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## **Changan Minsheng APLL Logistics Co., Ltd.\***

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

**(Stock Code: 8217)**

### **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement and circular issued by the Company on 2 November 2006 and 14 November 2006, respectively.

On 1 November 2006, the Company entered into the JV Agreement with Sumitomo and Changjiu for establishment of the JV Company. With the obtaining the necessary approvals from the relevant PRC regulatory authorities, the JV Company was established on 26 July 2007 as a subsidiary of the Company. As a result thereof, Changjiu, a substantial shareholder of the JV Company, then became a connected person of the Company and the transactions between the Company (and its subsidiaries) and Changjiu (and its associates) constitute connected transactions to the Company under the GEM Listing Rules.

On 24 August 2007, the Company entered into the Framework Agreement with Changjiu, pursuant to which the Company (and its subsidiaries) will continuously purchase logistic services from Changjiu and its associates for a term commencing from the date of the establishment of the JV Company (i.e. 26 July 2007) to 31 December 2008. Since the highest of all applicable percentage ratios of the annual amount of the Transactions as calculated in accordance with Rule 19.06 of the GEM Listing Rules is above 2.5%, the conduct of the Transactions shall be subject to the reporting, announcement and independent shareholders' approval requirements.

An INED Committee has been formed to advise the independent Shareholders in connection with the Transactions (including the Caps), and the Independent Financial Adviser will be appointed to advise the INED Committee and the independent Shareholders in relation thereto.

No shareholders of the Company is required to abstain from voting in the general meeting of the Company for approving the Transactions and the Caps, as the connected persons in the Transactions, namely Changjiu and its associates, are connected persons solely by virtue of Changjiu's interest in a subsidiary of the Company and not in the Company itself. The Company has obtained from Changan Co., Changan Industrial, Ming Sung (HK), Minsheng Industrial and APL Logistics, which currently in aggregate hold 66.06% of the issued share capital of the Company, a written approval for the Transactions and the Caps. Pursuant to Rule 20.43 of the

GEM Listing Rules, the Company has applied for a waiver from the Stock Exchange to approve the Transactions, which constitute non-exempt continuing connected transactions of the Company, and the Caps, on the basis of a written shareholders' approval in lieu of holding a general meeting of the Company.

A circular containing, amongst other things, details regarding the Transactions, a letter from the INED Committee and an opinion from the Independent Financial Adviser, will be issued to the Shareholders as soon as possible.

## **BACKGROUND**

Reference is made to the announcement and the circular of the Company dated 2 November 2006 and 14 November 2006, respectively.

The Company is a joint stock company with limited liability incorporated in the PRC and provides a variety of logistics services mainly for car manufacturers and car components suppliers in China.

On 1 November 2006, the Company entered into the JV Agreement with Sumitomo and Changjiu for establishment of the JV Company. The scope of the business of the JV Company is transportation, storage, loading and unloading, packaging and distribution of common freight, and relevant information processing and consultancy services; domestic goods transportation agent; import/export business and related services, including import/export, and acting as agent to import/export, providing import/export services to exporting processing enterprises upon appointment; provision of agent services for international freight transportation by sea, by air and by land; transportation and storage of finished vehicles; design and development of logistics systems.

The total investment of the JV Company is RMB 100 million. The registered capital of the JV Company is RMB 100 million.

With the obtaining of the necessary approvals from the relevant PRC authorities, the JV Company was established on 26 July 2007. Each of the Company, Sumitomo and Changjiu holds 51%, 25%, and 24% respectively of the registered capital of the JV Company. The JV Company is then a subsidiary of the Company and accordingly, Sumitomo and Changjiu, by virtue of their respective interest in the JV Company as a substantial shareholder thereof become connected persons of the Company. As disclosed in the announcement and the circular issued by the Company on 2 November 2006 and 14 November 2006, respectively, the Company will comply with Rule 20.41 of the GEM Listing Rules regarding the transactions with Sumitomo and Changjiu, including but not limited to the reporting, announcement and independent Shareholders' approval requirements, if applicable.

### **Framework Agreement**

On 24 August 2007, the Company entered into the Framework Agreement with Changjiu, pursuant to which the Company (together with its subsidiaries) will purchase transportation services from Changjiu and its associates for a term commencing from the date of the establishment of the JV Company (i.e. 26 July 2007) to 31 December 2008. The services to be provided by Changjiu and its associates include transportation of finished vehicles.

The Group started to purchase certain transportation services from Changjiu (and its associates) since the first half of 2006. The service fees payable by the Group to Changjiu (and its associates) for such transportation service since 2006 are as follows:

	<i>RMB'000</i>
Year ended 31 December 2006	16,116
Seven months ended 31 July 2007	44,167

During the period from the date of establishment of the JV Company (i.e. 26 July 2007) to the date hereof, the transaction amount of the Group for acquiring transportation services from Changjiu and its associates were less than HK\$1 million.

### **Reasons for entering into the Transactions**

The Group provides a variety of logistics services mainly for car manufacturers and car component suppliers in China. In order to provide such logistics services, the Group also needs to purchase transportation services from third parties on a continuing basis. Changjiu is one of the leading transportation providers in China, which owns over 1,000 transportation vehicles for finished automobile transportation. Changjiu has good ability and experience on motorcade management. Purchasing transportation service from Changjiu and its associates is beneficial to the Company in its provision of good logistics services to its customers. The Company has established a good co-operation relationship with Changjiu and its associates and is satisfied with the quality and terms of the transportation services provided by them. The Board considers it to be beneficial to the Company to continue to enter into the Transactions as such transactions have facilitated and will continue to facilitate the operation and growth of the Company's business.

### **Pricing of the Transactions**

According to the Framework Agreement, Changjiu undertook to the Company that for transactions proposed to be carried out under the Framework Agreement, the terms offered to the Company and its subsidiaries should not be less favourable than those granted to an independent third party. The fees for transactions under the Framework Agreement should be reached in accordance with the following principles:

- (i) pricing relating to certain types of products and 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.

### **Caps**

In view of the expected business expansion of the Group as well as for the Group's benefit, the Directors are of the view that the Transactions shall be continued and has set a cap for the

maximum values for the period from the date of establishment of the JV Company (i.e. 26 July 2007) to 31 December 2007 and for 2008 for the Transactions at RMB83,100,000 and RMB157,300,000, respectively.

The Group first started to purchase certain transportation services from Changjiu (and its associates) since the first half of 2006 to alleviate part of the Group's tension in the provision of transportation services to its customers. After several months of co-operation, the Group further increased the transportation services from Changjiu and its associate. According to the management account of the Group, the service fees payable by the Company to Changjiu and its associate for the provision of transportation services increased from RMB16,116,000 in 2006 to RMB44,167,000 for the seven months ended 31 July 2007. It is expected that Changjiu (and its associates) will further allocate transportation vehicles to meet the demand for transportation services of the Group for the second half of year 2007. Accordingly, the service fees for the whole year of 2007 are estimated to be RMB127,267,000. With the market condition of automotive logistics industry as well as the current and projected levels of the relevant transactions, the service fees payable by the Group to Changjiu and its associates for the year 2008 are expected to be increased to RMB157,300,000.

Taking in consideration that the Transactions have been negotiated on an arm's length basis and 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 Directors are of the view that the Transactions and Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **Implications under GEM Listing Rules**

Since the highest of all applicable percentage ratios of the annual amount of the Transactions as calculated in accordance with Rule 19.06 of the GEM Listing Rules is above 2.5%, the conduct of the Transactions shall be subject to the reporting, announcement and independent shareholders' approval.

No shareholders of the Company is required to abstain from voting in the general meeting of the Company for approving the Transactions and the Caps, as the connected persons in the Transactions, namely Changjiu and its associate, are connected persons solely by virtue of their interest in a subsidiary of the Company and not in the Company itself. The Company has obtained from Changan Co., Changan Industrial, Ming Sung (HK), Minsheng Industrial and APL Logistics (all are being the promoters of the Company) a written approval for the Transactions and the Caps. Each of Changan Co., Changan Industrial, Ming Sung (HK), Minsheng Industrial and APL Logistics holds 24.08%, 0.49%, 4.84%, 15.91% and 20.74% respectively of the issued share capital of the Company. Of these five promoters of the Company, Changan Co. holds 100% of Changan Industrial while Minsheng Industrial holds 95.95% of Ming Sung (HK). Pursuant to Rule 20.43 of the GEM Listing Rules, the Company has applied for a waiver from the Stock Exchange to approve the Transactions, which constitute non-exempt continuing connected transactions of the Company, and the Caps, on the basis of a written shareholders' approval in lieu of holding a general meeting of the Company.

The INED Committee has been formed to advise the independent Shareholders in connection with the Transactions (including the Caps), and the Independent Financial Adviser will be appointed to advise the INED Committee and the independent Shareholders on the same.

A circular containing, amongst other things, details regarding the Transactions, a letter from the INED Committee and an opinion from the Independent Financial Adviser, will be issued to the Shareholders as soon as possible.

## DEFINITIONS

APL Logistics	APLL Logistics Limited, a substantial shareholder of the Company holding 20.74% of the total issued shares of the Company
Caps	the annual maximum limitation of the Transactions during the period from the date of the establishment of the JV Company (i.e. 26 July 2007) to 31 December 2007 and in 2008
Changan Co.	Changan Automobile Company (Group) Limited (長安汽車 (集團) 有限責任公司), a substantial shareholder of the Company holding 24.08% of the total issued share capital of the Company
Changan Industrial	Chongqing Changan Industrial Company Limited (重慶長安實業有限公司) which holds 0.49% of the total issued share capital of the Company
Changjiu	Beijing Changjiu Logistics Limited (北京長久物流有限公司), a limited liability company established in China
China or PRC	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
Company	Changan Minsheng APLL Logistics Co., Ltd. (重慶長安民生物流股份有限公司)
connected person	has the meaning ascribed thereto in the Listing Rules
Director(s)	the director(s) of the Company
Framework Agreement	an agreement entered into between the Company and Changjiu on 24 August 2007 in relation to the provision of transportation service by Changjiu and its associates to the Company and its subsidiaries
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
Hong Kong	the Hong Kong Special Administrative Region of China
Independent Financial Adviser	an independent financial adviser to be appointed to advise the INED Committee in respect of the Transactions
INED Committee	a committee comprised of Ms. Wang Xu, Mr. Peng Qifa and Mr. Chong Teck Sin, all of whom are independent non-executive directors of the Company
JV Agreement	the joint venture agreement entered into among the JV Parties on 1

	November 2006 in relation to the formation of the JV Company
JV Company	Nanjing CMSC Logistics Company Ltd., a joint venture company established in the PRC on 26 July 2007
Ming Sung (HK)	Ming Sung Industrial Co., (HK) Limited which holds 4.84% of the total issued share of the Company
Minsheng Industrial	Minsheng Industrial (Group) Co., Ltd. (民生實業(集團)有限公司), a substantial shareholder of the Company, holding 15.91% of the total issued share of the Company
RMB	Renminbi, the legal currency of China
Shares	ordinary shares of the Company, with a par value of RMB1.00 each
Shareholders	shareholders of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
Sumitomo	Sumitomo Corporation, a limited company established in Japan on 24 December 1919
Transactions	the on-going connected transactions to be conducted during the period from the establishment of the JV Company (i.e. 26 July 2007) to 31 December 2007 and in 2008 pursuant to the Framework Agreement

By Order of the Board  
**Changan Minsheng APLL Logistics Co., Ltd.**

**Shi Chaochun**

*Executive Director*

Chongqing, the PRC, 24 August 2007

As at the date of this announcement, the Board comprises.

*Executive directors:*

Yin Jiayu  
Huang Zhangyun  
Lu Xiaozhong  
Shi Chaochun  
James H McAdam

*Non-executive directors:*

Lu Guoji  
Zhang Baolin  
Daniel C. Ryan  
Cao Dongping  
Wu Xiaohua

Lau Man Yee, Vanessa

*Independent non-executive directors:*

Wang Xu

Peng Qifa

Chong Teck Sin

*This announcement, for which the Directors 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: - (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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*\* For identification purposes*