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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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 accompanying 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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 of Changan Minsheng APLL Logistics Co., Ltd., having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this circular 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 circular misleading; and (3) all opinions expressed in this circular 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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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**

**Independent financial adviser to the Independent Board Committee  
and Independent Shareholders of the Company**



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A letter from the board of the Company is set out on pages 4 to 8 of this circular and a letter from the independent board committee of the Company, containing its recommendation to the independent shareholders of the Company, is set out on page 9 of this circular. A letter from Dao Heng Securities Limited, independent financial adviser, containing its advice is set out on pages 10 to 16 of this circular.

*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

11 September 2007

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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## DEFINITIONS

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

APL Logistics	APLL Logistics Limited, a substantial shareholder of the Company holding 20.74% of the total issued shares of the Company
associate	has the meaning ascribed thereto in the GEM Listing Rules
Board	the board of the Company
Caps	the proposed 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 or "DHS"	Dao Heng Securities Limited, a licensed corporation under the SFO to carry out types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporation finance) regulated activities under the SFO, the independent financial adviser appointed for the purpose of advising the INED Committee and the independent Shareholders on 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

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## DEFINITIONS

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JV Company	Nanjing CMSC Logistics Company Ltd., a joint venture company established in the PRC on 26 July 2007
Latest Practical Date	7 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
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
SFO	Securities and Future Ordinance, Chapter 571 of the Laws of Hong Kong
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



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

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(Stock Code: 8217)

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Shi Chaochun

James H McAdam

Registered Office:

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Chongqing

The PRC

*Non-executive directors:*

Lu Guoji

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*Independent non-executive directors:*

Wang Xu

Peng Qifa

Chong Teck Sin

11 September 2007

*To the Shareholders*

Dear Sir or Madam,

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

### **INTRODUCTION**

Reference is made to the announcements published by the Company on 24 August 2007. On 24 August 2007, the Company entered into the Framework Agreement with Changjiu where the transactions as contemplated by the Framework Agreement constitute non-exempt continuing continued transactions of the Company under the GEM Listing Rules.

*\* For identification purpose only*

An INED Committee has been established to advise the Independent Shareholders in respect of the Transactions and its Caps. The Company has appointed DHS as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

The purpose of this circular is to set out, amongst other things:

- further details of the Transactions;
- the opinions and recommendation of the Independent Board Committee in respect of the Transactions;
- the advice of the Independent Financial Adviser to the INED Committee and Independent Shareholders in respect of the Transactions.

## **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:

	RMB'000
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 Latest Practicable Date, 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 19.07 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.

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, No shareholders of the Company is required to abstain from voting in the general meeting of the Company for approving the

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## LETTER FROM THE BOARD

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Transactions and the Caps. 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 (where the Stock Exchange has agreed to grant such waiver) 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.

### **RECOMMENDATION**

Having considered the reasons set out herein, the Directors are of the opinion that the Transactions 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, 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 Transactions and the Caps if a shareholder's meeting is required to be held.

On behalf of the Board  
**Shi Chaochun**  
Executive Director



重慶長安民生物流股份有限公司

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11 September 2007

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

*To the Independent Shareholders*

We have been appointed as the INED Committee to advise you in connection with the Transactions (together with the Caps), details of which are set out in the Letter from the Board set out in the circular to Shareholders dated 11 September 2007 (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 Transactions (together with the Caps), the principal factors and reasons considered by the Independent Financial Adviser and its advice in relation thereto as set out on pages 10 to 16 of the Circular, we are of the opinion that the Transactions 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 Transactions and the 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 Transactions (and the Caps) if a shareholders' meeting is required to be held.

Yours faithfully,

**Wang Xu**

*Independent non-executive  
Director*

**Peng Qifa**

*Independent non-executive  
Director*

**Chong Teck Sin**

*Independent non-executive  
Director*

\* *For identification purpose only*

*The following is the text of the letter of advice to the independent Shareholders and the INED Committee in connection with the Transactions (including the Caps) pursuant to the Framework Agreement from DHS prepared for the purpose of incorporation in this circular.*



11 September 2007

*To the INED Committee and the independent Shareholders of  
Changan Minsheng APLL Logistics Co., Ltd.*

Dear Sirs,

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

### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the INED Committee and the independent Shareholders in respect of Transactions and the Caps thereto are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and the interests of the Company and the independent Shareholders as a whole. Details of the Transactions are set out in the letter from the Board in the circular of the Company (the "Circular"), of which this letter forms part. Capitalized terms used in this letter shall have the same respective meanings as those defined in the Circular unless the context otherwise requires.

On 1 November 2006, the Company entered into the JV Agreement with Sumitomo and Changjiu for establishment of the JV Company to provide logistics and related services in the PRC. With the obtaining of the necessary approvals from the relevant PRC authorities, the JV Company has been established on 26 July 2007 as a non-wholly owned subsidiary of the Company. As a result thereof, Changjiu, a substantial shareholder, which holds 24% of the registered capital of the JV Company as at the date of the Latest Practicable Date, then became a connected person of the Company. On 24 August 2007, the Company entered into the Framework Agreement with Changjiu. The Transactions contemplated under the Framework Agreement will constitute non-exempt continuing connected transactions for the Company since the highest of all applicable percentage ratios of the annual amount of the Transactions as calculated in accordance to Rule 19.07 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 under the requirements of Chapter 20 of the GEM Listing Rules.

The Company has formed the INED Committee comprising Ms. Wang Xu, Mr. Peng Qifa and Mr. Chong Teck Sin, being all the independent non-executive Directors, to advise the independent Shareholders as to whether the Transactions and the Caps thereto are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the independent Shareholders as a whole. No Shareholders are required to abstain from voting on the resolutions to approve the Transactions and the Caps thereto at the general meeting of the Company.

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 (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 Listing Rules, the Company has applied for a waiver from the Stock Exchange (where the Stock Exchange agreed to grant such waiver) 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.

## **BASIS OF OUR OPINION**

DHS is not associated with the Company and its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Transactions and the Caps thereto. Apart from normal professional fee payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our recommendations, we have relied on the accuracy of the information and representations including those contained in the Circular and the confirmation from the Company (the "Information") and have assumed that the Information is true and accurate in all material respects at the time they were made and will remain so up to the date of the Circular. We have no reason to doubt the truth, accuracy and completeness of the Information and have been advised by the executive Directors and the senior management of the Company that no material facts have been omitted from the Information. We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable business basis for our advice. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information supplied.

## TERMS OF THE FRAMEWORK AGREEMENT

The key terms of the Framework Agreement are summarized as follows:

- (i) the Company (together with its subsidiaries) will purchase transportation services from Changjiu and its associates for a term commencing from the date of establishment of the JV Company (i.e. 26 July 2007) ("Establishment Date") to 31 December 2008; and
- (ii) the services to be provided by Changjiu (and its associates) include transportation of finished vehicles.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

To assess whether the Transactions and the Caps thereto are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the independent Shareholders as a whole, we have taken into account of, inter alia, the following principal factors and reasons:

### I. Reasons for and the benefits of entering into of the Transactions

The Group provides a variety of logistics services mainly for car manufacturers and car component suppliers in China and Changjiu is one of the leading transportation providers in China, which owns over 1,000 transportation vehicles for finished automobile transportation. From the official website of 吉林省長久實業集團有限公司 (Jilin Province Changjiu Enterprise Group Limited) ("Changjiu Group"), the holding company of Changjiu, we noted that Changjiu Group adopted the advanced logistics management system, GPS/GIS automobile supervision and control system and electronic database interchange system to provide quality logistics services. Changjiu Group also obtained the quality management system ISO9001:2001 certification in 2003 and was ranked as one of the fifteen Grade 5A logistics enterprises in the PRC by China Federation of Logistics & Purchasing in 2006. Given the background of Changjiu Group and its strong presence in China, we concur with the executive Directors' view that it is beneficial for the Group to continue to transact with Changjiu, whereby the Group could secure a strong partner with good ability and experience in motorcade management to facilitate the Group to provide quality logistics services to its customers.

Having discussed and confirmed with the executive Directors that there was no material losses incurred or delay happened arising from purchasing transportation services from Changjiu (and its associates) for the year ended 31 December 2006 and the seven months ended 31 July 2007 (the "Review Period"), we concur with the executive Directors' view that Changjiu (and its associates) have provided good quality and reliable services to the Group during the Review Period.

As such, we consider it logical for the Group to continue to purchase transportation services from Changjiu (and its associates) upon the establishment of the JV Company so as to facilitate the Group's smooth operation and growth in the industry with a strong, stable and reliable partner.

## II. Pricing of the Transactions

Pursuant to the Framework Agreement, 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 would be adopted;
- (iii) when there is neither a PRC government fixed price nor a government guidance price, the market price would be adopted; or
- (iv) where none of the above is applicable, the price is to be agreed between the parties based on arm's length negotiations.

We consider that the pricing mechanism under the Framework Agreement is fair and reasonable as it is firstly based on an objective pricing with reference to the PRC national pricing control or standards; and secondly, in the absence of a PRC national pricing reference, reference is made to prevailing market prices.

We have compared the prices of the transportation services provided by Changjiu and other independent third parties to the Company for similar transportation services on random basis during the Review Period. We found that the prices charged by Changjiu (and its associates) were comparable to the prices charged by other independent third parties to the Company during the Review Period.

Pursuant to the Framework Agreement, Changjiu also undertook to the Company, for the transactions carried under the Framework Agreement, the terms offered to the Company and its subsidiaries should not be less favourable than those offered to an independent third party.

Given that market reference pricing mechanism is adopted and trading with Changjiu (and its associates) is carried out in terms not less favourable than those offered by Changjiu (and its associates) to an independent third party, we consider that the pricing mechanism under the Framework Agreement is fair and reasonable.

## III. Historical transaction value and the Caps

For each of the twelve months ended 31 December 2006 (the "2006 Period") and for the seven months ended 31 July 2007, the services fee payable by the Group to Changjiu (and its associates) for the transportation services were approximately RMB16.1 million and RMB44.2 million respectively, representing approximately 1.8% and 7.2% of the Group's total purchase of transportation services respectively.

Pursuant to the Framework Agreement, the transportation services to be purchased from Changjiu (and its associates) for the period from the Establishment Date to 31 December 2007 and for the year ended 31 December 2008 ("2008 Period") (together known as the "Cap Period") are about RMB83.1 million and RMB157.3 million, respectively.

In assessing the reasonableness of the Caps, we have discussed with the executive Directors on the basis and assumptions to determine the Caps. We are given to understand that the Caps are determined with reference to, among other things, (i) the historical transaction value of transportation services purchased from Changjiu (and its associates); (ii) the current and projected levels of relevant transactions; and (iii) the market condition of automotive logistics industry.

The Group commenced to purchase from Changjiu (and its associates) since April 2006. The executive Directors advised us that for the period between April 2006 and September 2006, the Group only purchased a minimal amount of services from Changjiu (and its associates) for trial co-operation. From September 2006 onwards, the Group commenced to purchase transportation services from Changjiu (and its associates) in bulk and for the fourth quarter of 2006, the services fee payable by the Group to Changjiu (and its associates) for the transportation services were above RMB15 million and the annualized transportation service fee payable to Changjiu (and its associates) under normal circumstances should be above RMB60 million for 2006 Period.

Based on the annualized transportation fee payable to Changjiu (and its associates) for 2006 Period, the executive Directors assumed that the annual transportation service fee would be doubled to about RMB127.3 million for the year ended 31 December 2007. They explained that the increase was mainly contributed by the substantial increase in turnover of the Group for the six months period ended 30 June 2007 and demand for transportation services from Changjiu (and its associates) driven by an expected increase in sales of the Group for the second half of 2007. The executive Directors also expected the purchase amount of transportation services from Changjiu (and its associates) would further increase to about RMB157.3 million, representing about 23.6% increment for 2008 Period from the corresponding period in 2007 and the increase would be generated by the growth of the automobile and automotive logistics industry in the PRC.

Having considered the following, we consider the executive Directors' estimation on the Caps is fair and reasonable.

***1. Substantial increase in demand for transportation services from Changjiu (and its associates)***

The executive Directors advised us that currently, the supply of transportation services in the PRC is insufficient to meet the ever-increasing demand for transportation services in the PRC.

Having reviewed the 2007 interim report of the Company, we noted that, the Group has achieved a notable increase of about 18% in unaudited consolidated turnover of the Group for the six months period ended 30

June 2007 from the corresponding period in 2006 and the executive Directors advised us that the Group's demand for transportation services would increase accordingly.

In order to mitigate the impact from shortage of transportation services in the PRC and to meet the new orders, the executive Directors represented that upon the establishment of the JV Company and strategic relationship with Changjiu, the Group would further increase the transportation services to be purchased from Changjiu (and its associates) for the second half of 2007. The executive Directors also advised us that they were given to understand from the management of Changjiu that Changjiu (and its associates) planned to acquire additional trucks to meet the new orders from the Group. In this connection, we expect that the purchase of transportation services from Changjiu (and its associates) will increase substantially during the Cap Period.

## **2. *Expected increase in demand from existing major customers***

As stated in the 2007 interim report of the Company, the production volume of the Group's existing customers is expanding and it contributes to the notable increase in sales of the Group for the six months ended 30 June 2007. As cited in the 2006 annual report of the Company, the major customers of the Group included Chongqing Changan Automobile Co., Ltd., Changan Ford Mazda Automobile Corporation Ltd. and Hebei Changan Automobile Co., Ltd., which are the principal members of Changan Co.. Having performed public information search on the latest development of the Group's major customers, we noted that the management of Changan Co. anticipated that the group's production volume would increase by about 150% from 2007 to 2010. We concur with the executive Directors' view that the customers will increase its demand for logistic services to be provided by the Group when they expand their production capacity. Accordingly, the Group's demand on the transportation services to be provided by Changjiu (and its associates) will increase.

## **3. *Market condition of automotive logistics industry***

The executive Directors are in the view that the domestic automobile market will expand during the Cap Period and thus the demand for services provided by the automotive logistics industry will increase correspondingly.

In assessing the aforesaid representation, we have reviewed the official publication including "China Statistical Report 2006" issued by the National Bureau of Statistics of China, "China Automotive Industry Yearbook 2006" issued by China Association of Automobile Manufacturers and China Automotive Technology & Research Center and "China Logistics Yearbook 2006" issued by China Federation of Logistics & Purchasing and noted that:

- the production volume of automobile in the PRC increased from approximately 2.07 million in 2000 to approximately 7.28 million in 2006, representing a compound annual growth rate of approximately 23.3%; and
- the forecasted number of vehicle ownership for household use in the PRC will reach 14.66 million in 2010 and the forecasted number of vehicle ownership in the PRC will reach 150 million in 2020.

Having considered the above information, we concur with the view that the domestic automobile market will expand during the Cap Period and thus the demand for the services provided by the automotive logistics industry will increase correspondingly.

Also, we concur with the executive Directors' view that the estimated percentage increment in the cap amounts for 2008 Period of about 23.6% is justifiable by virtue of the fact that the percentage increase in the cap amounts is in line with the compound annual growth rate of approximately 23.3% in production volume of automobile in the PRC with reference to China Automotive Industry Yearbook 2006.

Based on (i) substantial increase in demand for transportation services from Changjiu (and its associates), (ii) expected increase in demand from the existing customers of the Group and (iii) the growth in domestic automobile market and automotive logistics industry, we are of the view that the Caps are fair and reasonable.

## **RECOMMENDATION**

Having considered the above principal factors and reasons, in particular the Group can secure a reliable and stable supplier of transportation services, the pricing mechanism and the assumptions made in determining the Caps, we consider that the Transactions and the Caps are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the independent Shareholders as a whole. Accordingly, we advise the INED Committee to recommend the independent Shareholders, and also recommend the independent Shareholders, to vote in favour of the ordinary resolutions in relation to the Transactions and Caps if a general meeting of the Company is required to be held.

Yours faithfully,  
For and on behalf of  
**DAO HENG SECURITIES LIMITED**  
**Kenneth Sit**  
*Director Corporate Finance*

## 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 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:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## 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:

<b>Name</b>	<b>Qualification</b>
DHS	a licensed corporation under the SFO to carry out types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser 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, the Independent Financial Adviser 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 2006, 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 2006 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, the following persons/entities had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and were directly or indirectly interested in 10% or more of the shares of the Company:

##### Long position in shares

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 Automobile Company (Group) Limited ("Changan Co.")	Beneficial owner	39,029,088	36.45%	—	24.08%
Changan Co. (Note 1)	Interest of a controlled corporation	796,512	0.74%	—	0.49%
Minsheng Industrial (Group) Co., Ltd. ("Minsheng Industrial")	Beneficial owner	25,774,720	24.07%	—	15.90%
Minsheng Industrial (Note 2)	Interest of a controlled corporation	7,844,480	7.33%	—	4.84%
APL Logistics Ltd.	Beneficial owner	33,619,200	31.40%	—	20.74%
Ming Sung Industrial Co., (HK) Limited ("Ming Sung (HK)")	Beneficial owner	7,844,480	7.33%	—	4.84%
Atlantis Investment Management Ltd	Interest of a controlled corporation	14,600,000	—	26.55%	9.01%
788China Fund Ltd.	Interest of a controlled corporation	4,000,000	—	7.27%	2.47%
Ajia Partners Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	3,315,000	—	6.03%	2.05%

Note 1: Changan Industrial Company Limited ("Changan Industrial"), Changan Co.'s subsidiary, holds

*0.49% of the Company.*

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

As at the Latest Practicable Date, the management shareholders (interests in the shares and underlying shares of the Company held by the management shareholders such as Changan Co., Minsheng Industrial, APL Logistics and Ming Sung (HK) are as disclosed above) hold interests in the shares and underlying shares of the Company as follows:

Name of shareholder	Capacity	Number of Shares	Percentage of domestic shares	Percentage of non H foreign shares	Percentage of H shares	Percentage of total registered share capital
Changan Industrial	Beneficial owner	796,512	0.74%	-	-	0.49%

Save as disclosed above, as at the Latest Practicable Date, the directors were not aware of any other person (other than the directors, supervisors and chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## 5. 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 ending the date of the annual general meeting held in 2008.

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.

## 6. 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 2006, being the date to which the Group's latest published audited accounts were made up.

## 7. 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.

## 8. COMPETING INTEREST

The Company has entered into a non-competition undertaking in favor of the Company with each of its shareholders, namely APL Logistics, Minsheng Industrial, Ming Sung (HK) and Changan Co., respectively. For details of the non-competition undertakings, please refer to the Prospectus. As at the Latest Practicable Date, so far as the Directors are aware of, except as disclosed in the 2006 annual report of the Company issued in 2007 that (i) APL Logistics is a global logistics provider with comprehensive network of facilities and services to support the global supply chain management needs of customers and (ii) Minsheng Industrial provides shipping and river transportation services along the Yangtze River and the Pearl River regions, as well as freight forwarding and trucking services, none of themselves or the management Shareholders (as defined in the GEM Listing Rules) 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.

## 9. 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 Honglin Road, Yubei District, Chongqing, the PRC.
- (b) The principal place of business in Hong Kong is at 16/F., 144-151 Singga 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 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The qualified accountant and Company secretary of the Company is Mr. Yang Chuen Liang, a Certified Public Accountant of The Hong Kong Institute of Certified Public Accounts and a fellow of The Association of Chartered Certified Accountants and an associate of The Taxation Institute of Hong Kong.
- (e) The compliance officer of the Company is Mr. Huang Zhangyun.
- (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, Ms. Wang Xu and Mr. Chong Teck Sin. Their respective biographies are set

out below:

Mr. Peng Qifa, aged 43, joined the Company as an independent non-executive Director in February 2005. In 1998, he obtained a master's degree in Economics from the faculty of Business Administration at Sichuan University. Mr. Peng has been approved to be a lecturer of Economics in the Chongqing Industrial Management Institute and was qualified in 1996 to teach in tertiary institution in China. Mr. Peng is a Certified Public Accountant in the PRC and also an Independent Director of Xichang Electric Company Limited.

Ms. Wang Xu, aged 44, joined the Company as an independent non-executive Director in February 2005. Ms. Wang received her PhD from Chongqing University in 2001. She is a professor at Chongqing University. She was a member of the Decision-making Consultative Committee of the Chongqing government in China.

Mr. Chong Teck Sin, aged 52, joined the Company as an independent non-executive Director in July 2005. Mr. Chong was Seksun Corporation Limited's Group Managing Director (Commercial) 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. 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 and Eastgate Technology Ltd. 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.

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

## 10. 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 28 September 2007:

- (a) the letter from DHS, the text of which is set out on pages 10 to 16 of this circular;
- (b) the written consent from DHS referred to in paragraph 2 of this appendix;
- (c) the letter of recommendation from the Independent Board Committee to the Shareholders, the text of which is set out on page 9 of this circular;
- (d) the directors and supervisors service contracts referred to in paragraph 5 of this appendix; and
- (e) the Framework Agreement dated 24 August 2007.