
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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This circular, for which the directors of Changan Minsheng APLL Logistics Co., Ltd. collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Changan Minsheng APLL Logistics Co., Ltd. The directors, having made all reasonable enquiries, 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 this circular misleading.



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: 08217)

**(I) REVISED CAP FOR CERTAIN EXISTING CONTINUING CONNECTED
TRANSACTIONS; AND**
(II) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2012 ~ 2014

**Independent Financial Adviser to the INED Committee
and Independent Shareholders**



Changan Minsheng APLL Logistics Co., Ltd. will convene the EGM at 10:00 a.m. on 13 December 2011 at the meeting room, No.561 Hongjin Road, Yubei District, Chongqing, the PRC, at which, among other things, for considering and if thought fit, passing the resolutions regarding the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps). The notice of EGM, together with the relevant reply slip and proxy form, has been issued to the Shareholders of the Company separately. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for holding such meeting.

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

This circular will remain on the GEM website (www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

* For identification purpose only

4 November 2011

CHARACTERISTICS OF GEM

Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Exchange")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“APLL”	APL Logistics Ltd., a company incorporated in Singapore with limited liability and a wholly owned subsidiary of NOL. It is one of our substantial shareholders
"Articles of Association"	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Associate”	Has the meaning ascribed thereto in the GEM Listing Rules
“Beijing Changjiu”	Beijing Changjiu Logistics Co., Ltd. (北京長久物流股份有限公司), former name was Beijing Changjiu Logistics Limited (北京長久物流有限公司), a joint stock limited company established in the PRC
“Board”	The board of directors of the Company
“CBRC”	China Banking Regulatory Commission
“CCAG”	China Changan Automobile Group (中國長安汽車集團股份有限公司), a joint stock limited company established in the PRC on 26 December 2005, former name was China South Industries Automobile Corporation (中國南方工業汽車股份有限公司).
“Changan Automobile”	Chongqing Changan Automobile Co., Ltd. (重慶長安汽車股份有限公司), a joint stock company established in China on 31 October 1996, the shares of which are listed on the A and B share markets of the Shenzhen Stock Exchange
“Changan Industry Co.”	Chongqing Changan Industry (Group) Co., Ltd., a limited liability company established in China on 28 October 1996, formerly named Changan Automobile Company (Group) Limited (長安汽車(集團)有限責任公司)
“Changan Construction”	Chongqing Changan Construction Limited Company (重慶長安建設工程有限公司) which is wholly owned (directly and indirectly) by Changan Industry Co.
"China Merchants Securities (HK)" or "Independent Financial Adviser"	China Merchants Securities (HK) Co., Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contract), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the Securities and Futures Ordinance and the independent financial adviser to the INED Committee and the Independent Shareholders in relation to the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps)

DEFINITIONS

“China or PRC”	The People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Company”	重慶長安民生物流股份有限公司 (Changan Minsheng APLL Logistics Co., Ltd.)
"connected person"	has the meaning ascribed thereto in the Listing Rules
“CSG”	China South Industries Group Corporation (中國南方工業集團公司), a company established in the PRC on 1 July 1999 with limited liability
"Directors"	directors of the Company
“EGM” or "Extraordinary General Meeting"	the 2011 third extraordinary general meeting of the Company to be held at 10:00 a.m. on 13 December 2011 at the meeting room, No.561 Hongjin Road, Yubei District, Chongqing, the PRC to consider the approval of the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps)
"GEM Listing Rules"	Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
"Group"	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	shareholders that, in relation to the resolutions approving the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-exempt Continuing Connected Transactions for 2012 ~ 2014 with Changan Industry Co., Changan Automobile, Changan Construction, Zhuangbei Finance and their respective associates, exclude Changan Industry Co. and its associates; in relation to the resolution approving the Non-exempt Continuing Connected Transactions for 2012 ~ 2014 with Minsheng Industrial and its associates, exclude Minsheng Industrial, Ming Sung (HK) and their respective associates
“INED Committee”	a committee comprised of Mr. Peng Qifa, Mr. Chong Teck Sin and Mr. Poon Chiu Kwok, all of whom are independent non-executive directors of the Company, formed to advise the Shareholders in connection with the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps)
"Latest Practicable Date"	1 November 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

DEFINITIONS

“Ming Sung (HK)”	Ming Sung Industrial Co., (HK) Limited, a company established in Hong Kong with limited liability on 31 May 1949
“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
“Minsheng Group”	Minsheng Industrial and its subsidiaries and associates from time to time
“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 2012-2014”	the on-going connected transactions to be conducted from 2012 to 2014, as set out under the paragraph headed “Non-Exempt Continuing Connected Transactions for 2012-2014” in this circular
"Non-Exempt Continuing Connected Transactions Framework Agreement(s)"	the framework agreement entered into on 28 October 2011 by the Company with each of Changan Industry Co., Changan Automobile, Minsheng Industrial, Beijing Changjiu, Changan Construction and Zhuangbei Finance, all of such agreements shall be valid from 1 January 2012 to 31 December 2014
"Proposed Cap(s)"	the proposed annual maximum limitation of the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014
"Revised Cap for Certain Existing Continuing Connected Transactions"	the revised annual cap for the continuing connected transactions for the year from 1 January 2011 to 31 December 2011, as set out under the paragraph headed “Revised Cap for Certain Existing Continuing Connected Transactions” in this circular
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholders”	shareholders of the Company
"Shares”	ordinary shares of the Company, with a par value of RMB1.00 each
"Stock Exchange”	The Stock Exchange of Hong Kong Limited
"Sumitomo"	Sumitomo Corporation, a limited company established in Japan on 24 December 1919
"Zhuangbei Finance"	Binqi Zhuangbei Group Financial Limited Liability Company (兵器裝備集團財務有限責任公司)



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(Stock Code: 08217)

Executive directors:

Zhang Lungang
Gao Peizheng
Lu Xiaozhong
Zhu Minghui
William K Villalon

Non-executive directors:

Lu Guoji
Lau Man Yee, Vanessa
Li Ming
Wu Xiaohua
Zhou Zhengli
Danny Goh Yan Nan

Independent non-executive directors:

Peng Qifa
Chong Teck Sin
Poon Chiu Kwok

Registered Office:

Liangjing Village
Yuanyang Town
Yubei District

Chongqing
The PRC

Principal place of business

in Hong Kong:

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

* For identification purpose only

4 November 2011

To the Shareholders

REVISED CAP FOR CERTAIN EXISTING CONTINUING CONNECTED TRANSACTIONS

AND

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2012 ~ 2014

A. INTRODUCTION

Reference is made to the announcement published by the Company on 28 October 2011 and the Company's notice of the EGM dated 28 October 2011 in relation to the convening of the EGM for considering and if thought fit, passing the resolutions regarding the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps).

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information regarding the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps) in order to allow you to make an informed decision on voting in respect of the ordinary resolutions in relation thereto to be proposed at the EGM.

B. REVISED CAP FOR CERTAIN EXISTING CONTINUING CONNECTED TRANSACTIONS

Background

Reference is made to the framework agreement entered into by the Company with Changan Automobile on 22 October 2008 for a period from 1 January 2009 to 31 December 2011. The continuing connected transactions relating to the services provided by the Group to Changan Automobile and its associates under the framework agreement include finished vehicle transportation and supply chain management services for car raw materials, components and parts, details of which were set out in the announcement of the Company dated 24 October 2008 and in the circular of the Company dated 13 November 2008.

Changan Industry Co. is a substantial Shareholder of the Company, holding 24.57% of the total issued share capital of the Company. As at the date of this circular, Changan Industry Co. is wholly owned by CSG. CCAG, a wholly owned subsidiary of CSG, holds 43.33% equity interest in Changan Automobile. Therefore, according to the GEM Listing Rules, Changan Industry Co. and Changan Automobile are connected persons of the Company.

The Directors have been monitoring the continuing connected transactions between the Group and Changan Automobile and its associates. However, with the continuing development and expansion of the business of Changan Automobile and based on internal estimates of the demand and the operating conditions, the Directors note that the existing cap for the continuing connected transaction relating to the services provided by the Group to Changan Automobile and its associates for 2011 in the amount of RMB1,925,200,000 will not be sufficient for Changan Automobile's business needs and as such the cap for the certain continuing connected transactions will need to be revised.

The transactions as contemplated by the framework agreement between the Company and Changan Automobile shall comply with the reporting, annual review, announcement and independent shareholders approval requirements under the GEM Listing Rules as the highest of the applicable percentage ratio of the Non-exempt Continuing Connected Transactions as calculated in accordance with Rule 19.07 of the GEM Listing Rules exceeds 5%.

Pricing of the Continuing Connected Transactions

According to the framework agreement between the Company and Changan Automobile, Changan Automobile undertook to the Company that, for transactions as contemplated by the framework agreement, the terms offered by Changan Automobile should not be less favorable than those granted to an independent third party by such connected persons. The consideration for transactions under the framework agreement should be reached in accordance with the following pricing principles:

- (i) pricing relating to certain types of services fixed by the PRC government;
- (ii) where there is no PRC government fixed price but a government guidance price exists, the government guidance price;
- (iii) when there is neither a PRC government fixed price nor a government guidance price, the market price; or

LETTER FROM THE BOARD

- (iv) where none of the above is applicable, the price to be agreed between the parties based on arm's length negotiations.

The arrangements contemplated by the framework agreement are non-exclusive to each other. The parties shall be at liberty to choose the counterparties for the relevant transactions. The fees will be payable in arrear on terms as specified.

Proposed Revised cap for Non-Exempt Continuing Connected Transactions and the rationale

With the continuing development and expansion of the business of the Group, especially the JV company Nanjing CMSC and Harbin Branch (which was established in 2011) had sharp increase in providing finished vehicles transportation and based on internal estimates of the demand and the operating conditions, the Board proposes the following revised cap in respect of the continuing connected transactions between Changan Automobile and its associates and the Group be set as the maximum new annual values of such on-going transactions for the year from 1 January 2011 to 31 December 2011:

unit: RMB1.00 yuan

Continuing connected transactions	The existing annual cap which was approved (for the year from 1 January 2011 to 31 December 2011)	Actual figures for the year from 1 January 2009 to 31 December 2009	Actual figures for the period from 1 January 2010 to 31 December 2010	Proposed revised cap (for the year from 1 January 2011 to 31 December 2011)
Finished vehicle transportation	1,925,200,000	1,573,887,000	1,741,635,000	2,464,163,800

During the period from 1 January 2011 to 31 August 2011, the aggregate transaction amount (unaudited) in respect of the continuing connected transaction of finished vehicle transportation between Changan Automobile and its associates and the Group was approximately RMB1,678,272,100. Prior to the date of the Independent Shareholders' approval, the Company is of the view that the transaction amount for this year will not (and the Company will through its internal control system to ensure that the transaction will not) exceed the relevant threshold under Rule 20.34 of the GEM Listing Rules.

The Directors (including the independent non-executive directors), after reviewing the respective bases, are of the view that the framework agreement was entered into : (1) in the ordinary and usual course of business of the Company; (2) on normal commercial terms (on arm's length basis or on terms no less favorable to the Company than terms available from independent third parties); and (3) that the terms thereof (including the proposed Revised Cap for Certain Existing Connected Transactions) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Implication under the GEM Listing Rules

Since the highest of the applicable percentage ratios of the revised cap of the continuing connected transactions under the framework agreement as calculated in accordance with Rule 19.07 of the GEM Listing Rules exceeds 5%, the continuing connected transactions between the Group and Changan Automobile and its associates under the Framework Agreement are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements.

According to the articles of association of the Company, with regard to the board resolution, the four Directors, being Mr. Zhang Lungang, Mr. Gao Peizheng, Mr. Li Ming and Mr. Zhou Zhengli, who are connected with the parties interested and/or involved in the Revised Cap for Certain Non-Exempt Continuing Connected Transactions with Changan Automobile and its associates shall abstain from voting in relation to the corresponding resolution. In addition, the Directors who are independent from

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the connected persons of the relevant non-exempt continuing connected transactions are obliged to monitor the conduct of the non-exempt continuing connected transactions as part of their fiduciary duties for the best benefit and interest of the Company and its shareholders as a whole.

According to the requirements of the GEM Listing Rules, the INED Committee will advise the Independent Shareholders in connection with the Revised Cap for Certain Existing Continuing Connected Transactions. Pursuant to Rules 20.21 and 17.47(7)(b) of the GEM Listing Rules, China Merchants Securities (HK) has been appointed as the Independent Financial Adviser by the Company to make recommendations to the INED Committee and Independent Shareholders as to whether the terms of the Revised Cap for Certain Existing Continuing Connected Transactions are fair and reasonable and whether the Revised Cap for Certain Existing Continuing Connected Transactions is in the interests of the Company and the shareholders as a whole and to advise the Independent Shareholders on how to vote.

The resolution regarding the Revised Cap for Certain Existing Continuing Connected Transactions will be tabled by way of ordinary resolution at the forthcoming Extraordinary General Meeting of the Company for Shareholders' consideration. Changan Industry Co. and its associates (holding an aggregate of 39,825,600 shares in the Company, representing approximately 24.57% of the total issued shares of the Company as at the Latest Practicable Date) are required to abstain from voting at the forthcoming Extraordinary General Meeting in relation to the resolution regarding the Revised Cap for Certain Existing Continuing Connected Transaction.

C. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2012 ~ 2014

Background

The Company entered into various framework agreements with each of Changan Industry Co., Changan Automobile, Minsheng Industrial, Beijing Changjiu and Changan Construction on 22 October 2008, and with Zhangbei Finance on 30 March 2009 for purposes of governing the conduct of certain continuing connected transactions between the Company and each of the parties. Such agreements will expire on 31 December 2011. Please refer to the Company's announcement and circular dated 24 October 2008 and 13 November 2008 for details of the Company's continuing connected transactions with each of Changan Industry Co., Changan Automobile, Minsheng Industrial, Beijing Changjiu and Changan Construction, and the Company's announcement and circular dated 30 March 2009 and 17 April 2009 for details of the Company's continuing connected transactions with Zhangbei Finance (and the Company's announcement and circular dated 26 April 2010 and 14 May 2010 for details of the supplemental agreement relating to the revised caps of the Company's continuing connected transactions with Zhangbei Finance).

In order to continue with such transactions and as approved by the Board, the Company on 24 October 2011 entered into various framework agreements with each of Changan Industry Co., Changan Automobile, Minsheng Industrial, Beijing Changjiu, Changan Construction and Zhuangbei Finance, all of such agreements shall be valid from 1 January 2012 to 31 December 2014.

As above mentioned, Changan Industry Co. and Changan Automobile are the connected persons of the Company. Changan Construction is wholly (directly and indirectly) owned by Changan Industry Co. Accordingly, Changan Construction is a connected person of the Company. As at the date of this circular, Changan Industry Co. is wholly owned by CSG, which in turns holds 42.27% equity interest in Zhuangbei Finance. Therefore, according to the GEM Listing Rules, Zhuangbei Finance is also a connected person of the Company.

Minsheng Industrial holds 15.90% of the total issued share capital of the Company and is regarded as substantial Shareholder of the Company. So Minsheng Industrial is a connected person of the Company. Ming Sung (HK) is a subsidiary of Minsheng Industrial, Ming Sung (HK) is then treated as an associate

LETTER FROM THE BOARD

of the substantial Shareholder of the Company under the GEM Listing Rules.

Beijing Changjiu currently holds 24% equity interest in Nanjing CMSC, a subsidiary of the Company. Being a substantial shareholder of Nanjing CMSC, Beijing Changjiu is regarded as a connected person of the Company under the GEM Listing Rules.

The transactions as contemplated by the Non-exempt Continuing Connected Transactions Framework Agreements shall comply with the reporting, annual review, announcement and independent shareholders approval requirements under the GEM Listing Rules as the highest of the applicable percentage ratios of the Non-exempt Continuing Connected Transactions as calculated in accordance with Rule 19.07 of the GEM Listing Rules exceeds 5%.

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

The Group provides a variety of logistics services mainly for car manufacturers and car component suppliers in China. The Directors consider the non-exempt continuing connected transactions with Changan Automobile and its associates to be in conformity with the Group's principal businesses and development strategies. In addition, the Group has established long-term co-operation relationships with Changan Automobile and its associates. Therefore, the Directors expect the Group to continuously enter into transactions with them.

In order to provide logistics services, the Group needs to purchase transportation services on a continuing basis. The Company has established long-term co-operation relationships with Minsheng Group, Beijing Changjiu and its associates. Minsheng Group and Beijing Changjiu have transacted with the Company previously. The Company is generally satisfied with the quality and terms of the transportation services provided by them. In addition, such parties have extensive experienced in providing transportation services which meet the need of the Group. Therefore, the Directors expect the Group to continuously enter into transactions with them.

In order to provide logistics services for car manufacturers and car component suppliers in mainland China, the Group also needs to engage third party contractors to provide engineering construction services for building and maintaining its logistics facilities, such as the warehouse, on a continuing basis. The Group has established long-term co-operation relationships with Changan Construction and its associates and is generally satisfied with the quality and terms of the engineering construction services provided by them.

The principal factors attributable to the Non-Exempt Continuing Connected Transactions between the Company and Zhuangbei Finance are: (1) following successive expansions in the asset scale of the Company, the in-flows and out-flows of cash out of the operating activities becomes more frequent and the amounts have also increased continuously, resulting in the increase in deposit amounts of the Company; (2) the time for settlement will be shortened and finance costs will be decreased if the Company deposits and conducts note discounting services with, and/or to obtain loan advancement from, Zhuangbei Finance; and (3) in order to support the normal operation and investment activities, apart from the net in-flows of cash out of the operation activities, more funds will be needed as a supplement. As a non-banking financial institution in the PRC, Zhuangbei Finance has an affluent capital base and renowned credibility. Against such background the Board is of the view that the loan advancement from Zhuangbei Finance is consistent with the Group's principal businesses and development strategies. In view of the relationship between the Group and Zhuangbei Finance, the Board proposes to conduct such continuing connected transactions.

Due to the long-term relationship between the Company and Changan Industry Co., Changan Automobile, Minsheng Industrial, Beijing Changjiu, Changan Construction and Zhuangbei Finance, the Board considers it to be beneficial to the Company to continue to enter into the Non-exempt Continuing Connected Transactions as such transactions have facilitated and will continue to facilitate the operation and growth of the Company's business.

LETTER FROM THE BOARD

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

Pricing of the Continuing Connected Transactions

According to the Non-Exempt Continuing Connected Transactions Framework Agreements, each of Changan Industry Co., Changan Automobile, Minsheng Industrial, Beijing Changjiu and Changan Construction undertook to the Company that, for transactions as contemplated by Non-Exempt Continuing Connected Transactions Framework Agreements, the terms offered by Changan Industry Co., Changan Automobile, Minsheng Industrial, Beijing Changjiu and Changan Construction should not be less favorable than those granted to an independent third party by such connected persons. The consideration for transactions under the Non-Exempt Continuing Connected Transactions Framework Agreements should be reached in accordance with the following pricing principles:

- (i) pricing relating to certain types of services fixed by the PRC government;
- (ii) where there is no PRC government fixed price but a government guidance price exists, the government guidance price;
- (iii) when there is neither a PRC government fixed price nor a government guidance price, the market price; or
- (iv) where none of the above is applicable, the price to be agreed between the parties based on arm's length negotiations.

The terms of the framework agreement with Zhuangbei Finance provides that in conducting the deposit, note discounting and loan advancement services between the Company and its subsidiaries and Zhuangbei Finance, the terms offered by Zhuangbei Finance in respect of such transactions to the Company and its subsidiaries shall be based on the normal commercial terms which shall in any event be no less favourable than those terms can be obtained by the Company and its subsidiaries from independent third parties. Zhuangbei Finance shall provide deposit interests, note discounting and loan advancement services based on those terms. Zhuangbei Finance shall follow the pricing principles as set out in the framework agreement. Both parties will sign if necessary separate agreement(s) in writing for provision of the deposit interest, note discounting and loan advancement according to laws to ensure that payment of the relevant deposit interest be made to the Company and its subsidiaries and the relevant note discounting and loan advancement services can be processed in a timely manner. In respect of the provision of loan advancement to the Company and its subsidiaries by Zhuangbei Finance, such advancement shall be with or without pledges. If pledges are actually required for the relevant loan advancement, the assessment value of the asset to be pledged shall not exceed the amount of the loan. The Company and its subsidiaries shall in accordance with the actual circumstances and within the scope of the framework agreement sign separate agreement(s) in writing containing detailed transaction terms with Zhuangbei Finance, and to pay and/or receive the relevant price, expenses or interest according to those terms.

The arrangements contemplated by the Non-Exempt Continuing Connected Transactions Framework Agreements are non-exclusive to each other. The relevant parties shall be at liberty to choose the counterparties for the relevant transactions. The fees will be payable in arrear on terms as specified.

LETTER FROM THE BOARD

Proposed caps for Non-Exempt Continuing Connected Transactions and the rationale

The Board has considered and proposed that the following caps in respect of the Non-Exempt Continuing Connected Transactions be set as the maximum annual amount for the three financial years ending 31 December 2014:

1. Services provided by the Group to Changan Industry Co. and its associates

Continuing connected transactions	Supply chain management services for vehicles and car raw materials, components and parts & non-vehicle logistics services
Historical figures	For the three years ended 31 December 2010 and the eight-month period ended 31 August 2011, RMB5,529,000, RMB6,274,000, RMB8,220,000 and RMB13,932,000, respectively
Approved caps of supply chain management services for car raw materials, components and parts and other logistics services, such as other product packaging and transportation services for the three years ended 31 December 2011	<p>In 2008, the approved continuing connected transactions with Changan Industry Co. and its associates were under the category “supply chain management services for car raw materials, components and parts and other logistics services, such as other product packaging and transportation services,” and the approved annual caps for the year ended 31 December 2011 were RMB47,160,000, RMB65,770,000 and RMB78,347,000, respectively.</p> <p>For clarity, the “supply chain management services for car raw materials, components and parts and other logistics services, such as other product packaging and transportation services” was renamed as the “supply chain management services for vehicles and car raw materials, components and parts & non-vehicle logistics services”. The above two names have the same meanings.</p>
Proposed caps	For the three years ended 31 December 2014, RMB34,421,000, RMB55,760,700 and RMB71,124,100 respectively
Basis for determination of the proposed caps	<p>Changan Industry Co. and its associates shall provide automobile raw materials and components and parts to Changan Automobile and its associates. With the rapid increase in the production and sales volume of Changan Automobile and its associates, their demand for car components and parts will increase too. Meanwhile, Changan Automobile and its associates are generally satisfied with the quality of products and price of the products provided by Changan Industry Co. and its associates. So Changan Automobile and its associates will increase purchasing automobile raw materials and components and parts from Changan Industry Co. and its associates. Changan Industry Co. and its associates will thus increase its investment to expand the production scale, especially Changan Industry Co. had listed the automobile components and parts production and sales business into its mainstay business and the supply chain management services for vehicles and car raw materials, components and parts provided by the Group will increase. It is estimated that Changan Industry Co. and its associates will continuously explore the market share and will make more products sale contracts with other automakers. Besides, Changan Industry Co. plans to promote special using vehicles into the market in the forthcoming years.</p> <p>Besides, Changan Industry Co. and its associates produce and sell many kinds of non-vehicle products, such as door-locks, transformers, motorcycles, wind power equipments, etc. The Group will strengthen the exploration on non-vehicle products logistics business in the forthcoming three years. Based on the packaging service for the non-vehicle products, the Group expects to strive for and expand the international freight forwarding business of non-vehicle products and motor cycles distribution. The Group is making efforts to develop the non-vehicle products logistics business into an important component of the Company’s whole operation.</p>

LETTER FROM THE BOARD

2. Services provided by the Group to Changan Automobile and its associates

Continuing connected transactions	Supply chain management services for vehicles and car raw materials, components and parts
Historical figures	For the three years ended 31 December 2010 and the eight-month period ended 31 August 2011, RMB1,376,278,000 (among which, RMB924,846,000 for finished vehicle transportation and RMB451,432,000 for supply chain management services for car raw materials, components and parts), RMB2,077,914,000 (among which, RMB1,573,887,000 for finished vehicle transportation and RMB504,027,000 for supply chain management services for car raw materials, components and parts), RMB2,513,372,000 (among which, RMB1,741,635,000 for finished vehicle transportation and RMB771,737,000 for supply chain management services for car raw materials, components and parts) and RMB2,203,230,900 (among which, RMB1,678,272,100 for finished vehicle transportation and RMB524,958,800 for supply chain management services for car raw materials, components and parts), respectively
Approved caps for the three years ended 31 December 2011 (including the approved revised caps)	<p>As approved by the Independent Shareholders in 2008, the annual caps of the non-exempt continuing connected transactions for the three years ended 31 December 2011 were (1) finished vehicle transportation RMB1,577,071,000, RMB1,742,996,000 and RMB1,925,200,000 (which is to be revised to RMB2,464,163,800 subject to Independent Shareholders' approval at the EGM); (2) supply chain management services for car raw materials, components and parts RMB933,786,000, RMB1,303,973,000 and RMB2,363,603,000.</p> <p>The proposed caps for the three years ended 31 December 2014 are the figures combining the two categories of supply chain management services for vehicles and car raw materials, components and parts.</p>
Proposed caps	For the three years ended 31 December 2014, RMB4,440,617,400, RMB5,708,715,000 and RMB7,290,900,500 respectively
Basis for determination of the proposed caps	<p>(1) The Company estimates that for the forthcoming three years, the rate of the production and sales volume of Chinese automobile will exceed the annual rate of the gross domestic product. As influenced by continuing increases in income per capita and the improving level of living, the prospects of Chinese automobile market is brightening.</p> <p>(2) The production and sales volume of Changan Automobile and its associates will increase with the development of Chinese automobile market. Especially, 1) Chongqing Yuzui Automobile Production Base will gradually enhance the production volume, comparing with the old base, it will increase sharply; 2) there will be a large amount of new products put into the market in the forthcoming three years by Changan Automobile and its associates, it will promote and expand products sales as well. And these new products range from low level to the middle and high level. The production and sale of the new products will enhance the competition of customers and enlarge the market share.</p> <p>(3) To strive for and operate the business with other finished vehicles plants beside Chongqing (such as Harbin Base, Jiangxi Base and so on) of Changan Automobile and its associates. To increase the Group's logistics business volume and increase the supply chain management income from automobile and its raw materials and car components and parts.</p> <p>(4) To strive for the value-added logistics service especially the tire sub-assembly business. We estimate that for the forthcoming three years, the scale of such business will expand continuously.</p>

LETTER FROM THE BOARD

3. Services provided to the Group by Minsheng Group

Continuing connected transactions	Transportation services of vehicles and car raw materials, components and parts
Historical figures	For the three years ended 31 December 2010 and the eight-month period ended 31 August 2011, RMB149,444,000, RMB194,217,000, RMB228,052,000 and RMB187,651,900, respectively
Approved caps for the three years ended 31 December 2011	RMB528,857,000, RMB656,807,000 and RMB828,569,000, respectively
Proposed caps	For the three years ended 31 December 2014, RMB681,353,300, RMB806,146,400 and RMB943,806,800 respectively
Basis for determination of the proposed caps	<p>(1) As we estimate that the logistics service we provide to our customers will increase considerably, we propose to purchase extra transportation services. Water transportation is relatively cheaper than road transportation. In response to the demands from customers, the Group proposes to increase the purchase of water transportation services from Minsheng Group.</p> <p>(2) With the sharp increase in the import and export business of Changan Automobile and its associates, the transportation services on international freight forwarding purchased by the Group from Minsheng Group will increase sharply too.</p> <p>(3) The Company thought that Minsheng Group has power in water and road transportation with stable price and low cost which can meet the demand of the Group.</p>

4. Services provided to the Group by Beijing Changjiu and its associates

Continuing connected transactions	Transportation services of vehicles and car raw materials, components and parts
Historical figures	For the three years ended 31 December 2010 and the eight-month period ended 31 August 2011, RMB64,216,000, RMB59,655,000, RMB51,272,000, RMB37,808,300, respectively
Approved caps for the three years ended 31 December 2011	RMB209,651,000, RMB278,628,000 and RMB354,075,000, respectively
Proposed caps	For the three years ended 31 December 2014, RMB65,510,500, RMB76,256,300 and RMB86,996,900 respectively
Basis for determination of the proposed caps	It is estimated that the logistics services volume provided by the Group to Changan Automobile and its associates (especially the new bases in Chongqing New North Zone and in Chongqing Yuzui) will increase sharply, so the Group will continue and increase the purchase of transportation services of vehicles and car raw materials and components and parts. The Group and Beijing Changjiu and its associates have good cooperation relationship and the Group is generally satisfied with the transportation services provided by Beijing Changjiu and its associates. So the Group will continue and increase the purchase of transportation services of vehicles and car raw materials and components and parts from Beijing Changjiu and its associates.

LETTER FROM THE BOARD

5. Services provided to the Group by Changan Construction and its associates

Continuing connected transactions	Engineering construction services
Historical figures	For the three years ended 31 December 2010 and the eight-month period ended 31 August 2011, RMB23,155,000, RMB0, RMB1,496,000 and RMB8,170,841.49, respectively
Approved caps for the three years ended 31 December 2011	RMB200,000,000, RMB150,000,000 and RMB150,000,000, respectively
Proposed caps	For the three years ended 31 December 2014, RMB190,000,000, RMB231,100,000 and RMB163,700,000 respectively
Basis for determination of the proposed caps	The Company estimates that for the forthcoming three years, a large amount of logistics facilities need to be invested to construct for providing good logistics services to our customers. It is estimated during the period 2012 – 2014, an investment amount of hundreds of millions RMB will be put into the construction of logistics services facilities, especially the facilities relevant to providing logistics services to the new bases in Chongqing New North Zone and in Chongqing Yuzui of Changan Automobile and its associates. The Group and Changan Construction and its associates have good cooperation relationship and the Group is generally satisfied with the engineering construction services provided by Changan Construction and its associates. So the Group will purchase more engineering construction services from Changan Construction and its associates.

6. Non-exempt Continuing Connected Transactions between the Group and Zhuangbei Finance

Continuing connected transactions	The maximum amount of loan outstanding (including interests) on a daily basis
Historical figures	For the three years ended 31 December 2010 and the eight-month period ended 31 August 2011, RMB0, RMB50,608,000, RMB50,608,000 and RMB0, respectively
Approved caps for the three years ended 31 December 2011 (including the approved revised caps)	RMB100,000,000, RMB300,000,000 and RMB300,000,000, respectively
Proposed Caps	For the three years ended 31 December 2014, RMB300,000,000, RMB400,000,000 and RMB500,000,000, respectively
Basis for determination of the Proposed Caps	To supplement the fund for investment and the daily operation activities of the Group with the increasing of investment and expansion of operation scale of the Group in the forthcoming three years.

Continuing connected transactions	The maximum amount of deposit (including interest) on a daily basis
Historical figures	For the three years ended 31 December 2010 and the eight-month period ended 31 August 2011, RMB0, RMB98,856,000, RMB144,196,000 and RMB101,635,762.3, respectively
Approved revised caps for the three years ended 31 December 2011(including the approved revised caps)	RMB100,000,000, RMB300,000,000 and RMB300,000,000, respectively
Proposed Caps	For the three years ended 31 December 2014, RMB600,000,000, RMB800,000,000 and RMB1,000,000,000, respectively
Basis for determination of the Proposed Caps	Following successive expansions in the asset scale and operation scale of the Group, the in-flows and out-flows of cash out of the operating activities becomes more frequent and the amounts have also increased continuously, resulting in the increase in deposit amounts of the Group.

LETTER FROM THE BOARD

Continuing connected transactions	The aggregate amount of each note discounting transactions on an annual basis
Historical figures	For the three years ended 31 December 2010 and the eight-month period ended 31 August 2011, RMB0, RMB0, RMB0 and RMB0, respectively
Approved caps for the three years ended 31 December 2011	RMB50,000,000, RMB50,000,000 and RMB50,000,000, respectively
Proposed Caps	For the three years ended 31 December 2014, RMB100,000,000, RMB100,000,000 and RMB100,000,000, respectively
Basis for determination of the Proposed Caps	Following successive expansions in production operation of the Company, especially taking the current tight monetary policy (which may continue for a while as estimated by the Company) into consideration, there has been a constant increase in settlement by way of note discounting between our customers and suppliers. As at 30 June 2011, the balance of bills receivables exceeded RMB100 million yuan, realizing more than double increase of that of 31 December 2010. The Company estimates that in the forthcoming three years, the cash of the Group may not enough. So the Group needs to raise up the fund required for operational activities with note discounting settlement.

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

The Directors (including the independent non-executive Directors), after reviewing the respective bases, are of the view that the Proposed Caps for the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 are fair and reasonable.

Implication under the GEM Listing Rules

Under the GEM Listing Rules, the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements. The Company will seek the Independent Shareholders' approval at the EGM.

According to the articles of association of the Company, with regard to the board resolutions, the four Directors, being Mr. Zhang Lungang, Mr. Gao Peizheng, Mr. Li Ming and Mr. Zhou Zhengli, who are connected with the parties interested and/or involved in the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 with Changan Industry Co., Changan Automobile, Changan Construction and Zhuangbei Finance and their respective associates shall abstain from voting in relation to the corresponding resolutions; the three Directors, being Mr. Lu Guoji, Mr. Lu Xiaozhong and Mr. Wu Xiaohua, who are connected with the parties interested and/or involved in the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 with Minsheng Group shall abstain from voting in relation to the corresponding resolution. For the relevant Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 with Beijing Changjiu, no directors are required to abstain from voting. In addition, the Directors who are independent from the connected persons of the relevant Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 are obliged to monitor the conduct of the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 as part of their fiduciary duties for the best benefit and interest of the Company and its shareholders as a whole.

According to the requirements of the GEM Listing Rules, the INED Committee will advise the Independent Shareholders in connection with the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014. Pursuant to Rules 20.21 and 17.47(7)(b) of the GEM Listing Rules, China Merchants Securities (HK) has been appointed as the Independent Financial Adviser by the Company to make recommendations to the INED Committee and Independent Shareholders as to whether the terms of the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 are fair and reasonable and whether

LETTER FROM THE BOARD

the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 are in the interests of the Company and the shareholders as a whole and to advise the Independent Shareholders on how to vote.

The Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps) are subject to approvals by the Independent Shareholders in accordance with the GEM Listing Rules. Changan Industry Co. and its associates (as at the Latest Practicable Date, in aggregate controlling or entitling to exercise control over the voting rights in 39,825,600 Shares, representing 24.57% of the total issued shares of the Company) will abstain from voting in relation to the resolutions approving the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps) with Changan Industry Co., Changan Automobile, Changan Construction, Zhuangbei Finance and their respective associates.

Minsheng Industrial and Ming Sung (HK) and their respective associates (as at the Latest Practicable Date, in aggregate controlling or entitling to exercise control over the voting rights in 33,619,200 Shares, representing 20.74% of the total issued shares of the Company) will abstain from voting in relation to the resolution approving the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps) with Minsheng Group.

As none of the shareholders of the Company has interest in the Non-Exempt Continuing Connected Transactions with Beijing Changjiu, no shareholders shall abstain from voting at the resolution relating to the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps) with Beijing Changjiu and its associates.

The voting at the EGM will be taken by a poll and the Company will make an announcement of the poll results.

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 components and parts suppliers in China.

Changan Automobile produces and sells automobiles.

Changan Industry Co. now produces and sells car components and other industrial products.

Changan Construction engages in engineering design and construction services.

The principal businesses of Zhuangbei Finance are to accept enterprises deposits, process financial activities such as enterprise loan and fund raising as approved by CBRC.

Beijing Changjiu engages in transportation by road.

Minsheng Industrial engages in transportation via rivers and by sea.

D. EXTRAORDINARY GENERAL MEETING

The EGM will be convened at 10:00 a.m. on 13 December 2011 at the meeting room, No.561 Hongjin Road, Yubei District, Chongqing, the PRC, at which, among other things, for considering and if thought fit, passing the resolutions regarding the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps).

LETTER FROM THE BOARD

The notice of EGM, together with the relevant reply slip and proxy form, has been issued to the Shareholders of the Company separately. Whether or not you intend to attend the EGM, you are requested to complete the proxy form for use at the EGM in accordance with the instructions printed thereon and return the same to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M 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.561, Hongjin Road, Yubei District, Chongqing, the PRC (Zip Code:401121) (for the holders of the Domestic Shares, including non-H foreign shares) as soon as possible but in any event not less than 24 hours before the time appointed for holding the EGM or at any adjournment thereof. Completion and delivery of the said proxy form will not prevent you from attending, and voting in person at, the EGM or at any adjourned meeting if you so wish.

You are reminded to complete and sign the reply slip (if you are entitled to attend the meeting) and return the signed slip to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M 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.561, Hongjin Road, Yubei District, Chongqing, the PRC (Zip Code: 401121) (for the holders of the Domestic Shares, including non-H foreign shares) on or before 23 November 2011 in accordance with the instructions printed thereon.

E. CLOSURE OF REGISTER OF MEMBERS

In order to determine the Shareholders who are entitled to attend and vote at the EGM, the register of H Shareholders will be closed from 13 November 2011 to 13 December 2011, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending the EGM, all transfer documents of H Shares accompanied by the relevant share certificate(s) must be lodged with the Computershare Hong Kong Investor Services Limited at Rooms 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 11 November 2011.

F. RECOMMENDATION

The Directors consider that the ordinary resolutions for the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps) are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favour of the resolutions to be proposed at the EGM.

G. OTHER INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

On behalf of the Board
Changan Minsheng APLL Logistics Co., Ltd.
Executive Director
Zhu Minghui



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: 08217)

4 November 2011

**REVISED CAP FOR CERTAIN EXISTING CONTINUING CONNECTED
TRANSACTIONS AND
NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2012 ~ 2014**

To the Independent Shareholders

We have been appointed as the INED Committee to advise you in connection with the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps), details of which are set out in the Letter from the Board set out in the circular to Shareholders dated 4 November 2011 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having taken into account the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps), the principal factors and reasons considered by China Merchants Securities (HK) and its advice in relation thereto as set out on pages 19 to 35 of the Circular, we are of the opinion that the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps) are conducted on normal commercial terms or on terms no less favourable than those available to independent third parties, under prevailing local market conditions, and were entered into in the ordinary and usual course of business of the Company, the terms of the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions for 2012 ~ 2014 (including the Proposed Caps).

Yours faithfully,

Peng Qifa

*Independent Non-executive
Director*

Chong Teck Sin

*Independent Non-executive
Director*

Poon Chiu Kwok

*Independent Non-executive
Director*

** For identification purpose only*

LETTER FROM CHINA MERCHANTS SECURITIES (HK)

The following is the text of a letter from China Merchants Securities (HK) for incorporation in this circular in connection with its advice to the INED Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions for 2012 – 2014 and the Revised Cap for Certain Existing Continuing Connected Transactions.



48/F
One Exchange Square
Central
Hong Kong

November 2011

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

Dear Sirs,

REVISED CAP FOR CERTAIN EXISTING CONTINUING CONNECTED TRANSACTIONS AND NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2012 - 2014

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the INED Committee and the Independent Shareholders in relation the Revised Cap for Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions for 2012 - 2014, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular issued by the Company to the Shareholders (the "Circular") dated 4 November 2011, 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 22 October 2008, the Company entered into the framework agreement with Changan Automobile for a period from 1 January 2009 to 31 December 2011. The continuing connected transactions relating to the services provided by the Group to Changan Automobile and its associates under the framework agreement include finished vehicle transportation and supply chain management services for car raw materials, components and parts, details of which were set out in the announcement of the Company dated 24 October 2008 and in the circular of the Company dated 13 November 2008.

According to the Board Letter, the Directors have been monitoring the continuing connected transactions between the Company and Changan Automobile and its associates. As the results of development and expansion of the business of Changan Automobile and its associates, the Directors note that the existing cap for the continuing connected transactions relating to the services provided by the Group to Changan Automobile and its associates for 2011 will not be sufficient and as such the cap for the certain continuing connected transactions will need to be revised.

On 28 October 2011, the Company entered into the Non-Exempt Continuing Connected Transactions Framework Agreements with (i) Changan Industry Co., (ii) Changan Automobile, (iii) Minsheng Industrial, (iv) Beijing Changjiu, (v) Changan Construction, and (vi) Zhuangbei Finance (altogether, the "Connected Parties") separately, pursuant to which the Group will conduct the Non-Exempt Continuing Connected Transactions for 2012 – 2014 for a three year period from 1 January 2012 to 31 December 2014.

LETTER FROM CHINA MERCHANTS SECURITIES (HK)

Changan Industry Co. and Changan Automobile are the connected persons of the Company. Changan Construction is wholly (directly and indirectly) owned by Changan Industry Co. Accordingly, Changan Construction is a connected person of the Company. As at the date of this circular, Changan Industry Co. is wholly owned by CSG, which in turns holds 42.27% equity interest in Zhuangbei Finance. Therefore, according to the GEM Listing Rules, Zhuangbei Finance is also a connected person of the Company. Minsheng Industrial holds 15.90% of the total issued share capital of the Company and is regarded as substantial Shareholder of the Company under the GEM Listing Rules and accordingly, Minsheng Industrial is a connected person of the Company. Ming Sung (HK) is a subsidiary of Minsheng Industrial, Ming Sung (HK) is then treated as an associate of the substantial Shareholder of the Company under the GEM Listing Rules. Beijing Changjiu currently holds 24% equity interest in Nanjing CMSC, a subsidiary of the Company. Being a substantial shareholder of Nanjing CMSC, Beijing Changjiu is regarded as a connected person of the Company under the GEM Listing Rules.

The transactions as contemplated by the Non-exempt Continuing Connected Transactions Framework Agreements shall comply with the reporting, annual review, announcement and independent shareholders approval requirements under the GEM Listing Rules as the highest of the applicable percentage ratios of the Non-exempt Continuing Connected Transactions for 2012 – 2014 as calculated in accordance with Rule 19.07 of the GEM Listing Rules exceed 5%. The Company will seek the Independent Shareholders' approval at the EGM. The four Directors, including Mr. Zhang Lungang, Mr. Gao Peizheng, Mr. Li Ming and Mr. Zhou Zhengli, who are connected with the parties interested and/or involved in the relevant Non-Exempt Continuing Connected Transactions for 2012 - 2014 with Changan Industry Co., Changan Automobile, Changan Construction and Zhuangbei Finance and their respective associates shall abstain from voting in relation to the corresponding resolutions of the board of directors; the three Directors, including Mr. Lu Guoji, Mr. Lu Xiaozhong and Mr. Wu Xiaohua, who are connected with the parties interested and/or involved in the relevant Non-Exempt Continuing Connected Transactions for 2012 - 2014 with Minsheng Group shall abstain from voting in relation to the corresponding resolution of the board of directors. For the relevant Non-Exempt Continuing Connected Transactions for 2012 - 2014 with Beijing Changjiu, no director is required to abstain from voting. In addition, the Directors who are independent from the connected persons of the relevant Non-Exempt Continuing Connected Transactions for 2012 - 2014 are obliged to monitor the conduct of the Non-Exempt Continuing Connected Transactions for 2012-2014 as part of their fiduciary duties for the best benefit and interest of the Company and the Independent Shareholders as a whole.

The Connected Parties and their respective associates shall be required to abstain from voting on the relevant resolution(s) to approve the Non-Exempt Continuing Connected Transactions (together with the Proposed Caps) at the EGM. Changan Industry Co. and its associates (as at the date of this circular, in aggregate controlling or entitling to exercise control over the voting rights in 39,825,600 Shares, representing 24.57% of the total issued shares of the Company) will abstain from voting in relation to the resolutions approving the Non-Exempt Continuing Connected Transactions for 2012-2014 (including the Proposed Caps) with Changan Industry Co., Changan Automobile, Changan Construction, Zhuangbei Finance and their respective associates. Minsheng Industrial and Ming Sung (HK) and their respective associates (as at the date of this circular, in aggregate controlling or entitling to exercise control over the voting rights in 33,619,200 Shares, representing 20.74% of the total issued shares of the Company) will abstain from voting in relation to the resolution approving the Non-Exempt Continuing Connected Transactions for 2012-2014 (including the Proposed Caps) with Minsheng Group. The voting at the EGM will be taken by a poll and the Company will make an announcement of the poll results. As none of the shareholders of the Company has interest in the Non-Exempt Continuing Connected Transactions for 2012 – 2014 with Beijing Changjiu, no shareholders shall abstain from voting at the resolution relating to the Non-Exempt Continuing Connected Transactions for 2012-2014 (including the Proposed Caps) with Beijing Changjiu and its associates.

An INED Committee comprising Mr. Peng Qifa, Mr. Chong Teck Sin and Mr. Poon Chiu Kwok (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether Revised Cap for Certain Existing Continuing Connected Transactions and the terms of the Non-Exempt Continuing Connected Transactions Framework Agreements (together with the Proposed Caps)

are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether Revised Cap for Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions for 2012 – 2014 are conducted 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 relevant resolution(s) to approve the Revised Cap for Certain Existing Continuing Connected Transactions and Non-Exempt Continuing Connected Transactions for 2012 – 2014 (together with the Proposed Caps) at the EGM. We, China Merchants Securities (HK), have been appointed as the Independent Financial Adviser to advise the INED Committee and the Independent Shareholders in this respect.

BAISIS OF OUR OPINION

In formulating our advice and recommendation to the INED 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 Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the dispatch of the Circular. 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 enquiries and careful considerations. 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 Directors, which have been provided to us. 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 17.92 of the GEM Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Connected Parties 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 for 2012 – 2014. In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. 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, the sole responsibility of China Merchants Securities (HK) is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background of and reasons for Certain Existing Continuing Connected Transactions

Information on Changan Automobile

As referred to in the Board Letter, Changan Automobile is a joint stock company established in the PRC on 31 October 1996, the shares of which are listed on the Shenzhen Stock Exchange. Changan Automobile is owned as to approximately holds 43.33% by CCAG, which is a wholly-owned subsidiary of CSG. Changan Automobile is principally engaged in the production and sales of automobiles.

Background Information of Certain Existing Continuing Connected Transactions

The Company and Changan Automobile entered into the framework agreement on 22 October 2008 for a period from 1 January 2009 to 31 December 2011. The continuing connected transactions relating to the services provided by the Group to Changan Automobile under the framework agreement include finished vehicle transportation and supply chain management services for car raw materials, components and parts.

The continuing connected transactions between the Company and Changan Automobile was under Directors' monitoring. Based on internal estimates of the demand and the operating conditions, the Directors notice that the existing cap for the continuing connected transactions relating to the services provided by the Group to Changan Automobile and its associates for 2011 in the amount of RMB1,925,200,000 will not be sufficient for Changan Automobile's business needs due to the continuing development and expansion of the business of Changan Automobile.

Reasons to Revise Cap for the Certain Existing Continuing Connected Transactions

Continuing connected transactions	Proposed revised cap (for the year from 1 January 2011 to 31 December 2011)	The existing annual cap which was approved (for the year from 1 January 2011 to 31 December 2011)	Actual figures for the period from 1 January 2010 to 31 December 2010	Actual figures for the year from 1 January 2009 to 31 December 2009
Finished vehicle transportation	2,464,163,800	1,925,200,000	1,741,635,000	1,573,887,000

The Directors have been monitoring the continuing connected transactions between the Company and Changan Automobile and its associates. However, with the continuing development and expansion of the business of Changan Automobile and its associates and based on internal estimates of the demand and the operating conditions, the Directors note that the existing cap for the continuing connected transaction relating to the services provided by the Group to Changan Automobile and its associates for 2011 in the amount of RMB1,925,200,000 will not be sufficient for business needs of Changan Automobile and its associates. The Board proposes revised cap in respect of the continuing connected transactions between the Group, Changan Automobile and its associates be set as the maximum new annual values of such on-going transactions for the year from 1 January 2011 to 31 December 2011.

2. Background of and reasons for Non-Exempt Continuing Connected Transactions for 2012 - 2014

Business overview of the Group

As referred to in the Board Letter, the Company is a foreign-invested limited liability company incorporated in the PRC with Changan Industry Co. as its largest shareholder and it provides a variety of logistics services mainly for car manufacturers and car components and parts suppliers in the PRC.

Set out below are the financial results of the Group for the six months ended 30 June 2011 and the two years ended 31 December 2010 as extracted from the unaudited interim report of the Company for the six months ended 30 June 2011 (the "Interim Report") and the audited annual report of the Company for the year ended 31 December 2010 (the "Annual Report") respectively:

	For the six months ended 30 June 2011 <i>RMB'000</i> <i>(unaudited)</i>	For the year ended 31 December 2010 <i>RMB'000</i> <i>(audited)</i>	For the year ended 31 December 2009 <i>RMB'000</i> <i>(audited)</i>	Change from 2009 to 2010 %
Turnover	1,649,369	2,827,020	2,284,723	23.73%
Gross profit	287,323	407,758	268,071	52.10%
Profit for the period/year	156,698	215,024	142,930	50.44%

From the above table, we note that the Group's total turnover for the year ended 31 December 2010 had increased by approximately 23.73% as compared to the prior year. In addition, the Group also enjoyed substantial improvement in profitability during the same year. The Group's profit for the year ended 31 December 2010 had increased by approximately 50.44% as compared to the prior year. According to the

Annual Report, the aforesaid improvements in turnover and profitability of the Group were mainly attributable to the strong growth in sales of the Company's customers and their corresponding increase in demand for logistics services from the Company.

With reference to the Interim Report and as further confirmed by the Directors, the group will continue to leverage on its competitive advantages by (i) keeping actively implementing professional development strategies;(ii) actively exploring the service area of the automobile logistics market and the increasing income space;(iii) capturing more market share, improving logistics network construction and seeking for more growing chances for keeping the strong growth momentum of the Group.

Information on Changan Industry Co.

As referred to in the Board Letter, Changan Industry Co. being a promoter and a substantial shareholder of the Company, is a wholly owned subsidiary of CSG and was established in the PRC on 28 October 1996. The principal activities of Changan Co. are the production and sales of car components and other industrial products.

Information on Changan Automobile

Information on Changan Automobile has been stated in the paragraph headed "1. Background of and reasons for Certain Existing Continuing Connected Transactions" in this letter.

Rationale for the framework agreements entered into between the Company and Changan Industry Co., Changan Automobile and their associates respectively

The Company entered into various framework agreements with each of Changan Industry Co., Changan Automobile respectively on 22 October 2008 for purposes of governing the conduct of certain continuing connected transactions between the Company and each of the parties. Such agreements will expire on 31 December 2011.

On 28 October 2011, the Company entered into the Non-Exempt Continuing Connected Transactions Framework Agreements with (i) Changan Industry Co. and (ii) Changan Automobile and their associates separately, pursuant to which the Group will conduct the non-exempt continuing connected transactions for a three year period from 1 January 2012 to 31 December 2014.

Under the agreements, the Company will provide (i) supply chain management services for vehicles and car raw materials, components and parts & non-vehicle logistics services to Changan Industry Co. and its associates ("CCT1") and (ii) supply chain management services for vehicle and car raw materials, components and parts to Changan Automobile and its associates ("CCT2").

Due to the historical connection and long-term cooperation relationship between the Group and Changan Industry Co., Changan Automobile and their associates respectively, the Company could understand better the service requirements and business strategies of Changan Industry Co. and Changan Automobile. We concur with management of the Company that the non-exempt continuing connected transactions with Changan Industry Co., Changan Automobile and their associates respectively are and will be beneficial to the Company's business operations.

Information on Minsheng Industrial

As referred to in the Board Letter, Minsheng Industrial was established in the PRC on 10 October 1996 and is a promoter and a substantial shareholder of the Company. Minsheng Industrial is principally engaged in the provision of maritime transportation services.

Information on Beijing Changjiu

As referred to in the Board Letter, Beijing Changjiu, being a substantial shareholder of Nanjing CMSC (a non-wholly owned subsidiary of the Company), was established in the PRC with limited liability. Beijing Changjiu is principally engaged in the provision of land transportation services.

Information on Changan Construction

As referred to in the Board Letter, Changan Construction is wholly owned by Changan Industry Co. and was established in the PRC. Changan Construction is principally engaged in engineering design and the provision of construction services.

Rationale for framework agreements entered into between the Company and Minsheng Group, Beijing Changjiu, Changan Construction and their associates respectively

The Company entered into various framework agreements with each of Minsheng Industrial, Beijing Changjiu and Changan Construction on 22 October 2008 for purposes of governing the conduct of certain continuing connected transactions between the Company and each of the parties. Such agreements will expire on 31 December 2011.

On 28 October 2011, the Company entered into the Non-Exempt Continuing Connected Transactions Framework Agreements with (i) Minsheng Industrial, (ii) Beijing Changjiu, (iii) Changan Construction and their associates separately, pursuant to which the Group will conduct the non-exempt continuing connected transactions for 2012 - 2014.

Under the agreements, the Group will purchase (i) transportation of vehicle and car raw materials, components and parts from Minsheng Group ("CCT3"), (ii) transportation of vehicle and car raw materials, components and parts from Beijing Changjiu and its associates ("CCT4") and (iii) engineering construction services by Changan Construction and its associates to the Group ("CCT5").

With reference to the Board Letter, the Company is generally satisfied with the quality and terms of the transportation services provided by Minsheng Group, Beijing Changjiu and its associates. As advised by the Company, Minsheng Group has the strong competitive edge on water transportation and Beijing Changjiu and its associates have the cost advantages in land transportation. Meanwhile, the Company considers such parties are experienced in providing transportation services which meet the requirements of the Group. Therefore, the Directors expect the Company to continuously enter into transactions with Minsheng Group, Beijing Changjiu and its associates respectively.

Due to the historical connection and long-term cooperation relationship between the Company and Changan Construction, the Company has better understanding of the engineering construction service provided. The Company considers that it is beneficial to ensure high quality of its facility construction. Therefore, the Directors expect the Company to continuously enter into transactions with Changan Construction.

Information on Zhuangbei Finance

As referred to in the Board Letter, Zhuangbei Finance is a non-banking financial institution regulated by CBRC in the PRC and is owned as to approximately 42.27% by CSG. The principal businesses of Zhuangbei Finance are to accept enterprises deposits, process financial activities such as enterprise loan and fund raising as approved by CBRC.

Rational for framework agreement entered into between the Company and Zhuangbei Finance

The Company entered into the framework agreement with Zhangbei Finance on 30 March 2009 for purposes of governing the conduct of certain continuing connected transactions between the Company and Zhuangbei Finance. Such agreement will expire on 31 December 2011.

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With reference to the Board Letter, the Company entered non-exempt continuing connected transactions with Zhuangbei Finance including (i) provision of loan by Zhuangbei Finance to the Group (“CCT 6”); (ii) deposits by the Group with Zhuangbei Finance (“CCT 7”); and (iii) provision of note discounting services by Zhuangbei Finance to the Group (“CCT 8”), for the three years ending 31 December 2014.

Zhuangbei Finance has RMB 1.5 billion authorized share capital as its affluent capital base and renowned credibility as a non-banking financial institution in the PRC. The Board is of the view that the loan, deposit and note discounting services from Zhuangbei Finance is consistent with the Group’s principal businesses and development strategies. In view of the relationship between the Group and Zhuangbei Finance and tightening monetary policies in PRC, the Board proposes to conduct such continuing connected transactions.

We concur with the Company that it is beneficial for the Company to enter into the non-exempt continuing connected transactions with Zhuangbei Finance as such transactions have facilitated and will continue to facilitate the operation and growth of the Company’s business. In accordance with the framework agreement with Zhuangbei Finance, the non-exempt continuing connected transactions with Zhuangbei Finance will be conducted on normal commercial terms or on terms no less favorable than those available from independent third parties, under prevailing local market conditions, and such agreements were entered in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Key terms of the Non-Exempt Continuing Connected Transactions

Pricing and payment terms

We set out the basis of determining the prices and the payment (and other) terms pursuant each of the framework agreements entered into between the Company and Changan Industry Co, Changan Automobile, Minsheng Group, Beijing Changjiu, Changan Construction, Zhuangbei Finance and their associates. The prices of the transactions under the framework agreements are set in accordance with the following principles:

		Pricing	Payment terms
1	Provision of supply chain management services for vehicles and car raw materials, components and parts & non-vehicle logistics services by the Group to Changan Industry Co. and its associates (“CCT1”)	will be in accordance with the prevailing market price of supply chain management service for vehicles, parts and components and raw materials provided to Independent Third Parties	will be determined on an individual sales order basis and the terms of which will be on normal commercial terms and no less favorable to the Company than terms available to Independent Third Parties will be on such credit terms as may be agreed between the parties on normal commercial terms and no less favourable to the Company than terms available from Independent Third Parties
2	Provision of supply chain management services for vehicle and car raw materials, components and parts by the Group to Changan Automobile and its associates (“CCT2”)		
3	Provision of transportation of vehicle and car raw materials, components and parts by Minsheng Group to the Group (“CCT3”)	will be in accordance with the prevailing market price of transportation services to be provided by Independent Third Parties	will be determined on an individual purchase order basis and the terms of which will be on normal commercial terms and no less favorable to the Company than terms available to Independent Third Parties
4	Provision of transportation of vehicle and car raw materials, components and parts by Beijing Changjiu and its associates to the Group (“CCT4”)		will be on such credit terms as may be agreed between the parties on normal commercial terms and no less favourable to the Company than terms available from Independent Third Parties
5	Provision of Engineering Construction services by Changan Construction and its associates to the Group (“CCT5”)	will be in accordance with the prevailing market price of Engineering Construction services to be provided by Independent Third Parties	will be mutually agreed between the Company, Changan Construction and its associates on a project-by-project basis will be determined on normal commercial terms on a project-by-project basis as offered by other Independent Third Parties who

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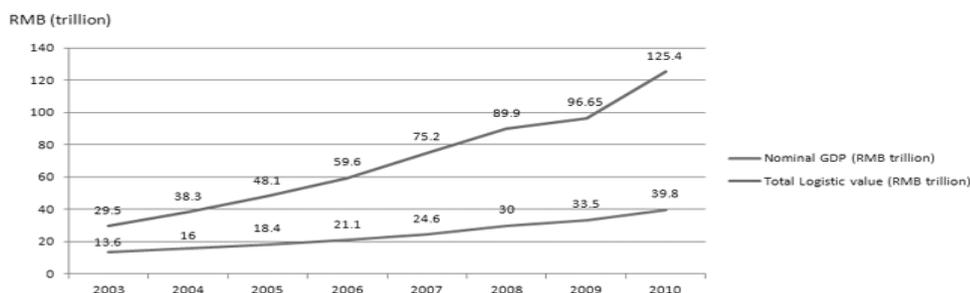
			provide similar services for engineering construction service Upon our enquiry, we understand from the Company that the settlement will be by way of stage payment (in accordance with percentage of completion), which is in line with market practice for engineering construction service
6	Provision of loan services by Zhuangbei Finance to the Group ("CCT6")	On 30 March 2009, the Company entered into a framework agreement with Zhuangbei Finance;	will be determined on an individual order basis in accordance with guidelines of PBOC and the terms of which are on normal commercial terms and no less favorable to the Company than the terms available from Independent Third Parties
7	Provision of deposit services by Zhuangbei Finance to the Group ("CCT7")	On 26 April 2010, the Company entered into a supplementary agreement with Zhuangbei Finance;	
8	Provision of note discounting transactions service by Zhuangbei Finance to the Group ("CCT8")	The prices of the transactions under the framework agreement and the supplementary agreement shall be based on the normal commercial terms.	

In this connection, we have reviewed invoices between (i) the Company and Changan Industry Co and its associates or independent third parties; (ii) the Group, Changan Automobile and its associates or independent third parties; (iii) the Group, Minsheng Group or independent third parties, (iv) the Group, Beijing Changjiu and its associates or independent third parties; (v) the Group, Changan Construction and its associates or independent third parties; (vi) the Group and Zhuangbei Finance or independent third parties; all taken place during 2009 up to now. According to the relevant invoices, we note that and have further been reaffirmed by the Company that (i) the price levels charged by or given to, and (ii) the settlement terms required in the connected transactions with Changan Industry Co, Changan Automobile, Minsheng Group, Beijing Changjiu, Changan Construction, Zhuangbei Finance and their associates under the Non-Exempt Continuing Connected Transactions were generally comparable to those offered by or from other independent third parties and hence were on normal commercial terms under the current market condition. It is considered that such terms are in the interest of the Company and shareholders as a whole.

4. Annual caps

Overview of the automobile logistics market

The following chart presents the nominal gross domestic product ("GDP") and the total logistics value of the PRC from 2003 to 2010:

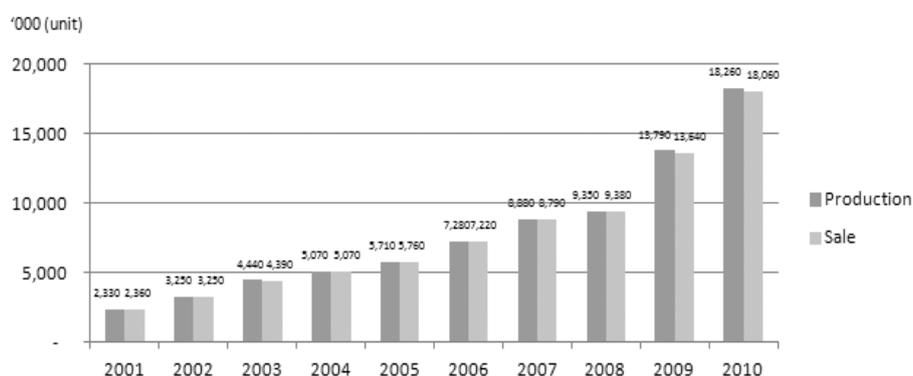


	2003	2004	2005	2006	2007	2008	2009	2010
Nominal GDP (RMB trillion)	13.6	16	18.4	21.1	24.6	30	33.5	39.8
Total Logistic value (RMB trillion)	29.5	38.3	48.1	59.6	75.2	89.9	96.6	125.4

Source: National Bureau of Statistics of China and China Federation of Logistics and Purchasing

As demonstrated in the above chart, the nominal GDP of the PRC increased from approximately RMB 13.6 trillion in 2003 to approximately RMB 39.8 trillion in 2010, representing a cumulative growth of approximately 192.65% from 2003 to 2010, with an annual compound growth rate of 16.58%. During that period, the total logistics value of the PRC also increased from approximately RMB 29.5 trillion to RMB 125.4 trillion, representing a cumulative growth of approximately 325.08% from 2003 to 2010, with an annual compound growth rate of approximately 22.97%.

Moreover, according to the China Association of Automobile Manufacturers, the production of automobiles in the PRC rose continuously from approximately 2.33 million units in 2001 to approximately 18.26 million units in 2010, representing a cumulative growth of approximately 683.69% from 2001 to 2010 and an annual compound growth rate of approximately 25.70%.



Source: China Association of Automobile Manufacturers

We consider the aforesaid statistics implies that demands for logistics services and automobile are likely to increase with the GDP growth.

The automobile industry faced certain downside risks including unstable macro-economic situation, fierce competition environment and termination of the policies on Reduced Vehicle Purchase Tax in 2011. With further development of China's economy, automobile industry and automobile logistics market will continue to grow rapidly, which probably benefits the Company's business of the logistics services from car manufacturers and car components and parts suppliers in the PRC.

Future Growth of Changan Automobile

As set forth in the paragraph headed "Information on Changan Automobile" of this letter, Changan Automobile produces and sells automobiles. As advised by the Company, the Company has been providing logistics services to Changan Automobile and its upstream and downstream business linkages since 2001.

According to the Changan Automobile's 2010 annual report, Changan Automobile recorded revenue RMB 33.1 billion. In 2010, Changan Automobile ranked 4th by annual sales in the China automobile industry. According to Changan Automobile's announcement dated 25 January 2011 in relation to its business expansion plan, Changan Automobile will establish Chongqing Yuzui Automobile Production Base in the forthcoming four years. By 2015, Chongqing Yuzui Automobile Production Base can achieve the production scale of 800,000 vehicles and 1,500,000 motors per year with annual sale revenue reaching RMB 100 billion.

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2009 Revenue	2010 Revenue	Annual Revenue By 2015
Changan Automobile	Changan Automobile	Chongqing Yuzui Automobile Production Base
RMB billion	RMB billion	RMB billion
26.0	33.1	100.0

Source: 2010 annual report of Changan Automobile, Changan Automobile's announcement dated 25 January 2011

With implementation of the above Chongqing Yuzui Automobile Production Base, Changan Automobile expected that its total production of automobiles and finished vehicles will rise significantly.

Further assessment on the reasonableness of each of the proposed annual caps under the Non-Exempt Continuing Connected Transactions for 2012 – 2014 (“CCT 1” to “CCT 8”)

We note from the aforesaid basis for determination of the proposed caps and as further confirmed by the Directors that the proposed caps of Certain Existing Continuing Connected Transactions and Non-Exempt Continuing Connected Transactions for 2012-2014 between the Company and Changan Industry Co., Changan Automobile, Minsheng Group, Beijing Changjiu, Changan Construction and their associates respectively were determined with reference to (i) the historical figures incurred in the three years ended 31 December 2010 and the eight-month period ended 31 August 2011 in relation to the Non-Exempt Continuing Connected Transactions for 2012 – 2014; (ii) the expected demand for the logistics services to be provided by the Company given business expansion strategy of Changan Automobile. In assessing the fairness and reasonableness of the above proposed caps, we have discussed with the Company regarding the basis and assumptions underlying the projections of the above proposed caps.

Under the Certain Existing Continuing Connected Transactions, the Board proposes to revise the annual cap of the continuing connected transactions between the Company, Changan Automobile and its associates for the year ending 31 December 2011 from RMB 1,925,200,000 to RMB 2,464,163,800.

As advised by the Company, during the period from 1 January 2011 to 31 August 2011, the aggregate transaction amount (unaudited) in respect of the continuing connected transaction of finished vehicle transportation between the Company and Changan Automobile and its associates was approximately RMB1,678,272,100. As discussed with the Company on the on-going business operations with Changan Automobile, we consider the new annual cap for the year ending 31 December 2011 can ensure the Company to capture the on-going expanding business scale driven by Changan Automobile and its associates.

As set out in the Board Letter, we summarise the proposed and actual historical figures and further assess the reasonableness of each of the proposed annual caps under the relevant Non-Exempt Continuing Connected Transactions for 2012 – 2014 (“CCT 1” to “CCT 8”) in the table below:

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	For the year ended/ending 31 December					
	2009 Proposed (Actual) (RMB)	2010 Proposed (Actual) (RMB)	2011 Proposed (Actual) (RMB)	2012 Proposed (RMB)	2013 Proposed (RMB)	2014 Proposed (RMB)
CCT 1	47,160,000 (6,274,000)	65,770,000 (8,220,000)	78,347,000 (13,932,000) ¹	34,421,000 N/A	55,760,700 N/A	71,124,100 N/A
Utilization Rate of Annual Cap (%)	13.30%	12.50%	26.67% ²	N/A	N/A	N/A

Notes:

1. Actual historical figures up to 31 August 2011
2. Adjusted on a pro rata basis (x 12 months/ 8 months)

Basis of determining the annual caps as disclosed in the Board Letter	Our analysis/view
<p>CCT 1</p> <p>(1) With the rapid increase in the production and sales volume of Changan Automobile and its associates as well as satisfied with the quality of products and price of the automobile raw materials and components and parts provided by Changan Industry Co. and its associates demand for car components and parts provided by Changan Industry Co. and its associates will increase.</p> <p>(2) With the increasing demand from Changan Automobile and its associates, Changan Industry Co. and its associates will increase investments in expanding the production scale.</p> <p>(3) As the Company will explore more business in Non-Vehicle Products logistics, Changan Industrial Co. and its associates produce Non-Vehicle Products such as the door-locks, transformers, motorcycles, wind power equipments which will provide the Company with business opportunities in non-vehicle products logistics for the forthcoming three years.</p> <p>(4) More supply chain management services for vehicles and car raw materials, components and parts and non-vehicle products logistics business opportunities will be provided to the Company by Changan Industry Co. and its associates.</p>	<p>We note that the proposed caps correlated with the following factors:</p> <ul style="list-style-type: none"> ➢ Product segmentation strategy of Changan Industry Co. and its associates ➢ Future growth of automobile production of Changan Automobile and its associates ➢ The Company's future marketing strategy in Non-Vehicle Products logistics <p>Low utilization rate of historical caps</p> <p>As we notice the utilization rate of historical caps is relatively low. With due diligent enquiries with the Company, we summarize the reasons below:</p> <ul style="list-style-type: none"> ➢ Due to the change of production strategy of Changan Industry Co. and its associates in the previous three years, Changan Industry Co. and its associates decreased the production of automobile raw materials and components and parts products. ➢ Due to the disposal of one subsidiary of Changan Industry Co. in early 2010, whose main business is automobile components production. ➢ The growth rate of the automobile components and products produced by Changan Industry Co. and its associates is lower than the prior estimates of the Company. <p>Thus utilization rate of historical caps for the two years ended 31 December 2010 and eight months ended 31 August 2011 is relatively low.</p> <p>Our conclusion after due diligent analysis and investigation including discussion with the Company and review the relevant documents provided by the Company</p> <ul style="list-style-type: none"> ● With reference of the announcement of Changan Automobile dated 25 January 2011, and 2010 annual report of Changan Automobile, we note that by 2015 Chongqing Yuzui Automobile Production Base of Changan Automobile will generate RMB 100 billion revenue, which is approximate 3 times of 2010 revenue of Changan Automobile. Due to the historical connection between Changan Industry Co. and Changan Automobile, demand for automobile components provided from Changan Industry Co. will increase rapidly. ● After our due diligent investigation with the Company on its future business strategy, we concur with the Company that Changan Industry Co. and its associates will reinforce the automobile components production by setting up new production facilities with focus on automobile components as the synergy with Changan Automobiles and its associates. ● With enquiring with the Company, the Company will explore the future logistic business opportunities with Changan Industry Co. and its associates for non-vehicle products such as transformers. ● Due to the low utilization rate of historical caps, The Company proposed lower annual cap for the year ending 31 December 2012 compared with the annual cap for 2011, which is considered as more realistic expectation on the service provided to Changan Industry Co. and its associates in the future.

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	For the year ended/ending 31 December					
	2009 Proposed (Actual) (RMB)	2010 Proposed (Actual) (RMB)	2011 Proposed (Actual) (RMB)	2012 Proposed (RMB)	2013 Proposed (RMB)	2014 Proposed (RMB)
CCT 2	2,510,857,000	3,046,969,000	4,288,803,000	4,440,617,400	5,708,715,000	7,290,900,500
Utilization Rate of Annual Cap (%)	(2,077,914,000) 82.76%	(2,513,372,000) 82.49%	(2,203,230,900) ¹ 77.06% ²	N/A N/A	N/A N/A	N/A N/A

Notes:

1. Actual historical figures up to 31 August 2011
2. Adjusted on a pro rata basis (x 12 months/ 8 months)

CCT 2	Basis of determining the annual caps as disclosed in the Board Letter	Our analysis/view
(1)	In the forthcoming three years, the growth rate of the production and sales automobile in China will exceed the annual growth rate of the GDP driven by the continuing increases in personal income and the higher living standard.	We note that the proposed caps correlated with the following factors: <ul style="list-style-type: none"> ➢ Continuing growth of China automobile market ➢ Strong growth in automobile production driven by Chongqing Yuzui Automobile Production Base and other production bases outside Chongqing of Changan Automobile ➢ Strong increase of demand for logistic service driven by future expansion of automobile production and sale of China Automobile and its associates
(2)	Chongqing Yuzui Automobile Production Base will be the main growth engine of automobile production for Changan Automobile. Large amount of new products will be sold in the market in the forthcoming three years by Changan Automobile and its associates. The sale volume will expand as well.	Utilization rate of historical caps <ul style="list-style-type: none"> ➢ We notice that the utilization rate of historical caps is relatively high, which reflect the rapid growth of business between the Company and Changan Automobile and its associates.
(3)	Demand for logistics business provided by the Company to the production bases outside Chongqing such as Harbin Base, Jiangxi Base and etc of Changan Automobile and its associates will increase sharply.	Our conclusion after due diligent analysis and investigation including discussion with the Company and review the relevant documents provided by the Company <ul style="list-style-type: none"> ● The China automobile market grows from 2001 to 2010 with annual compound growth rate of 25.70%. As advised by the Company, it is estimated that automobile market in China will expand continually in the forthcoming years. ● Referred to the announcement of Changan Automobile dated 25 January 2011, Chongqing Yuzui Automobile Production Base will generate sale revenue of RMB 100 billion for Changan Automobile, which is approximately 3 times of 2010 annual revenue of Changan Automobile. ● Additional annual logistic business opportunities provided by Chongqing Yuzui Automobile Production Base will be considerable according to the Company's estimate. ● In the forthcoming three years, it is the Company's business strategy to explore more business opportunities in productions facilities of Changan Automobile and its associates outside Chongqing city. The Company has already achieved intention of business cooperation with Changan Automobile and its associates. ● The Company is active in exploring business opportunities in value-added logistic service regarding tire sub-assembly with Changan Automobile and its associates. Some of associates of Changan Automobile achieved intention of business cooperation with the Company.
(4)	The Company will expand its business in value-added logistic service regarding with tire sub-assembly and etc for the three years ending 31 December 2014.	

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	For the year ended/ending 31 December					
	2009 Proposed (Actual) (RMB)	2010 Proposed (Actual) (RMB)	2011 Proposed (Actual) (RMB)	2012 Proposed (RMB)	2013 Proposed (RMB)	2014 Proposed (RMB)
CCT 3	528,857,000 (194,217,000)	656,807,000 (228,052,000)	828,569,000 (187,651,900) ¹	681,353,300 N/A	806,146,400 N/A	943,806,800 N/A
Utilization Rate of Annual Cap (%)	36.72%	34.72%	33.97% ²	N/A	N/A	N/A

Notes:

1. Actual historical figures up to 31 August 2011
2. Adjusted on a pro rata basis (x 12 months/ 8 months)

Basis of determining the annual caps as disclosed in the Board Letter

- CCT 3**
- (1) The Company estimates that the logistics service provided to its customer will increase considerably. With the sharp increase in the import and export business of Changan Automobile and its associates, the transportation services on international freight forwarding purchased by the Group from Minsheng Group will increase sharply simultaneously.
 - (2) Water transportation has the strong price advantage. As Minsheng Group has competitive edge in water transportation. The Company proposed to purchase more transportation service from Minsheng Group for the forthcoming three years in order to deliver more economic logistic service for its clients.

Our analysis/view

We note that the proposed caps correlated with the following factors:

- Increase in demand for logistic service from the clients of the Company including Changan Automobile and its associates. Especially, the import and export business of Changan Automobile and its associates.
- Minsheng Group's competitive edge in water transportation

Low utilization rate of historical caps

As we notice the utilization rate of historical caps is relatively low. With due diligent enquiries with the Company, we summarize the reasons below:

- Some of the Company's clients purchase automobile components from domestic vendors instead of importing from overseas vendors, which leads to the decline in purchase of water transportation from the Company.
- Water transportation capacity of Minsheng Group was constrained by the insufficient vessels, which resulted in decline in purchase of water transportation from the Company.
- As China automobile market grows rapidly during 2008 to 2010, many automobile producers preferred land transportation to water transportation in order to deliver the products in less time.

Our conclusion after due diligent analysis and investigation including discussion with the Company and review the relevant documents provided by the Company

- Minsheng group is one of top water transportation vendor in Yangtze River Region.
- Future strong growth of production and sale of Changan automobile and its associates will require more water transportation. As the logistic service vendor, the Company will purchase more water transportation from Minsheng Group.
- The overall transportation capacity for the forthcoming three years will increase due to the new vessels purchased by Minsheng Group in 2011.
- Several new vessels should be delivered to Minsheng Group in 2011. But the delay in delivery will has a negative impact on the water transportation capacity of Minsheng Group in 2011 and 2012. Thus, the Company lowers the 2012 annual cap in order to reflect the reality. New vessels will contribute to the overall water transportation capacity for 2013 and 2014.

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	For the year ended/ending 31 December					
	2009 Proposed (Actual) (RMB)	2010 Proposed (Actual) (RMB)	2011 Proposed (Actual) (RMB)	2012 Proposed (RMB)	2013 Proposed (RMB)	2014 Proposed (RMB)
CCT 4	209,651,000 (59,655,000)	278,628,000 (51,272,000)	354,075,000 (37,808,300) ¹	65,510,500 N/A	76,256,300 N/A	86,996,900 N/A
Utilization Rate of Annual Cap (%)	28.45%	18.40%	16.02% ²	N/A	N/A	N/A

Notes:

1. Actual historical figures up to 31 August 2011
2. Adjusted on a pro rata basis (x 12 months/ 8 months)

CCT 4 Basis of determining the annual caps as disclosed in the Board Letter

It is estimated that the logistics services volume provided by the Group to Changan Automobile and its associates (especially the new bases in Chongqing New North Zone and in Chongqing Yuzui) will increase sharply, so the Group will continue and increase the purchase of transportation services of vehicles and car raw materials and components and parts. The Group and Beijing Changjiu and its associates have good cooperation relationship and the Group is generally satisfied with the transportation services provided by Beijing Changjiu and its associates. So the Group will continue and increase the purchase of transportation services of vehicles and car raw materials and components and parts from Beijing Changjiu and its associates.

Our analysis/view

We note that the proposed caps correlated with the following factors:

- Increase in demand of logistic service from Changan Automobile and its associates including Chongqing Yuzui Automobile Production Base and the new bases in Chongqing New North Zone.

Low utilization rate of historical caps

As we noticed the utilization rate of historical caps is relatively low. With due diligent enquiries with the Company, we summarize the reasons below:

- Beijing Changjiu and its associates have not assigned sufficient transportation capacity in the previous three years. Thus the utilization rate is low.

Our conclusion after due diligent analysis and investigation including discussion with the Company and review the relevant documents provided by the Company

- Chongqing Yuzui Automobile Production Base and new bases in Chongqing New North Zone of Changan Automobile and its associates will raise the demand of logistic service provided by the Company.
- The proposed caps in the forthcoming three years ending 31 December 2014 are comparable to the historical figures of transportation service provided to the Company by Beijing Changjiu and its associates for the two years ended 31 December 2010 and eight months ended 31 August 2011, which reflects more realistic estimate by the Company.

LETTER FROM CHINA MERCHANTS SECURITIES (HK)

	For the year ended/ending 31 December					
	2009 Proposed (Actual) (RMB)	2010 Proposed (Actual) (RMB)	2011 Proposed (Actual) (RMB)	2012 Proposed (RMB)	2013 Proposed (RMB)	2014 Proposed (RMB)
CCT 5	200,000,000	150,000,000	150,000,000	190,000,000	231,100,000	163,700,000
Utilization Rate of Annual Cap (%)	-	1.00%	8.17% ²	N/A	N/A	N/A

Notes:

1. Actual historical figures up to 31 August 2011
2. Adjusted on a pro rata basis (x 12 months/ 8 months)

	Basis of determining the annual caps as disclosed in the Board Letter	Our analysis/view
CCT 5	<p>The Company estimates that for the forthcoming three years, a large amount of logistics facilities need to be invested to construct for providing good logistics services to its customers. It is estimated during the period 2012 – 2014, an investment amount of hundreds of millions RMB will be put into the construction of logistics services facilities, especially the facilities relevant to providing logistics services to the new bases in Chongqing New North Zone and in Chongqing Yuzui of Changan Automobile and its associates. The Group and Changan Construction and its associates have good cooperation relationship and the Group is generally satisfied with the engineering construction services provided by Changan Construction and its associates. So the Group will purchase more engineering construction services from Changan Construction and its associates.</p>	<p>We note that the proposed caps correlated with the following factors:</p> <ul style="list-style-type: none"> ➢ Increasing demand of logistic service from Changan Automobile and its associates including Chongqing Yuzui Automobile Production Base and the new bases in Chongqing New North Zone requires more logistic facilities <p>Low utilization rate of historical caps</p> <p>As we noticed the utilization rate of historical caps is relatively low. With due diligent enquiries with the Company, we summarize the reasons below:</p> <ul style="list-style-type: none"> ➢ Short supply of land in Chongqing city delayed the construction plan for logistic facilities <p>Our conclusion after due diligent analysis and investigation including discussion with the Company and review the relevant documents provided by the Company</p> <ul style="list-style-type: none"> ● Chongqing Yuzui Automobile Production Base and new bases in Chongqing New North Zone of Changan Automobile will raise the demand of logistic service provided by the Company, which requires more logistic facilities in the forthcoming two or three years ● The company will invest several hundred millions RMB in logistic facility constructions in the Chongqing Yuzui Automobile Production Base and new bases in Chongqing New North Zone of Changan Automobile. <p>Although the historical utilization rate is low, the Company's future investment plan will require more high quality construction service for logistic facilities.</p>

LETTER FROM CHINA MERCHANTS SECURITIES (HK)

	For the year ended/ending 31 December					
	2009 Proposed (Actual) (RMB)	2010 Proposed (Actual) (RMB)	2011 Proposed (Actual) (RMB)	2012 Proposed (RMB)	2013 Proposed (RMB)	2014 Proposed (RMB)
CCT 6	100,000,000 (50,608,000)	300,000,000 (50,608,000)	300,000,000 -	300,000,000 N/A	400,000,000 N/A	500,000,000 N/A
Utilization Rate of Annual Cap (%)	50.61%	16.87%	-	N/A	N/A	N/A
CCT 7	100,000,000 (98,856,000)	300,000,000 (144,196,000)	300,000,000 (101,635,762) ¹	N/A	800,000,000 N/A	1,000,000,000 N/A
Utilization Rate of Annual Cap (%)	98.86%	48.07%	33.88%	N/A	N/A	N/A
CCT 8	50,000,000 -	50,000,000 -	50,000,000 -	100,000,000 N/A	100,000,000 N/A	100,000,000 N/A
Utilization Rate of Annual Cap (%)	-	-	-	N/A	N/A	N/A

Notes:

1. Actual historical figures up to 31 August 2011

Basis of determining the annual caps as disclosed in the Board Letter

CCT 6 To supplement the fund for investment and the daily operation activities of the Group with the increasing of investment and expansion of operation scale of the Group in the forthcoming three years.

CCT 7 Following successive expansions in the asset scale and operation scale of the Group, the in-flows and out-flows of cash out of the operating activities becomes more frequent and the amounts have also increased continuously, resulting in the increase in deposit amounts of the Group.

CCT 8 Following successive expansions in production operation of the Company, especially taking the current tight monetary policy (which may continue for a while as estimated by the Company) into consideration, there has been a constant increase in settlement by way of note discounting between its customers and suppliers. As at 30 June 2011, the balance of bills receivables exceeded RMB100 million yuan, realizing more than double increase of that of 31 December 2010. The Company estimates that in the forthcoming three years, the cash of the Group may not enough. So the Group needs to raise up the fund required for operational activities with note discounting settlement.

Our analysis/view

We note that the proposed caps correlated with the following factors:

- Business and asset scale of the Company
- Funds for investment and daily business operation
- In-flows and Out-flows of cash out the operating activities
- Successful expansions in production operation of the Company

Low utilization rate of historical caps

As we noticed the utilization rate of historical caps is relatively low. With due diligent enquiries with the Company, we summarize the reasons below:

- The low historical utilization rate of CCT 6 is the results of the relative abundance of funds.
- The low historical utilization rate of CCT 7 is the results of that many of subsidiaries of the Company does not open account with Zhuangbei Finance.
- The low historical utilization rate of CCT 8 is the results of the relative abundance of working capital.

Our conclusion after due diligent analysis and investigation including discussion with the Company and review the relevant documents provided by the Company

- As the large increase of the total amount of connected transactions in the forthcoming three years, the future projects will require more investment funds. The increased proposed caps in CCT 6 will provide greater flexibility to the Company to access funding.
- In the future, the subsidiaries of the Company will open accounts with Zhuangbei Finance. The total amount of deposit will increase rapidly. The cash in-flows and out-flows between connected parties will increase rapidly due to the increase in connected transactions. The increased proposed caps for CCT 7 will provide the Company great flexibility to manage the cash.
- Due to the future tightening monetary policy, the Company needs to discount the notes for liquidity or working capitals in the future. The increased caps in CCT 8 will provide larger flexibility to obtain liquidity for the Company.

LETTER FROM CHINA MERCHANTS SECURITIES (HK)

Taking into account all above foregoing basis for determining the Proposed Caps, we consider that all the Proposed Caps are fair and reasonable so far as the Independent Shareholders are concerned.

GEM LISTING RULES IMPLICATION

The Directors confirmed that the Company shall comply with the requirements of Rules 20.45 to 20.48 of the GEM Listing Rules pursuant to which (i) the values of the Certain Existing Continuing Connected Transactions and Non-Exempt Continuing Connected Transactions Framework Agreements must be restricted by their respective annual caps for the year ending 31 December 2011 and the three years ending 31 December 2014 respectively; (ii) the terms of the transactions contemplated regarding with the Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions Framework Agreements (including the Proposed Caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the transactions contemplated regarding with the Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions Framework Agreements (including the Proposed Caps) must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the GEM Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among others, that the transactions contemplated regarding with the Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions Framework Agreements are carried out in accordance with the pricing policies of the Company and the Proposed Caps are not being exceeded. In the event that the total amounts of transactions contemplated regarding the Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions Framework Agreements exceed the Proposed Caps, or that there is any material amendment to the terms of the Non-Exempt Continuing Connected Transactions Framework Agreements, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the GEM Listing Rules governing continuing connected transactions.

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

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions Framework Agreements (together with the Proposed Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions are conducted 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. Accordingly, we recommend the INED Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve Certain Existing Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions (together with the Proposed Caps) and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

**Yours faithfully,
For and on behalf of
China Merchants Securities (HK) Co., Limited**

**Jiang Jun
Executive Direct**

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in 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 this circular misleading.

2. EXPERT'S CONSENT AND QUALIFICATION

The following is the qualification of the professional adviser who has given opinion or advice which is contained in this circular:

Name	Qualification
China Merchants Securities (HK) Co., Limited	a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contract), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the Securities and Futures Ordinance (the "SFO")

China Merchants Securities (HK) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and all reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, China Merchants Securities (HK) was not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since 31 December 2010, being the date to which the latest published audited accounts of the Company were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

3. DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, none of the Directors, chief executive and the Supervisors 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 (a) were 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 or short positions which the Directors and the Supervisors is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, the Directors, chief executive and the Supervisors were not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since 31 December 2010 were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. SUBSTANTIAL SHAREHOLDERS AND PARTIES HOLDING INTERESTS AND

SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

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, Supervisors, or chief executive 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 share 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
Changan Industry Co.	Beneficial owner	39,825,600(L)	37.19%	—	24.57%
APLL	Beneficial owner	33,619,200(L)	31.40%	—	20.74%
Minsheng Industrial	Beneficial owner	25,774,720(L)	24.07%	—	15.90%
Minsheng Industrial (Note 2)	Interest of a controlled corporation	7,844,480(L)	7.33%	—	4.84%
Ming Sung (HK)	Beneficial owner	7,844,480(L)	7.33%	—	4.84%
788 China Fund Ltd.	Investment manager	4,000,000(L)	—	7.27%	2.47%
Braeside Investments, LLC (Note 3)	Investment manager	3,423,000(L)	—	6.22%	2.11%
Braeside Management, LP (Note 3)	Investment manager	3,423,000(L)	—	6.22%	2.11%
McIntyre Steven (Note 3)	Interest of a controlled corporation	3,423,000(L)	—	6.22%	2.11%
Pemberton Asian Opportunities Fund	Beneficial owner	3,300,000(L)	—	6.00%	2.04%

Note 1: (L) – long position, (S) – short position, (P) - Lending Pool.

Note 2: Ming Sung (HK) is the subsidiary of Minsheng Industrial.

Note 3: According to the disclosure of interests notice filed, Braeside Management, LP is a wholly-owned subsidiary of Braeside Investments, LLC. McIntyre Steven is the controlling shareholder of Braeside Investments, LLC.

5. DIRECTOR'S INTEREST IN CONTRACT AND/OR ARRANGEMENT

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group as a whole.

6. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

No Director has a service contract with the Company which is not terminable by the Company within one year without payment other than statutory compensation.

Each of the directors and supervisors has entered into a service contract with the Company for term of three years until the expiry of the term of the third session of the Board and the supervisory committee.

Each of the non-executive directors will not receive any directors' remuneration for his/her services. Each of independent non-executive directors will be paid a fixed amount of director's fee per annum.

7. DIRECTORS' INTEREST IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of or leased by any member of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

There was no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors was materially interest and which was significant in relation to the business of the Group.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the Group's latest published audited accounts were made up.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and so far as the Directors are aware, no litigation or claim of material importance are pending or threatened by or against the Company or any of its subsidiaries.

10. COMPETING INTEREST

The Company's shareholders, namely APLL, Minsheng Industrial, Ming Sung (HK) and Changan Industry Co., have all entered into non-competition undertakings in favour of the Company. For details of the non-competition undertakings, please refer to the prospectus of the Company dated 16 February 2006. As at the Latest Practicable Date, so far as the Directors are aware of, except as disclosed in the 2010 annual report of the Company that each of APLL, Minsheng Industrial, Ming Sung (HK) and Changan Industry Co. have all signed a confirmation regarding the non-competition undertakings with the Company in favour of the Company, none of themselves or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Company or its subsidiaries or any other conflicts of interest with the Company or its subsidiaries. No contract or arrangement is subsisting at the date of the circular in which a director of the Company is materially interested and which is significant in relation to the business of the Company or its subsidiaries.

11. MISCELLANEOUS

- (a) The registered office of the Company is at Liangjing Village, Yuanyang Town, Yubei District, Chongqing, the PRC. The principal place of business in China is at No.561 Hongjin Road, Yubei District, Chongqing, the PRC.
- (b) The principal place of business in Hong Kong is at 16/F., 144-151 Singa Commercial Centre,

Connaught Road West, Hong Kong.

- (c) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The Company secretary of the Company is Mr. Joseph Au Yeung Wai Ki, a fellow member of Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.
- (e) The compliance officer of the Company is Mr. Zhu Minghui.
- (f) The Company has established an audit committee with written terms of reference in compliance with rule 5.28 of the GEM Listing Rules. The audit committee is mainly responsible for overseeing the Company's internal audit system and its implementation; reviewing the Company's financial information and its disclosure; reviewing the Company's internal control system; auditing major connected transactions; and communication, supervision and verification of the Company's internal and external audit. The audit committee comprises the independent non-executive Directors, namely Mr. Peng Qifa, Mr. Chong Teck Sin and Mr. Poon Chiu Kwok. Their respective biographies are set out below:

Mr. Peng Qifa (彭啟發), was born in 1964. In 1998, he obtained a master's degree in Economics from the faculty of Business Administration at Sichuan University. Mr. Peng has served as a professor of Economics in Chongqing University of Technology and was qualified as a master tutor. Mr. Peng is a Certified Public Accountant in the PRC.

Mr. Chong Teck Sin (張鐵沁), was born in 1955, joined the Company as an independent non-executive director in July 2005. Mr. Chong was the group managing director (commercial) of Seksun Corporation Limited ("Seksun"), which was listed on Singapore Stock Exchanges, until May 2004. Prior to his appointment at Seksun, he was the strategic development director for China of Glaxo Wellcome Asia Pacific Pte Ltd. and before that, the senior general manager of China-Singapore Suzhou Industrial Park Development Co., Ltd., the Singapore Suzhou Industrial Park developer. He was with the Singapore Economic Development Board from 1986 to 1989. Since April 2004, Mr. Chong sits on the Board of the Accounting and Corporate Regulatory Authority (ACRA) of Singapore. He is also the independent non-executive director of British-American Tobacco (Singapore) Pte Ltd. In addition, Mr. Chong is also the independent non-executive director of the companies following-mentioned which were listed on Singapore Stock Exchanges: Beyonics Technology Ltd., Wanxiang International Pte Ltd., Sihuan Pharmaceutical Holdings Group Ltd. And Mr. Chong had resigned as an independent director of Singapore's SGX-listed JES International with effective from 1 July 2011. Since October 2008, Mr. Chong is also the director of Singapore's largest folk charitable organization National Kidney Foundation Singapore. Mr. Chong had been appointed as a board director of AVIC International Investments Limited of Singapore (which stands for China Aviation Industry Corporation(中國航空工業集團公司)) as of 18 April 2011. He obtained the bachelor of engineering at the University of Tokyo in 1981, and subsequently obtained a Master of Business Administration degree from the National University of Singapore.

Mr. Poon Chiu Kwok (潘昭國), was born in 1962. He obtained a master's degree in international accounting, a post-graduate diploma in laws, a bachelor's degree in laws and a bachelor's degree in business studies. He has been an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. He is also a member and Associate Instructor of Hong Kong Securities Institute ("HKSI") and a long-term serving member of Professional Education Committee of HKSI.

Mr. Poon now serves as an executive director and company secretary of Huabao International Holdings Limited which is a listed company in Hong Kong (Stock Code: 00336), an independent non-executive director and as a member of the audit committee of Guangzhou Shipyard International Company Limited (Stock Code: 00317) (both listed in Hong Kong and Shanghai), Ningbo Port Company Limited (a listed company in Shanghai), Yuanda China Holdings Limited which is a listed company in Hong Kong (Stock Code: 02789) and Sunac China Holdings Limited (a company listed in Hong Kong) (Stock Code:01918). He was appointed as an independent non-executive director of CATIC Shenzhen Holdings Limited ("CATIC") which is a listed company in Hong Kong (Stock Code: 00161) in 2003 and Tsingtao Brewery Company Limited which is a listed company in Hong Kong (Stock Code:00168) in 2005 and retired upon expiry of term in June 2009 and June 2011, respectively.

- (g) The English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at 23/F., Gloucester Tower, 15 Queen's Road, Central, Hong Kong from the date of this circular up to and including 13 December 2011:

- (a) the existing Articles of Association;
- (b) the letter from China Merchants Securities (HK), the text of which is set out on pages 19 to 35 of this circular;
- (c) the written consent from China Merchants Securities (HK) referred to in paragraph 2 of this appendix;
- (d) the letter of recommendation from the INED Committee to the Shareholders, the text of which is set out on page 18 of this circular;
- (e) the directors and supervisors service contracts referred to in paragraph 6 of this appendix;
- (f) the framework agreement dated 22 October 2008 entered into by the Company with Changan Automobile relating to provision of finished vehicle transportation and supply chain management services for car raw materials, components and parts;
- (g) the framework agreements dated 28 October 2011 entered into by the Company with Changan Industry Co. relating to supply chain management services for vehicles and car raw materials, components and parts & non-vehicle logistics services;
- (h) the framework agreements dated 28 October 2011 entered into by the Company with Changan Automobile relating to supply chain management services for vehicles and car raw materials, components and parts;
- (i) the framework agreements dated 28 October 2011 entered into by the Company with Menshing Group relating to transportation services of vehicles and car raw materials, components and parts;
- (j) the framework agreements dated 28 October 2011 entered into by the Company with Beijing Changjiu relating to transportation services of vehicles and car raw materials, components and parts;
- (k) the framework agreements dated 28 October 2011 entered into by the Company with Changan Construction relating to engineering construction services; and
- (l) the framework agreements dated 28 October 2011 entered into by the Company with Zhuangbei Finance relating to provision of loan and deposit and note discounting services.