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重慶長安民生物流股份有限公司

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

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

**(Stock Code: 8217)**

## **CONTINUING CONNECTED TRANSACTIONS**

For operational need, the Company entered into various framework agreements with Changan Co., Changan Automobile, Minsheng Industrial, APLL, Beijing Changjiu and Changan Construction separately on 22 October 2008. Pursuant to such agreements, the Group will continuously enter into certain non-exempt continuing connected transactions with such connected persons during the period from 1 January 2009 to 31 December 2011. Since 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 is above 2.5%, the conduct of such transactions shall be subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

The INED Committee has been formed to advise the Independent Shareholders in connection with the Non-Exempt Continuing Connected Transactions (including the Proposed Caps), and Guangdong Securities has been appointed as the Independent Financial Adviser to advise the INED Committee and the Independent Shareholders in relation thereto.

A circular containing, among other things, details regarding the Non-Exempt Continuing Connected Transactions (including the Proposed Caps), a letter from the INED Committee, an opinion from Guangdong Securities (the Independent Financial Advisor) together with a notice to convene an extraordinary general meeting to approve the

Non-Exempt Continuing Connected Transactions (including the Proposed Caps) will be issued to the Shareholders as soon as practicable.

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

### **BACKGROUND**

On 22 October 2008, the Company entered into various framework agreements with Changan Co., Changan Automobile, Minsheng Industrial, APLL, Beijing Changjiu and Changan Construction separately, which shall be valid from 1 January 2009 to 31 December 2011 (collectively known as "Non-Exempt Continuing Connected Transactions Agreements").

Changan Co. is one of the promoters and a substantial Shareholder of the Company, holding 24.08% of the total issued share capital of the Company while 100% of the total equity interest of Changan Construction is directly and indirectly held by Changan Co. As at the date of this announcement, Changan Co. is wholly owned by CSG. CSA, a wholly owned subsidiary of CSG, holds 45.55% equity interest in Changan Automobile. Therefore, according to the GEM Listing Rules, Changan Co., Changan Automobile and Changan Construction are connected persons of the Company.

Each of Minsheng Industrial and Ming Sung (HK) are promoters and of the Company, holding 15.90% and 4.84% of the total issued share capital of the Company respectively. Minsheng Industrial is regarded as substantial Shareholder of the Company. As Ming Sung (HK) is 98.95% owned by Minsheng Industrial, Ming Sung (HK) is then treated as an associate of the substantial Shareholder of the Company under the GEM Listing Rules. In addition, Minsheng Industrial and Ming Sung (HK) are connected persons of the Company.

APLL is one of the promoter and substantial shareholder of the Company, holding 20.74% of the total issued share capital of the Company. According to the GEM Listing Rules, APLL is a connected person of the Company.

Beijing Changjiu now holds 24% equity interest in Nanjing CMSC, a subsidiary of the Company. By virtue of such interest in Nanjing CMSC, Beijing Changjiu is regarded as a connected person of the Company.

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

Listing Rules exceed 2.5%.

## **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 Changan Co. and their respective 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 Co. and Changan Automobile. 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, APLL, Beijing Changjiu and their respective associates. Minsheng Group and Beijing Changjiu have transacted with the Company previously while APLL is one of the promoters of the Company. The Company is 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. APLL engages in ocean transportation and international freight transportation with rich experience. With the expansion of the Company's business overseas, APLL's international transportation capacity does meet the need of the Company.

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 satisfied with the quality and terms of the engineering construction services provided by them.

Due to the long-term relationship between the Company and Changan Co., Changan Automobile, Minsheng Industrial, APLL, Beijing Changjiu and Changan Construction, 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.

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 the Shareholders as a whole.

## **PRICING OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

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

The consideration will be satisfied and paid to the relevant connected party in arrear, after the delivery of the relevant services.

## **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 2011:

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

<b>Continuing connected transactions</b>	Supply chain management services for car raw materials, components and parts and other logistics services, such as other product packaging and transportation services, etc
<b>Historical figures</b>	For the three years ended 31 December 2007 and the eight-month period ended 31

	August 2008, RMB6,102,000, RMB8,524,000, RMB9,681,000 and RMB6,983,000, respectively
<b>Proposed caps</b>	For the three years ending 31 December 2011, RMB47,160,000, RMB65,770,000 and RMB78,347,000 respectively
<b>Basis for determination of the proposed caps</b>	Changan Co. and its associates produce car components and parts for Changan Automobile and its associates. The sales volume of Changan Automobile and its associates is growing rapidly. Changan Automobile and its associates are satisfied with the product quality of Changan Co. and its associates, thus increasing the purchase of car components and parts from Changan Co. and its associates. As a result, Changan Co. and its associates have increased their investment in the expansion of their production scale recently. It is expected that Changan Co. and its associates will increasingly expanding the market by selling their products to other car manufacturers, both located in China or overseas.

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

<b>(a) Continuing connected transactions</b>	Finished vehicle transportation
<b>Historical figures</b>	For the three years ended 31 December 2007 and the eight-month period ended 31 August 2008, RMB588,202,000, RMB681,088,000, RMB943,656,000 and RMB691,861,000, respectively
<b>Proposed caps</b>	For the three years ending 31 December 2011, RMB1,577,071,000, RMB1,742,996,000 and RMB1,925,200,000 respectively
<b>Basis for determination of the proposed caps</b>	(1) The production volume of the mini-car of Changan Automobile is expected to perform a double-digit growth. A new model of mini truck is expected to be launched in the market in 2009. Further,

	<p>another new model of mini-car is expected to be launched in the market in 2010. The launch of new products' production will enhance the production volume of mini-car.</p> <p>(2) Changan Automobile has been making great efforts in developing self-owned brand cars. About 7 to 8 types of self-owned cars are expected to be put into market in next three coming years. In addition, in view of the improvement for Benben and the increasing production of Zhixiang (Sedan) and Jiexun (car for business use), the Company estimated that the production of self-owned car by Changan Automobile in 2011 will be times of that in 2007.</p> <p>(3) Changan Ford Mazda is expected to achieve significant increase in its business from 2009 to 2011 as several new models will be launched in the market in such three years. Furthermore, its third factory plant is expected to commence production in 2011 and its factories in Nanjing will gradually commence production for new models.</p> <p>(4) The Company also estimates that (i) during 2008, the Company will provide transportation of not less than a total number of 650,000 finished vehicles for Changan Automobile and its associates; (ii) there will be an average of approximately 20% increase of the total number of finished vehicles for such services in 2009, 2010 and 2011.</p>
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<b>(b) Continuing connected transactions</b>	Supply chain management services for car raw materials, components and parts
<b>Historical figures</b>	For the three years ended 31 December 2007 and the eight-month period ended 31 August 2008, RMB229,695,000, RMB322,151,000, RMB405,270,000 and

	RMB 312,013,000 respectively
<b>Proposed caps</b>	For the three years ending 31 December 2011, RMB933,786,000, RMB1,303,973,000 and RMB2,363,603,000 respectively
<b>Basis for determination of the proposed caps</b>	In addition to the above, the packaging of car components and parts services and subassembly business are extensions of the supply chain management services offered by the Company. Such services, such as packaging of types and other parts are kind of value-added services of the logistic industry. The Group plans to develop such services in 2009. Taking into account the estimated production volume of finished vehicles and parts and components of the Group's customers in next three years, the Company estimates that there will be a demand for such logistics services. Therefore, such service's transaction amount is expected to grow rapidly.

### 3. Services provided to the Group by Minsheng Group

<b>Continuing connected transactions</b>	Transportation of finished vehicles and car raw materials, components and parts
<b>Historical figures</b>	For the three years ended 31 December 2007 and the eight-month period ended 31 August 2008, RMB170,270,000, RMB209,024,000, RMB265,705,000 and RMB 128,126,000, respectively
<b>Proposed caps</b>	For the three years ending 31 December 2011, RMB528,857,000, RMB656,807,000 and RMB828,569,000 respectively
<b>Basis for determination of the proposed caps</b>	(1) Because of the significant increase in the logistics services that the Group expects to provide to our customers, the purchase of external transportation services by the Group will increase accordingly. Since the cost of maritime transportation is much less than that of land transportation, the Group will increase purchase of water

	<p>transportation services from Minsheng Group, as well as seeking co-operation opportunities in land transportation.</p> <p>(2) With the rapid increase of the export business from Changan Automobile and its associates, the transportation services to be purchased from Minsheng Group will also increase significantly.</p>
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#### 4. Services provided to the Group by APLL and its associates

<b>Continuing connected transactions</b>	Transportation of finished vehicle and car raw materials, components and parts
<b>Historical figures</b>	For the three years ended 31 December 2007 and the eight-month period ended 31 August 2008, RMB 0, RMB 0, RMB 0 and RMB 0, respectively
<b>Proposed caps</b>	For the three years ending 31 December 2011, RMB8,246,000, RMB17,138,000 and RMB25,356,000 respectively
<b>Basis for determination of the proposed caps</b>	Changan Automobile will be expanding its overseas market, thus resulting in an expected rapid growth of the Company's business volume of transportation of finished vehicles and car raw materials, components and parts overseas. Therefore the purchasing of transportation services, especially the marine transportation services, will grow significantly. In addition, APLL has a competitive edge that it has a leading role in providing container transportation and supply chain management services outside China.

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

<b>Continuing connected transactions</b>	Transportation of finished vehicle and car raw materials, components and parts
<b>Historical figures</b>	For the three years ended 31 December 2007 and the eight-month period ended 31 August 2008, RMB0, RMB16,116,000, RMB111,700,000, RMB59,747,000, respectively

<b>Proposed caps</b>	For the three years ending 31 December 2011, RMB209,651,000, RMB278,628,000 and RMB354,075,000 respectively
<b>Basis for determination of the proposed caps</b>	With the rapid growth of the business volume of transportation of finished vehicles and car raw materials, components and parts of Changan Automobile and its associates (particularly Changan Ford Mazada Nanjing Plant), the purchasing of land transportation services for finished vehicles by Changan Automobile and its associates from the Group will grow significantly. The Company considers that Beijing Changjiu has strong capacity in land transportation and is able to provide services with a stable and low cost so as to meet the Company's need.

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

<b>Continuing connected transactions</b>	Engineering construction services
<b>Historical figures</b>	For the three years ended 31 December 2007 and the eight-month period ended 31 August 2008, RMB0, RMB0, RMB8,184,000 and RMB 24,155,000, respectively
<b>Proposed caps</b>	For the three years ending 31 December 2011, RMB200,000,000, RMB150,000,000 and RMB150,000,000 respectively
<b>Basis for determination of the proposed caps</b>	In order to provide high-quality logistics services for customers, it is expected that the Company needs to significantly invest to construct the relevant facilities. It is expected the fixed-assets investment of the Group will achieve hundreds of millions RMB during the period from 2009 to 2011, among which, most are engineering constructions.

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 (excluding 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 are fair and reasonable.

## **DISCLOSURE AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS**

Under the GEM Listing Rules, the Non-Exempt Continuing Connected Transactions are subject to the reporting, announcement and independent shareholders' approval requirements. The Company will seek the Independent Shareholders' approval at the EGM for the transactions on the condition that:

1. the annual amount of the Non-Exempt Continuing Connected Transactions shall not exceed the applicable cap proposed:
2.
  - (i) the Non-Exempt Continuing Connected Transactions will be entered into in the usual and ordinary course of business of the Company and either (A) on normal commercial terms or (B) if there is no available comparison, on terms no less favorable to the Company than terms available from independent third parties; and
  - (ii) the Non-Exempt Continuing Connected Transactions will be entered into in accordance with the relevant framework agreements and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company will comply with relevant provisions of the GEM Listing Rules in relation to the Non-Exempt Continuing Connected Transactions.

According to the articles of association of the Company, the Directors who are connected with the parties interested and/or involved in the Non-Exempt Continuing Connected Transactions shall abstain from voting in relation to any resolutions regarding the relevant Non-Exempt Continuing Connected Transactions. In addition, the Directors who are independent from 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 the Independent Shareholders as a whole.

## **APPROVAL BY INDEPENDENT SHAREHOLDERS**

The Non-Exempt Continuing Connected Transactions (including the Proposed Caps) is subject to approval by the Independent Shareholders in accordance with the GEM Listing Rules. Changan Co. and Chongqing Changan Industrial Co., Ltd. (a wholly owned subsidiary of Changan Co. which holds 0.49% of the total issued shares of the Company) will abstain from voting in relation to the resolutions approving the



“Associate”	Has the meaning ascribed thereto in the GEM Listing Rules
“Beijing Changjiu”	Beijing Changjiu Logistics Limited (北京長久物流有限公司), a limited liability company established in China
“Board”	The board of directors of the Company
“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 Co.”	Changan Automobile Company (Group) Limited (長安汽車(集團)有限責任公司), a limited liability company established in China on 28 October 1996
“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 Co.
“China or PRC”	The People’s Republic of China which, for the purpose of this announcement, 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
“CSA”	China South Industries Automobile Corporation (中國南方工業汽車股份有限公司), a joint stock limited company established in the PRC on 26 December 2004
“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”	the extraordinary general meeting to be held by the Company to consider the approval of the Non-exempt Continuing Connected Transactions (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
"Guangdong Securities" or "Independent Financial Adviser"	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), 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 Non-Exempt Continuing Connected Transactions
"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 Non-exempt Continuing Connected Transactions with Changan Co., Changan Automobile, Changan Construction and their respective associates, exclude Changan Co. and Chongqing Changan Industrial Co., Ltd and their respective associates; in relation to the resolution approving the Non-exempt Continuing Connected Transactions with Minsheng Industrial and its associates, exclude Minsheng Industrial, Ming Sung (HK) and their respective associates; and in relation to the resolution approving the Non-exempt Continuing Connected Transactions with APLL and its associates, exclude APLL and its associates.
“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, formed to advise the Shareholders in connection with the Non-Exempt Continuing Connected Transactions (including the Proposed Caps)
“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
“Non-Exempt Continuing Connected Transactions”	the on-going connected transactions to be conducted from 2009 to 2011, as set out under the paragraph headed “Non-Exempt Continuing Connected Transactions” in this announcement
"Proposed Caps"	the proposed annual maximum limitation of the Non-Exempt Continuing Connected Transactions
"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

*By Order of the Board*  
**Changan Minsheng APLL Logistics Co., Ltd.\***  
*Executive Director*  
**Shi Chaochun**

Chongqing, the PRC,  
24 October 2008

As at the date of this announcement, the board of directors of the Company comprises Yin Jiayu, Zhang Baolin, Lu Xiaozhong, Shi Chaochun and James H McAdam as executive directors, Lu Guoji, Huang Zhangyun, Daniel C. Ryan, Li Ming, Wu Xiaohua and Lau Man Yee, Vanessa as non-executive directors and Wang Xu, Peng Qifa and Chong Teck Sin as independent non-executive directors.

*This announcement, 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, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.*

*This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the day of its posting.*

*\* For identification purposes*