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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)**

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS  
WITH CHANGAN JINLING**

The Company entered into a Framework Agreement with, inter alia, Changan Co. pursuant to which Changan Co. (together with its subsidiaries and Changan Jinling prior to its Restructuring) would purchase supply chain management services for car raw materials, components and parts from the Company, subject to an annual cap for each of the year ended 31 December 2007 and 31 December 2008.

The conduct of the on-going connected transactions (and the proposed caps) contemplated under the Framework Agreement with, inter alia, Changan Co. and its subsidiaries had been approved by the Company's general meeting on 30 December 2006.

The Company has recently become aware that Changan Jinling has undergone the Restructuring. After the Restructuring, Changan Jinling becomes an associate of Changan Co. within the meaning of the GEM Listing Rules.

Given that the Independent Shareholders' approval had already been obtained in respect of, inter alia, the on-going connected transactions between the Company and Changan Co. (together with its subsidiaries and Changan Jinling prior to its Restructuring) and based on the undertaking given by Changan Jinling that it will continue to follow the terms of the Framework Agreement for purpose of carrying out the on-going connected transactions with the Company as if it were a subsidiary of Changan Co., the on-going transaction between the Company and Changan Jinling as an associate of Changan Co. shall only be required to comply with the reporting and announcement requirements and exempted from Independent Shareholders' approval.

## **BACKGROUND**

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

As stated in the announcement and the circular, the Company entered into a Framework Agreement with, inter alia, Changan Co. pursuant to which Changan Co. (together with its subsidiaries and Changan Jinling prior to its Restructuring) would purchase supply chain management services for car raw materials, components and parts from the Company, subject to an annual cap for each of the year ended 31 December 2007 and 31 December 2008.

The conduct of the on-going connected transactions (and the proposed caps) contemplated under the Framework Agreement with, inter alia, Changan Co. and its subsidiaries had been approved by the Company's general meeting on 30 December 2006.

## **RESTRCUTURING OF CHANGAN JINLING**

Changan Co. is one of the promoters and a substantial Shareholder of the Company. Changan Co. is wholly-owned by CSI. CSA, a wholly-owned subsidiary of CSI, holds 45.55% equity interest in Changan Automobile. Prior to the Restructuring, Changan Co. owned a 97.1% equity interest in Changan Jinling while Changan Automobile owned the remaining 2.9% equity interest in Changan Jinling.

The Company has recently become aware that Changan Jinling has undergone the Restructuring whereby CSA acquired from Changan Co. its 97.1% equity interest in Changan Jinling. After the Restructuring which was completed in or about January 2007, Changan Jinling becomes an associate of Changan Co. within the meaning of the GEM Listing Rules.

## **ON-GOING CONNECTED TRANSACTIONS WITH CHANGAN JINLING**

The Company has been conducting the on-going connected transactions with Changan Jinling which being a subsidiary of Changan Co. (prior to the Restructuring) pursuant to the terms governed by the Framework Agreement.

Notwithstanding the Restructuring, Changan Jinling undertakes to the Company that Changan Jinling will continue to follow the terms of the Framework Agreement (including the pricing mechanism) to purchase logistics services from the Company as if it were a subsidiary of Changan Co..

According to the Framework Agreement, the fees for transactions 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.

Based on the above, the aggregate transaction amount between the Company and Changan Jinling and between the Company and Changan Co. (together with subsidiaries) for the two years ended 31 December 2008 shall be subject to the same annual caps of RMB12,345,000 and RMB13,018,000, respectively, as having been previously approved by the Company's independent Shareholders on 30 December 2006.

## **REASONS FOR AND BENEFIT OF THE TRANSACTIONS**

The Company has established long-term co-operation relationships with Changan Jinling. There has been a satisfactory growth in purchase of supply chain management services for car raw materials, components and parts by Changan Jinling from the Company during the past few years. The Directors believe that such purchase will continue to increase if the Company maintains the qualities of its services, while the Directors are of the view that the Company is able to do so.

Taking into consideration of the above, the Directors (including the independent non-executive Directors) are of the view that the on-going connected transactions between the Company and Changan Jinling and between the Company and Changan Co. (together with subsidiaries) under the terms of the Framework Agreement (and the annual caps thereof for the two years ended 31 December 2008) have been conducted on normal commercial terms or on terms no less favourable than those available to independent third parties, under prevailing market conditions, and were entered into 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.

## **GEM LISTING RULES IMPLICATIONS**

Since the highest of all applicable percentage ratios of the on-going connected transactions between the Company and Changan Jinling and between the Company and Changan Co. (together with subsidiaries) as calculated in accordance with Rule 19.07 of the GEM Listing Rules is above 2.5%, such transactions are subject to the reporting, announcement and independent Shareholders' approval requirement. Given that the Independent Shareholders' approval had already been obtained in respect of, inter alia, the on-going connected transactions between the Company and Changan Co. (together with its subsidiaries and Changan Jinling prior to its Restructuring) and based on the undertaking given by Changan Jinling that it will continue to follow the terms of the Framework Agreement for purpose of carrying out the on-going connected transactions with the Company as if it were a subsidiary of Changan Co., the on-going transaction between the Company and Changan Jinling as an associate of Changan Co. shall only be required to comply with the reporting and announcement requirements and exempted from Independent Shareholders' approval.

In any of the annual caps of such continuing connected transactions is exceeded or upon any variation or renewal of the Framework Agreement, the Company shall comply with the provisions of the GEM Listing Rules relating to such continuing connected transactions.

## **GENERAL INFORMATION RELATING TO THE COMPANY, CHANGAN CO. AND CHANGAN JINLING**

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.

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

Changan Jinling produces and sells car components and parts.

## **DEFINITIONS**

associates	has the meanings as ascribed by the GEM Listing Rules
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 Jinling	Chongqing Changan Jinling Motor Parts Limited (重慶長安金陵汽車零部件有限公司), a limited liability company established in China on 13 August 2003
China or PRC	the People's Republic of China
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 as ascribed by the GEM 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
CSI	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
Director(s)	the director(s), including the independent non-executive directors of the Company
Framework Agreement	an agreement entered into between the Company and Changan Co. on 18 January 2006 for provision of supply chain management services for car raw materials, components and parts
GEM Listing Rules	Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
Restructuring	the restructuring described in section headed "Restructuring of Changan Jinling"
RMB	Renminbi, the lawful currency of the PRC
Shareholders	holder(s) of the existing shares of the Company

Stock Exchange                      The Stock Exchange of Hong Kong Limited  
subsidiaries                         has the meaning ascribed to its in the Listing Rules

By Order of the Board  
**Changan Minsheng APLL Logistics Co., Ltd.**  
**Yin Jia Xu**  
*Chairman*

Chongqing, the PRC, 12 November, 2007

As at the date of this announcement, the directors of the Company are:

*Executive directors:*

Yin Jiaxu  
Huang Zhangyun  
Lu Xiaozhong  
Shi Chaochun  
James H McAdam

*Non-executive directors:*

Lu Guoji  
Daniel C. Ryan  
Zhang Baolin  
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 of the Company 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 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 only*