transportation of cars and car components and parts, finished vehicles transportation by road, customs clearance, container transportation, etc. for many years.

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

2.2.4. Deposit transaction between the Group and Zhuangbei Finance

Zhuangbei Finance is a non-banking financial institution in the PRC as approved by NFRA and is established with capital contribution from member companies of CSGC for purpose of centralising capital management and optimising capital efficiency within the CSGC. According to the Letter from the Board, Zhuangbei Finance has been providing financial services for member companies of CSGC for years and the major customers of the Group are member companies within CSGC and they all have maintained accounts with Zhuangbei Finance. It would reduce the time costs and finance cost if the Company deposits and conducts note discounting services with, and/or to obtain loan advancement from, Zhuangbei Finance. Moreover, Zhuangbei Finance offers more favourable terms and comparatively less finance fees and charges than those payable to external banks in the PRC. According to the Letter from the Board, the service fees charged or to be charged by normal commercial banks for the provision of settlement services, including account management, online banking system management, confirmation, etc. are free of charge to Zhuangbei Finance, which would reduce the finance costs of the Group.

Zhuangbei Finance is regulated by the PBOC and the NFRA and provides its services in accordance with and in compliance of the rules and operational requirements of these regulatory authorities. The pricing policies of Zhuangbei Finance are subject to guidelines set by PBOC. Based on our review of public records on NFRA website (<https://xkz.cbirc.gov.cn/jr/>), we noted that the relevant licenses and permits of Zhuangbei Finance remain valid and effective as at the Latest Practicable Date, and we did not notice any non-compliance records of Zhuangbei Finance.

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

2.3. Principal terms of the Non-Exempt Continuing Connected Transactions for 2025

To assess the fairness and reasonableness of the terms of the Framework Agreements for the Non-Exempt Continuing Connected Transactions 2025, we have considered the following:

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

According to the terms of the framework agreement with Changan Automobile, the pricing of the logistics services to be provided by the Group is market driven and shall be no less favourable to the Group than the pricing provided to Independent Third Parties for similar services. The transactions contemplated under the framework agreement shall be conducted on a non-exclusive basis. According to the Group's pricing policy, the pricing of the services provided under the agreement shall be determined in accordance with, to the extent if the Group has a choice, the principles and order below:

(1) Bidding price

The price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. The Company has also established the Bidding Quotation Process and Bidding Quote Management Procedures. Based on our review of such documents and the Letter from the Board, the Company's Enterprise Technical Center will draw up the technical and operation plans whereas the Marketing Management Center will provide business plan and the two departments will collaborate in preparing the bidding document in accordance with the specific requirements of our customers. Bidding representative of the Company will deliver the bidding offer and follow up on the bidding process. The Company will set up a working group to assist the bidding representative in response to the bidding before the bidding representative will finally be informed of the bidding results.

(2) Internal compared price

In determining the quote to be offered by the Group in internal compared pricing method, whenever practical and appropriate, the Company will comprehensively consider the feasibility of the project, and the Company's knowledge on at least two competing third parties to ascertain whether and at what price the Group should participate in the project.

(3) Cost-plus price

For pricing to be determined with reference to a reasonable cost plus a reasonable profit margin, the Company will consider the labour cost, equipment operation cost, material inputs, etc. to comprehensively measure the cost. The profit margin for each project varies depending on the different technical requirements, staffing, resources commitment and location. When adopting the cost-plus approach to arrive at the price for provision of logistics services, the Group will initially gather necessary information including the technical specification and operational requirements, etc. regarding the logistics services from potential customers. Based on the customers' requirements, the Group will devise the prices after having taken into account all the direct fixed and variable costs

(cost of materials, labour cost, and other overhead expenses) associated with the services, with a mark-up to the cost. The mark-up represents the gross profit of the Group.

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

For each pricing methodology above (i.e. bidding price, internal compared price and cost-plus price), we have obtained and reviewed the documents in relation to the pricing process for one sample transaction randomly selected during FY2022, FY2023 and the 11 months ended 30 November 2024 (“11MFY2024”) for the logistics services provided by the Group to Changan Automobile and its associates. During this review exercise, nothing has come to our attention that the Group’s pricing policy had not been adhered to. Considering that (i) the sample transaction was selected on a random basis and we did not set other criteria in the sampling process; and (ii) the Group has been providing logistics services to Changan Automobile for a number of years under a consistent pricing policy, we consider the number of samples sufficient to provide fair and representative samples for our assessment.

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

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

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

We have obtained and reviewed the documents in relation to the internal compared pricing process for one sample transaction randomly selected during FY2022, FY2023 and 11MFY2024 for the logistics services provided by the Group to China Changan and its associates. During this review exercise, nothing has come to our attention that the Group’s pricing policy had not been adhered to. Considering that (i) the sample transactions were selected on a random basis and we did not set other criteria in the sampling process; and (ii) the Group has been providing logistics services to China Changan for a number of years under a consistent pricing policy, we consider the number of samples sufficient to provide fair and representative samples for our assessment. Based on our discussion with the Management, we understand that there was no transaction which has adopted the bidding pricing and cost-plus pricing methodology in respect of the provision of logistics services by the Group to China Changan and its associates during FY2022, FY2023 and 11MFY2024.

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

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

According to the terms of the framework agreement with Minsheng Industrial, the pricing of the logistics services to be provided to the Group by Minsheng Industrial and its associates shall be no less favourable to the Group than the pricing provided from Independent Third Parties for similar services. The transactions contemplated under the framework agreement shall be conducted on a non-exclusive basis. According to the Group's pricing policy, the pricing of the services provided under the agreement shall be determined in accordance with the principles and order below:

(1) Bidding price

The price will be arrived at by bidding process in principle. The bidding price shall be a price conducted after a bidding procedure according to the PRC Bidding Law. The Group has established the Bidding Quote Management Procedures. Based on our review of such document and the Letter from the Board, in terms of procurement through bidding, the Company shall publish announcements at such public media as China Bidding to invite bidders. The Group will screen and select bidders whom the Group considers can undertake the procurement with relevant qualification and capability.

(2) Internal compared price

The price will be determined by the Company or its subsidiaries (as the case may be) by comparing internally the quote offered by Minsheng Industrial or its associate (as the case may be) and the quote offered by at least two Independent Third Parties or the price of services of similar nature purchased by independent third parties. In terms of internal compared pricing, the Group will choose the lowest quotes offered among the eligible participants as its procurement price. Pursuant to the Compared Pricing Management Procedures, in terms of internal compared pricing, the Group shall compare quotes provided by or the price of services of similar nature purchased by at least two Independent Third Parties.

In relation to each bidding pricing and internal compared pricing methodology above, we have obtained and reviewed the documents in relation to the pricing process for one sample transaction randomly selected during FY2022, FY2023 and 11MFY2024 for the logistics services provided by the Minsheng Industrial and its associates to the Group. During this review exercise, nothing has come to our attention that the Group's pricing policy had not been adhered to. Considering that (i) the sample transactions were selected on a random basis and we did not set other criteria in the sampling process; and (ii) the Group has been purchasing logistics services from Minsheng Industrial for a number of years under a consistent pricing policy, we consider the number of samples sufficient to provide a fair and representative sample for our assessment.

According to the Letter from the Board, at present, there are only a few suppliers who have the qualification and capability to provide Yangtze River automobile related transportation services. Therefore, to increase procurement efficiency and ensure the reasonableness of prices, the Company usually adopts the internal compared pricing policy for selection of its water transportation supplier.

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

2.3.4. Deposit transaction between the Group and Zhuangbei Finance

As Zhuangbei Finance is a regulated financial institution, the pricing policies of Zhuangbei Finance are subject to guidelines set by PBOC. According to the terms of the framework agreement and the Group's pricing policy, the interest rates for Deposits placed by the Group shall not be lower than (i) the relevant benchmark interest set by PBOC; and (ii) the interest rates provided by other independent commercial banks in the PRC for deposits of similar nature and under similar terms.

In relation to the above, we have obtained and reviewed the latest agreement between the Group and Zhuangbei Finance which sets out the interest rate for current account deposits. We noted that the agreed interest rate was higher than (i) the relevant benchmark interest set by PBOC (<http://www.pbc.gov.cn/zhengcehuobisi/125207/125213/125440/125838/125885/125896/index.html>); and (ii) the interest rates published by other independent commercial banks that the Group had maintained a bank account for similar nature of deposits (including Industrial and Commercial Bank of China Limited (<https://icbc.com.cn/column/1438058341686722587.html>), China Construction Bank Limited (https://store.ccb.com/chn/personal/interestv3/rmbdeposit_dw.shtml), Bank of China Limited (https://www.boc.cn/fimarkets/lilv/fd31/202410/t20241018_25175416.html), China Merchants Bank Co., Ltd. (<https://fin.paas.cmbchina.com/fininfo/firmrate>) and Shanghai Pudong Development Bank Limited (<https://per.spdb.com.cn/rate>)).

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

- (i) provide to the Company, at any time, financial services with terms which are no less favourable than for comparable financial services provided to members of CSGC and those of the comparable financial services the Company may obtain from other financial institutions;
- (ii) ensure that the Financial Operation Licence (金融許可證) and other business permits, approvals and filings etc. have been lawfully obtained by Zhuangbei Finance and will remain valid and effective;
- (iii) ensure the safe operations of its fund settlement and clearance network, assure the safety of funds, control the risk exposure and safety of the Deposit and will satisfy the requirements for the payment of the Deposit;

- (iv) ensure the strict compliance with the risk monitoring indicators for financial institutions promulgated by the NFRA and that the major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the NFRA and other relevant laws and regulations;
- (v) report its business and financial positions to the Company twice a year, co-ordinate with the auditors of the Company in the course of their audit work to enable the Company to fulfill the requirements of the Listing Rules; and
- (vi) on happening of new, or special event that may possibly affect the Company, Zhuangbei Finance shall proactively inform the Company on a timely basis.

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

2.4. Annual Caps

The table below sets out the historical transaction amounts of the Non-Exempt Continuing Connected Transactions for FY2022, FY2023 and FY2024, the annual caps for the respective year and the respective Proposed Cap for the year ending 31 December 2025 (“FY2025”):

	FY2022	FY2023	FY2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<u><i>Logistics services provided by the Group to Changan Automobile and its associates</i></u>			
Transaction amount	5,029,170,000	5,378,349,713	5,759,690,000
Annual cap for the year	6,000,000,000	7,000,000,000	7,000,000,000
Utilisation rate	83.8%	76.8%	82.3%
Proposed Cap for FY2025	7,500,000,000		
<u><i>Logistics services provided by the Group to China Changan and its associates</i></u>			
Transaction amount	170,920,000	197,864,541	241,410,000
Annual cap for the year	210,000,000	210,000,000	300,000,000
Utilisation rate	81.4%	94.2%	80.5%
Proposed Cap for FY2025	500,000,000		
<u><i>Logistics services provided to the Group by Minsheng Industrial and its associates</i></u>			
Transaction amount	248,340,000	248,401,481	214,190,000
Annual cap for the year	250,000,000	450,000,000	450,000,000

Utilisation rate	99.3%	55.2%	47.6%
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Proposed Cap for FY2025	400,000,000
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Deposit transaction between the Group and Zhuangbei Finance

Maximum amount of Deposit (including interests) on a daily basis	199,582,000	189,363,397	188,130,000
Annual cap for the year	200,000,000	190,000,000	200,000,000
Utilisation rate	99.8%	99.8%	94.1%

Proposed Cap for FY2025	240,000,000
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2.4.1. Logistics services provided by the Group to Changan Automobile and its associates

With reference to the Letter from the Board, the Proposed Cap for the provision of logistics services to Changan Automobile and its associates by the Group was determined after having considered (i) the unaudited transaction amount with Changan Automobile and its associates in FY2024 of approximately RMB5.76 billion; (ii) the projected level of the incremental transaction amount in FY2025 of approximately RMB0.90 billion; and (iii) a moderate buffer.

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

- (i) the unaudited historical transaction amount for FY2024 of approximately RMB5.76 billion, and taking into account the growth in sales volume of Changan Automobile of approximately 5.12% for FY2024 as compared with FY2023;
- (ii) the projected increase in transaction amount for FY2025 of approximately RMB0.90 billion was mainly determined based on the Group's understanding on the business plans of Changan Automobile and its associates after their discussion with the management of the Changan Group. As disclosed in the Letter from the Board, the Management expected that (a) the export volume of Changan Automobile by sea will increase to 370,000 units in FY2025 from 270,000 units in FY2024, representing a growth rate of approximately 40%; (b) the base of Changan Automobile in Thailand for new energy cars will be put into production in the first quarter of 2025, with an annual production capacity of 100,000 vehicles; and (c) the Group's plan to promote tyre integration and package integration at the bases of Changan Automobile in Chongqing, Nanjing, Hangzhou and Hefei in 2025 to develop integrated businesses in the four segments including front-end transportation, warehousing and storage operation, tyre assembly, and sorting and distribution will generate revenue of close to RMB0.1 billion; and

- (iii) a moderate buffer amount of approximately RMB0.84 billion is fair and reasonable in light of the inherent volatility of the auto market and the potential increase in transaction amount arising from the launch of new models of Changan Automobile.

We are of the view that the Proposed Cap for 2025 for the logistics services provided by the Group to Changan Automobile and its associates has been determined on a fair and reasonable basis. In addition, we noted that the historical annual caps for this transaction for FY2022, FY2023 and FY2024 were mostly utilised, which indicates that the historical caps have also been fairly and reasonably arrived at by the Group.

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

With reference to the Letter from the Board, the Proposed Cap for the provision of logistics services to China Changan and its associates by the Group was determined after having considered (i) the unaudited transaction amount with China Changan and its associates in FY2024 of approximately RMB241 million; (ii) the projected increase in transaction amount for FY2025 of approximately RMB170 million; and (iii) a moderate buffer.

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

- (i) the unaudited historical transaction amount for FY2024 of approximately RMB241 million;
- (ii) the projected increase in transaction amount for FY2025 of approximately RMB170 million was mainly determined based on the Group's understanding on the business plans of Changan Automobile and its associates after their discussion with the management of the Changan Group. As disclosed in the Letter from the Board, the Management expected that the projected increase in transaction amount will be mainly derived from the Group's expansion plans in the business of in-plant logistics, finished products transportation and solutions on transformation to intelligent logistics of customers; and
- (iii) a moderate buffer amount of approximately RMB89 million is fair and reasonable in view of the fluctuations of the transaction amount with China Changan and its associates.

We are of the view that the Proposed Cap for 2025 for the logistics services provided by the Group to China Changan and its associates has been determined on a fair and reasonable basis. In addition, we noted that the historical annual caps for this transaction for FY2022, FY2023 and FY2024 were mostly utilised, which indicates that the historical caps have also been fairly and reasonably arrived at by the Group.

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

With reference to the Letter from the Board, the Proposed Cap for the provision of logistics services to the Group by Minsheng Industrial and its associates was determined after having considered (i) the

unaudited transaction amount with Minsheng Industrial and its associates in FY2024 of approximately RMB214 million; (ii) the projected level of the incremental transaction amount in FY2025 of approximately RMB70 million; and (iii) a moderate buffer.

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

- (i) the unaudited historical transaction amount for FY2024 of approximately RMB214 million;
- (ii) the projected increase in transaction amount for FY2025 of approximately RMB70 million was mainly determined based on the Group's understanding on the business plans of Changan Automobile after their discussion with the management of the Changan Group, considering that the demand for the logistics services provided by Minsheng Industrial is mainly driven by the logistics demand from Changan Automobile. As disclosed in the Letter from the Board, the Management expected that an incremental transaction amount will be mainly derived from the increase in export volume of Changan Automobile by sea to 370,000 units in 2025 from 270,000 units in 2024, with a growth rate of approximately 40%; and
- (iii) a moderate buffer amount of approximately RMB116 million is fair and reasonable in view of (a) the fluctuations in oil prices which may potentially affect the water transport cost. During FY2024, the daily closing WTI crude oil prices have fluctuated between US\$65.75 per barrel and US\$86.91 per barrel; and (b) the potential increase in logistics demand from Changan Automobile and its associates as discussed under section 2.4.1 above.

Based on the above, we are of the view that the Proposed Cap for the logistics services provided to the Group by Minsheng Industrial and its associates has been determined on a fair and reasonable basis.

2.4.4. Deposit transactions between the Group and Zhuangbei Finance

With reference to the Letter from the Board, the Proposed Cap for the deposit transactions between the Group and Zhuangbei Finance (i.e. the maximum amount of Deposit (including interests) on a daily basis) was determined after having considered (i) the historical maximum daily outstanding balance of Deposit placed by the Group in Zhuangbei Finance in FY2024 and the utilisation rate for the annual cap for FY2024; and (ii) the unaudited total deposit of approximately RMB1.14 billion held by the Group as at 31 December 2024 and as such, the Proposed Cap represents approximately 20% of such total deposit amount of the Group. By allocating the Group's cash among Zhuangbei Finance and other licensed banking institutions in the PRC, the Group is able to reasonably reduce the financial risks of capital overconcentration while retaining the benefit of financial settlement through Zhuangbei Finance.

To assess the fairness and reasonableness of the Proposed Cap, we have discussed with the Management about the basis and underlying assumptions. Having considered that the historical maximum amount of Deposit (including interests) on a daily basis for FY2022, FY2023 and FY2024 remained relatively stable at approximately RMB188 million to RMB200 million, we are of the view

that the Proposed Cap for the deposit transactions between the Group and Zhuangbei Finance of RMB240 million has been determined on a fair and reasonable basis.

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

3. INTERNAL CONTROL MEASURES

As discussed under section 2.3 above, the Company has adopted internal control measures to ensure that the Non-Exempt Continuing Connected Transactions for 2025 are carried out in accordance with the Group's pricing policies and to ensure the transactions are conducted on normal commercial terms.

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

According to the Annual Report 2023, we noted that the Company had received confirmation letters from the independent non-executive Directors in March 2024 that the continuing connected transactions of the Company for FY2023 were (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Further, the Board also confirmed that the external auditor of the Company has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions for FY2023.

For details of all relevant internal control measures of the Group, please refer to the Letter from the Board. We are of the view that appropriate measures have been in place to govern that the Non-Exempt Continuing Connected Transactions for 2025 will be conducted in the interest of the Company and its Shareholders as a whole.

RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that (i) the entering into of the Non-Exempt Continuing Connected Transactions for 2025 is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Independent Shareholders as a

whole; (ii) the terms of the Non-Exempt Continuing Connected Transactions for 2025 are normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned; and (iii) the Proposed Cap in respect of each of the Non-Exempt Continuing Connected Transactions for 2025 have been fairly and reasonably arrived at.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution(s) to approve each of the Non-Exempt Continuing Connected Transactions for 2025 (including the Proposed Cap for each of the Non-Exempt Continuing Connected Transactions for 2025) at the EGM.

Yours faithfully,
For and on behalf of
Quam Capital Limited

A handwritten signature in black ink, appearing to be 'Leo Chan', written over a light blue horizontal line.

Leo Chan
Head of Corporate finance

Mr. Leo Chan is the Head of Corporate Finance of Quam Capital Limited and is licensed under the SFO as a Responsible Officer to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Chan has approximately 28 years of experience in corporate finance.