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

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If you are in doubt as to any aspect of this circular or as to the action to be taken, 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 **Guangdong Yueyun Transportation Company Limited\***, you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**廣東粵運交通股份有限公司**

**Guangdong Yueyun Transportation Company Limited\***

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

**(Stock Code: 03399)**

**CONTINUING CONNECTED TRANSACTION  
AND MAJOR TRANSACTION  
IN RELATION TO FINANCIAL SERVICES AGREEMENT;  
PROPOSED ELECTION OF EXECUTIVE DIRECTOR;  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**Vinco Capital Limited**

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Capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 4 to 22 of this circular. A letter from the Independent Board Committee is set out on pages 23 to 24 of this circular. A letter from Vinco Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 40 of this circular.

A notice of the EGM to be held at 24/F, Yueyun Building, No. 3 Zhongshan Second Road, Guangzhou, Guangzhou Province on 11 November 2021 at 3:00 p.m. is set out on pages 55 to 57 of this circular.

A form of proxy for use at the EGM (which has also been sent to the Shareholders on 22 October 2021) is also published on the websites of the Stock Exchange and the Company. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy for the EGM in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

\* For identification purposes only

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## DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Credit Services”	the credit services to be provided by GCG Finance to the Group pursuant to the terms of the Financial Services Agreement
“Company”	Guangdong Yueyun Transportation Company Limited* (廣東粵運交通股份有限公司) (Stock code: 03399), a joint stock limited company incorporated under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deposit Services”	the deposit services to be provided by GCG Finance to the Group pursuant to the terms of the Financial Services Agreement
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share(s) of nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as fully paid in RMB by PRC citizens and/or PRC incorporated entities
“EGM”	the extraordinary general meeting of the Company to be convened at 24/F, Yueyun Building, No. 3 Zhongshan Second Road, Guangzhou, Guangzhou Province on 11 November 2021 at 3:00 p.m. to consider and, if thought fit, to approve, among other matters, the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap), the election of Director and the amendments to the Articles of Association

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## DEFINITIONS

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“Financial Services Agreement”	the financial services agreement dated 17 September 2021 entered into between the Company and GCG Finance, pursuant to which GCG Finance has conditionally agreed to provide to the Group, and the Group has conditionally agreed to accept from GCG Finance, the Credit Services, the Deposit Services and the Other Financial Services
“GCGC”	Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司), a state-owned enterprise established in the PRC and a controlling shareholder of the Company
“GCGC Group”	GCGC and its subsidiaries, affiliate companies and associated companies
“GCG Finance”	Guangdong Provincial Communication Group Finance Company Limited* (廣東省交通集團財務有限公司), a company incorporated in the PRC and a non-banking financial institution approved by the CBIRC
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	the overseas listed foreign share(s) in the capital of the Company with a RMB-denominated par value of RMB1.00 each which are subscribed for and traded in Hong Kong dollars, and are listed on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board established by all the independent non-executive Directors to advise the Independent Shareholders in respect of the terms of the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap)
“Independent Shareholders”	Shareholders other than GCGC and its close associates
“Latest Practicable Date”	20 October 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Other Financial Services”	the settlement services, capital centralizing services and other financial services to be provided by GCG Finance to the Group pursuant to the terms of the Financial Services Agreement
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China
“Proposed Annual Cap”	the proposed maximum daily outstanding balance of deposits placed by the Group with GCG Finance during the term of the Financial Services Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the capital of the Company with a RMB-denominated par value of RMB1.00 each
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vinco Capital” or “Independent Financial Adviser”	Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (Stock Code: 8340), a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap)
“%”	per cent.

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## LETTER FROM THE BOARD

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### 廣東粵運交通股份有限公司

**Guangdong Yueyun Transportation Company Limited\***

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

**(Stock Code: 03399)**

*Executive Directors:*

Mr. Tang Yinghai  
Mr. Yao Hanxiong  
Mr. Huang Wenban

*Registered office:*

8th Floor  
No. 1731-1735 Airport Road  
Guangzhou  
The PRC

*Non-executive Directors:*

Mr. Chen Min  
Mr. Chen Chuxuan

*Place of business in Hong Kong:*

Rooms 3108-3112, 31/F  
Hong Kong Plaza  
188 Connaught Road West  
Hong Kong

*Independent non-executive Directors:*

Mr. Jin Wenzhou  
Ms. Lu Zhenghua  
Ms. Wen Huiying  
Mr. Zhan Xiaotong

22 October 2021

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION  
AND MAJOR TRANSACTION  
IN RELATION TO FINANCIAL SERVICES AGREEMENT;  
PROPOSED ELECTION OF EXECUTIVE DIRECTOR;  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

Reference is made to the announcement of the Company dated 17 September 2021 in relation to Financial Services Agreement, and the announcements of the Company dated 24 September 2021 and 29 September 2021 regarding, among other things, the proposed election of executive Director of the Company and the proposed amendments to the Articles of Association.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further information on the Financial Services Agreement and the Deposit Services contemplated thereunder, the proposed election of executive Director and the proposed amendments to the Articles of Association; (ii) a letter from Vinco Capital; (iii) a letter from the Independent Board Committee; and (iv) the notice of EGM.

### II. FINANCIAL SERVICES AGREEMENT

Reference is made to the announcement dated 18 September 2018 and the circular dated 26 October 2018 of the Company regarding the financial services agreement dated 18 September 2018 (as supplemented) (the “**2019 Financial Services Agreement**”) between the Company and GCG Finance. The term of the 2019 Financial Services Agreement is due to expire on 31 December 2021.

On 17 September 2021 (after trading hours), the Company (on behalf of itself and its subsidiaries) entered into the Financial Services Agreement with GCG Finance in relation to the provision of the Deposit Services, Credit Services and Other Financial Services, to the Group for a term to commence on 1 January 2022 and to expire on 31 December 2024.

#### Principal terms of the Financial Services Agreement

Principal terms of the Financial Services Agreement are set out below:

##### Date

17 September 2021 (after trading hours)

##### Parties

1. the Company (for itself and its subsidiaries); and
2. GCG Finance.

GCG Finance, a wholly-owned subsidiary of GCGC, is a company incorporated in the PRC and a non-banking financial institution with the financial institution licence issued by the CBIRC, which is principally engaged in provision of financial services, including deposit taking, credit facilities granting, settlement services, and other types of financial services.

##### Duration:

From 1 January 2022 to 31 December 2024 (both days inclusive).

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## LETTER FROM THE BOARD

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### Scope of Services:

GCG Finance shall provide the Group with a range of financial services subject to the terms and conditions of the Financial Services Agreement. Such financial services include:

(a) Deposit Services

- (1) GCG Finance agrees to provide deposit services to the Group and unconditionally meets the payment need of the Group according to the principle of “freedom of usage”.
- (2) The interest rate payable by GCG Finance to the Group for any deposit services shall not be lower than the interest rate applicable to the same type of deposits obtained by the Group from other domestic commercial banks in the PRC in the same period for the comparable category of deposits. The Company will, prior to the placement of deposit with GCG Finance, (i) check the interest rates for deposits published by the PBOC and (ii) check the interest rates offered by at least three major commercial banks which have established business relationship with the Group.
- (3) Proposed Annual Cap: The daily balance of the Group’s deposits (including any interest accrued therefrom) maintained with GCG Finance for each of the three financial years ending 31 December 2022, 31 December 2023 and 31 December 2024 shall not exceed RMB1 billion.

The Company will determine the timing and the actual amount to be deposited with GCG Finance based on the availability of funds and the Group’s operation needs at its sole discretion. Save for any time deposit which may be placed with GCG Finance from time to time, the Company will be able to withdraw its deposits at any time as it thinks fit. For time deposit, the Company will have the sole discretion to determine the duration of such time deposit and the Company can withdraw the whole or any part of the deposit at any time prior to its maturity. In the event of early withdrawal, the interest payable by GCG Finance will be calculated at the same level as general deposit instead of the interest rate for time deposit and there will be no other charges or penalties payable by the Company.

(b) Credit Services

- (1) Upon the Group’s application and subject to GCG Finance’s approval, GCG Finance will provide Credit Services to the Group. Credit Services include: loan, guarantee, letter of credit, bill acceptance and discount, finance leasing, etc.



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## LETTER FROM THE BOARD

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- (2) The relevant loan interest rate and discount rate to be charged by GCG Finance will not be higher than the market rate for loan at the same grade announced by the National Interbank Funding Center and will not be higher than the interest rates applicable to similar services obtained by the Group from other domestic commercial banks in the PRC in the same period, and that the rate for other credit services will not be higher than the interest rates applicable to similar services obtained by the Group from other domestic commercial banks in the PRC in the same period.
  - (3) No security over the assets of the Group will be required for the Credit Services to be provided by GCG Finance and the use of Deposit Service by the Group will not be a prerequisite requirement for the provision of Credit Services.
- (c) Other Financial Services
- (1) GCG Finance agrees to provide the Group with settlement services (including auxiliary services thereof) free of charge.
  - (2) GCG Finance agrees to assist the Company to centralize the management of the funds of its subsidiaries, in order to revitalize the stock funds of the Group and improve capital efficiency.
  - (3) In addition, GCG Finance agrees to provide other financial services which are subject to approval by the CBIRC, including but not limited to, the provision of bond issuance services, financing consultancy and advising services and other financial services.
  - (4) The fees for other financial services that are subject to approval by the CBIRC provided by GCG Finance to the Group will be charged at applicable rates specified by the government (if applicable) or, if no such government rates, at rates which are not higher than those charged by other commercial banks for similar services.

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## LETTER FROM THE BOARD

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### Undertaking by GCG Finance:

GCG Finance undertakes to the Group, among other things, that GCG Finance:

1. has obtained and has complied with all necessary approval in accordance with the relevant laws and regulation;
2. shall notify the Company in writing within 2 working days in the event that:
  - (a) GCG Finance experiences or foresees to experience any problems such as bank run, failure to pay its due debts or any liquidity problems, or any material matter such as involvement of a criminal case by the directors or the senior management of GCG Finance;
  - (b) there is any material change of the shareholdings or the corporate structure or the business operation of GCG Finance that affects its ordinary course of business;
  - (c) any debts owed to GCG Finance by its shareholders are overdue for more than 6 months;
  - (d) GCG Finance experiences material event such as administrative penalties and order to rectify imposed by regulatory authorities such as the CBIRC; or
  - (e) there is other matter which may cause adverse effects to the deposits made by the Group;
3. will assist the Group in complying with the relevant regulations, including but not limited to the Listing Rules;
4. will ensure the safe and stable operation of its funds management information system to guarantee the safety of funds of the Group;
5. will strictly abide by the applicable risk management regulations promulgated by the CBIRC as well as the relevant PRC laws and regulations that are revised from time to time;
6. will supervise the transactions of the Company contemplated under the Financial Services Agreement and ensure that the transaction amount of the Company will not exceed the Proposed Annual Cap; and
7. agrees that the Group will have the right to unilaterally terminate the Financial Services Agreement before its expiration if GCG Finance fails to provide services according to the contents, price, discounts or undertakings set out in the Financial Services Agreement.

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## LETTER FROM THE BOARD

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### Proposed Annual Cap

The Proposed Annual Cap in respect of the daily balance of deposits placed by the Group with GCG Finance (including any interest accrued) for each of the three financial years ending 31 December 2024 shall not exceed RMB1 billion. The Proposed Annual Cap has been determined with reference to the following factors:

- (i) the historical transaction amounts with GCG Finance: the maximum outstanding daily balances of the deposit placed by the Group with GCG Finance in 2019, 2020 and the seven months ended 31 July 2021 were approximately RMB706 million, RMB620 million and RMB593 million, respectively. Such maximum outstanding daily balances accounted for approximately 57.45%, 54.34% and 45.43%, respectively, of the average balances of cash and cash equivalent of the Group in 2019, 2020 and the seven months ended 31 July 2021. The decrease in amount of cash deposited with GCG Finance from 2019 to the seven months ended 31 July 2021 was due to (i) the decline in the business volume of the Group's long-haul passenger transportation service which were vulnerable to the improvement of alternative transportation methods, especially the High-Speed Rail in the PRC, which reduced the use of road transportation; and (ii) the prevention measures of COVID-19 pandemic and travel restriction, which affected the business of the Group. Having said that, the Company expects that the cash to be deposited by the Group with GCG Finance would increase in the coming three years due to the following reasons:
  1. the Company is required to repay the due corporate bonds of RMB391 million on 28 September 2022, and may be required to borrow from GCG Finance for the debts due, which will temporarily increase the deposit balance of GCG Finance;
  2. the three major business segments of the Group's service zones recorded revenue growth and the Company will transform and upgrade the Group's short-trip passenger transportation services:
    - (a) The Company will further expand the network scale of "Yueyun Energy", increase the coverage of gas stations by increasing the number of expressway gas stations and offline gas station projects. Currently, the Company has 54 self-operated gas stations, which will exceed 100 during the 14th Five-Year Plan Period. The expansion of gas stations and the increase in the number of self-operated gas stations will lead to the continuous growth of the Group's energy revenue.
    - (b) The Group will continue to strengthen the operating efficiency of its retail business, enhance its market competitiveness, continue to expand the scale of its network, steadily expand the number of convenience stores, and achieve the expansion of its online and offline omni-channel network, thereby bringing revenue growth.

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## LETTER FROM THE BOARD

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- (c) The Group will give full play to the resource advantages of the provincial transportation group to further expand the service zone network, promote the quality improvement and upgrading of service zones, and achieve the improvement of commercial value. The Group will develop a new business model and establish self-owned brands for commercial development. With the expansion of the service zone network and the commencement of operation of the service zone after the renovation and development, it will bring more revenue to the Group.
    - (d) Having considered the severe impact on the long-haul passenger transportation business of the Group due to the emergence and improvement of alternative transportation methods, notably the High-Speed Rail in the PRC, the Company aims to step up efforts in transforming and upgrading short-trip passenger transportation services of the Group including public transportation, rural passenger transportation, customized routes and online car-hailing business which remain unaffected by the improved alternative transportation methods. Those efforts meet the increasing needs of convenient and comfortable travel, thereby increasing the revenue of passenger transportation business.
- 3. Other than the reasons disclosed above, the Company also considered the characteristics of the Group's operating business and the expected increase in cash and equivalents which would also drive our needs to maintain deposits in GCG Finance, details of which are set out as follows:
  - (a) the characteristics of the Group's operating business: customers of the Group include member companies within GCGC and they all have maintained accounts with GCG Finance. It could reduce the Group's time costs and finance costs if the Group deposits and conducts note discounting services with, and/or obtain loan advancement from GCG Finance. With the support of an affluent capital base and renowned credibility among the member companies with GCGC, GCG Finance can provide the Group with stable replenishment of funds, if requested; and
  - (b) the expected increase in cash and cash equivalents: it is expected that the Group's business would continue to grow, the level of its cash and cash equivalents would continue to increase and so would its overall needs to place deposits for short to medium term with financial institution. Subject to compliance with the Group's Internal Control and Risk Management Measures, the Company believes that the Proposed Annual Cap would provide the Group with more flexibility in negotiating overall better deposit rates (or terms) with GCG Finance since GCG Finance would need to offer deposit rates (or terms) that are more competitive than those offered by other financial institutions in order to obtain the deposits from the Group; and
- (ii) As confirmed by the management of the Company, in order to diversify the credit risk from other commercial banks on deposit services, the Group will deposit only part but not all of its available funds with GCG Finance and deposit the remaining available funds with other commercial banks in the PRC. The Group will determine the timing and the actual amount to be deposited with GCG Finance based on the

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## LETTER FROM THE BOARD

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availability of funds and the Group's operation needs at its sole discretion, when the interest rate and terms provided by the GCG Finance are better than provided by other commercial banks, the Group may intend to deposit more available funds with GCG Finance, but not more than RMB1 billion.

Based on the foregoing review, the Directors are of the view that the basis for determining the Proposed Annual Cap is in the ordinary and usual course of business of the Group and fair and reasonable so far as the Independent Shareholders are concerned.

### REASONS FOR AND BENEFITS OF THE DEPOSIT SERVICES

#### (1) Regulatory Laws and Regulations on the Deposit Business of GCG Finance

GCG Finance is a financial institution licensed and regulated by the CBIRC and can legally provide deposit taking service to member enterprises of GCGC Group.

Currently, the CBIRC and its branches at various levels are the major regulatory authorities of finance companies and have promulgated specialized regulatory laws and regulations, such as "Measures for the Administration of Finance Companies of Enterprise Groups\* (《企業集團財務公司管理辦法》)", for governing finance companies, and implemented strict supervision and control over finance companies with on-site and off-site methods. Firstly, GCG Finance is required to have internal control and risk management measures in place in respect of its deposit-taking business with reference to those in commercial banks, and the requirements for regulatory indicators such as capital adequacy ratio and liquidity ratio of GCG Finance are not lower than and are even slightly higher than those of commercial banks. Secondly, the service targets of GCG Finance are strictly restricted to the members of GCGC; when GCG Finance enters into loan business with the members of GCGC, the credit rating and credit approval criteria are regulated with reference to those for commercial banks. Thirdly, the restriction on the types of business operated by GCG Finance is stricter when compared with commercial banks, and the approval for scope of operations is more prudent. Moreover, GCG Finance is required to comply with deposit reserve requirements of the PBOC by placing certain amounts of deposit reserve with the PBOC in proportion to the deposit balances, which provides another measure to safeguard the safety of deposits in GCG Finance. Fourthly, at the time of establishment of GCG Finance, GCGC undertook in writing that under emergency circumstances when GCG Finance has difficulties in making payments, capital will be replenished into GCG Finance according to actual requirements for resolving the payment difficulties (the "Undertakings"). In other words, GCGC shall bear the ultimate payment risk. GCGC is a large scale wholly state-owned entity established on 23 June 2000 with the approvals of the CPC Committee of Guangdong Province (廣東省委) and the People's Government of Guangdong Province (廣東省人民政府). The registered capital of GCGC is RMB26.8 billion and as at 31 December 2020, GCGC has total assets of approximately RMB446.288 billion, cash funds of approximately RMB20.519 billion and net operating cash flow of approximately RMB14.947 billion. Based on the above financial figures, it is believed that GCGC will have sufficient financial resources to fulfill its obligations under the Undertakings.

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## LETTER FROM THE BOARD

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### **(2) Purpose of the centralization of GCGC's funds**

When compared with other commercial banks, GCG Finance has better understanding on the relevant industry and is more familiar with the member enterprises of GCGC Group. GCGC established GCG Finance on 12 December 2014 for the following purposes:

- a. through the centralization of funds, GCG Finance may utilize its own advantages on information resources, being a financial institution, when combined with economies of scale, to enable the GCGC Group to have a higher bargaining power in obtaining better terms (including but not limited to better interest rate for deposits or loans) of financial services from commercial banks; and
- b. by lending the unutilized funds within GCGC Group to member enterprises which have financial needs, the overall financial cost of the GCGC Group can be lowered.

GCG Finance is able to provide deposit service to member enterprises within GCGC Group which have unutilized funds with deposit interest rates not less favorable than those available at domestic commercial banks whilst it is also able to provide loan service to member enterprises which have financial needs with interest rates which are equal to or lower than those available at domestic commercial banks. Through this mechanism, mutual benefits can be achieved within member enterprises (including the Company) of GCGC Group.

### **(3) Use of Funds and Investment Policy of GCG Finance**

Under the supervision and control of the CBIRC, GCG Finance, a wholly-owned subsidiary of GCGC, strictly follows the credit rating, credit approval criteria and internal control procedures, and the service target is strictly restricted to the members of GCGC. The funds are mainly provided in the form of loans to support the development of member enterprises of GCGC Group.

### **(4) Deposit Risk**

So far as GCG Finance is concerned, the deposit risk mainly includes: (a) loss of funds due to human error, illegal misappropriation and theft; and (b) occurrence of the liquidity risk affecting the normal payment of funds.

As GCG Finance has implemented measures on separating revenue and expense that GCG Finance is only responsible for receiving and communicating orders of transferring funds from the revenue account to the expense account and flow of funds only occurs internally, settlement of funds through banks' settlement systems can effectively avoid loss of funds due to human error as well as system intrusion, illegal misappropriation and theft.

In the PRC, all of the top-ranked corporations in major industries have established or are preparing for establishing their own finance companies. According to the publicly available information, as at the end of 2020, there were a total of 257 finance companies in the PRC with

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## LETTER FROM THE BOARD

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total assets of RMB7.65 trillion, and a non-performing asset ratio of only 0.51%, which is far below the average of the banking industry. As stated above, the CBIRC and the PBOC impose stricter restrictions and regulation on finance companies than commercial banks. With relatively conservative operation style, the fundamental objective of finance companies is not to earn high profits. As GCG Finance is not principally engaged in the medium-to-long term loan business, it can therefore effectively prevent the liquidity risk arising from mismatch of funds. GCG Finance also has emergency security methods and measures in place such as interbank lending, rediscounting and refinance to prevent the occurrence of the liquidity risk at multi-levels.

The major difference between GCG Finance, as a licensed financial institution, and a commercial bank is that GCG Finance can only provide approved financial services to member enterprises of GCGC Group while a commercial bank can provide approved financial services to the general public. In the event that GCG Finance fails to return the deposits placed by the Company, the Company will have every right to bring legal actions to recover its deposits which is the same case for deposits placed with commercial banks.

The Company will consider to place deposit with a commercial bank or other financial institutions under certain circumstances including: (a) the Proposed Annual Cap is reached; (b) the offer made to the Company (including but not limiting to interest rate) by a commercial bank or other financial institutions is better than GCG Finance's offer; and (c) there is a need in the Group's business operation such as to facilitate the request of a customer or a supplier to use designated bank for transfer of payments.

### **(5) Other Reasons**

As GCGC is the controlling Shareholder of the Company, GCG Finance as a wholly-owned subsidiary of GCGC is much more familiar with the Group's operation than other financial institutions. It is expected that GCG Finance will provide the Group with flexible and tailor-made financial services.

Moreover, the interest rates under the Deposit Services offered by GCG Finance will not be lower than those that would have been offered to the Group by other major commercial banks in the PRC.

Further, GCG Finance agrees to provide the Credit Services (including unsecured loans) and the Other Financial Services to the Group under the Financial Services Agreement upon the Group's application. The provision of the Credit Services and the Other Financial Services to the Group is independent of the Deposit Services. GCG Finance will continue to provide the Credit Services and the Other Financial Services to the Group even if the resolution in relation to the Deposit Services is voted down by the Independent Shareholders at the EGM.

To the best knowledge of the Directors and after making all reasonable enquires, as at the Latest Practicable Date, GCG Finance has shown healthy financial position and has been under good corporate governance with quality internal control system. GCG Finance has complied

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## LETTER FROM THE BOARD

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with the rules and regulations stipulated by the CBIRC and its internal control and the risk profile of GCG Finance, as a financial services provider to the Company, is not greater than that of independent commercial banks in the PRC.

The Directors (including the independent non-executive Directors) are therefore of the view that the terms of the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap) are fair and reasonable, and on normal commercial terms and the entering into of the Deposit Services contemplated under the Financial Services Agreement is in the interest of the Company and the Shareholders as a whole.

Mr. Chen Chuxuan, a non-executive Director, serves as the deputy chief accountant and the head of strategic development department of GCGC and Mr. Chen Min, a non-executive Director, serves as the chief legal counsel of GCGC. Therefore, they are deemed to have a material interest in the Financial Services Agreement. Each of Mr. Chen Chuxuan and Mr. Chen Min has abstained from voting on the resolution passed by the Board to approve the Financial Services Agreement. Save as disclosed above, none of the other Directors has any material interest in the Financial Services Agreement and none of them was required to abstain from voting on the resolution passed by the Board to approve the Financial Services Agreement.

### **Internal Control and Risk Management Measures**

To protect Shareholders' interests, the Company will adopt the following internal control procedures and corporate governance measures when receiving financial services from GCG Finance:

1. the Company will check the interest rates for deposits published by the PBOC and quoted by other commercial banks quarterly;
2. before making a deposit in GCG Finance, the Group will check the interest rates offered by GCG Finance against those provided by at least three major commercial banks that have established business relationship with the Group, with the aim to ensure that the deposit interest rate is not lower than the then applicable interest rate for the same deposit services from other domestic commercial banks in the PRC;
3. the Company's financial management department will closely monitor the transactions contemplated under the Financial Services Agreement and will report on relevant transactions to the management of the Company;
4. to manage the relevant risks, the Company will request GCG Finance to provide us with sufficient information on various financial indicators and annual financial statements so that the Company is able to monitor and review its financial conditions. Subject to compliance with laws and regulations, GCG Finance must notify the Company on any judicial, legal or regulatory procedures or investigations having material effect on its financial conditions. If the Company considers that any material adverse changes have occurred in the financial conditions of GCG Finance,



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## LETTER FROM THE BOARD

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the Company will adopt appropriate measures (including early withdrawal of deposits or suspend the placement of further deposits) to safeguard the financial conditions of the Company; and

5. the Company will access check the deposit account balance of the Group through online banking system of GCG Finance from time to time in order to monitor and ensure that the Proposed Annual Cap will not be exceeded.

### **Potential Risks associated with the Deposit Services**

#### ***1. Industry Risk***

As the customers of GCG Finance will be restricted to the member enterprises of GCGC Group, GCG Finance will be exposed to relatively concentrated industry risks. Although the business of GCG Finance is focused on transportation industry including but not limited to expressway sector, the said industry is one of the fundamental industries greatly supported by the PRC government and is therefore not subject to cyclical impact and is a stable industry during an economic downturn. Therefore, GCG Finance will be exposed to a lower level of potential business risks compared to other commercial banks, which serve customers of various credit ratings, such as property developers who rely on high leverages and operate in other risky or cyclical industries. As a result, while the concentration risk is high, the overall risk is low due to the nature of the industry.

#### ***2. Repayment Risk of Funds***

If the Group's funds are deposited with GCG Finance, when liquidity risk occurs in GCG Finance, the Group may have to bear the repayment risk of funds. However, the funds of GCG Finance are mainly utilized to support the development of the member enterprises of GCGC in the form of loans, and reference must be made to the credit rating and credit approval criteria of commercial banks in releasing loans to the member enterprises and subject to the regulation by the CBIRC. Therefore, GCG Finance has a sound asset structure in itself, with an extremely low risk in non-performing assets and an extremely low possibility in the occurrence of liquidity risk. Moreover, in addition to the policy protection provided by the regulation of capital adequacy ratio and liquidity ratio of GCG Finance by the CBIRC and the regulation of deposit reserves of GCG Finance by the PBOC, GCGC has provided undertakings in writing by its board of Directors at the time of establishment of GCG Finance that under emergency circumstances when GCG Finance has difficulties in making payments, funds will be replenished according to actual requirements for resolving the payment difficulties. In other words, GCGC will bear the ultimate payment risk while the Group only bears internal risk and avoids any external default risk from other commercial banks.

### **Information of the Group, GCGC and GCG Finance**

The Company was established under the laws of the PRC as a joint stock limited company and its H shares are listed on the Stock Exchange. The Group is principally engaged in the travel services business.

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## LETTER FROM THE BOARD

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GCGC is a controlling Shareholder of the Company which holds approximately 74.12% of the entire issued share capital of the Company as at the Latest Practicable Date. GCGC is a wholly state-owned limited company which is 100% owned by People's Government of Guangdong Province. GCGC and its subsidiaries are principally responsible for the investment, construction and management of the expressways in the Guangdong Province and are also engaged in the logistics and transportation.

GCG Finance is a company incorporated in the PRC and a non-banking financial institution with the financial institution licence issued by the CBIRC, which is principally engaged in provision of financial services, including deposit taking, credit facilities granting, settlement services, and other types of financial services.

### **Listing Rules Implications**

#### ***(i) Continuing Connected Transactions***

GCG Finance is a wholly-owned subsidiary of GCGC, which as at the Latest Practicable Date holds 592,847,800 Domestic Shares, representing 100% of the issued share capital of the Company in respect of Domestic Shares and approximately 74.12% of the total issued share capital of the Company and is the controlling Shareholder of the Company. Accordingly, GCG Finance is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

#### ***(ii) Deposit Services***

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the provision of the Deposit Services exceed 5%, the provision of the Deposit Services is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, as the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the provision of the Deposit Services exceed 25%, the provision of the Deposit Services also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

#### ***(iii) Credit Services***

The provision of the Credit Services will constitute financial assistance to be provided by a connected person for the benefit of the Group. As the Credit Services will be conducted on normal commercial terms (or better) to the Group and no security over the assets of the Group will be required in respect of the credit services provided by GCG Finance with the consent of GCG Finance, the provision of the Credit Services is exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

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## LETTER FROM THE BOARD

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### *(iv) Other Financial Services*

The Company expects that each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the total fees payable by the Company on annual basis to GCG Finance in respect of the provision of Other Financial Services will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules. The Company will comply with the relevant reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if the total fees payable by the Company to GCG Finance for the provision of Other Financial Services exceed the de minimis threshold.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Financial Services Agreement were determined after arm's length negotiations and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **III. PROPOSED ELECTION OF EXECUTIVE DIRECTOR**

Reference is made to the announcement of the Company dated 29 September 2021 in connection with, among others, the proposed appointment of executive Director of the Company.

The Board has proposed to appoint Mr. Guo Junfa (郭俊發) as an executive Director of the Company. Subject to election of Mr. Guo as an executive Director of the Company at the EGM, Mr. Guo will also be appointed as the chairman of the Board, the chairman of the Nomination Committee, the chairman of the Strategy Committee and the chairman of the Compliance Committee of the Board. The term of office of Mr. Guo will end upon the expiry of the term of the seventh session of the Board.

The biographical details of Mr. Guo are set out as follows:

Mr. Guo Junfa, aged 57, is currently the assistant to the general manager of GCGC, the controlling shareholder of the Company. Mr. Guo previously served as an executive Director of the Company from June 2007 to December 2007, an executive Director of the Company from December 2012 to June 2019, and a non-executive Director of the Company from June 2019 to July 2019. Mr. Guo served as a director and the general manager of GD-HK Company (a subsidiary of the Company), a director and the chairman of the board of several subsidiaries of the Company (including GDHK Company, Guangdong Yue Li Jia Passenger Transport Co., Ltd. (Guangzhou) (廣東粵利佳客運有限公司(廣州)) and Guangdong Yue Li Jia Passenger Transport Co., Ltd. (Hong Kong) (廣東粵利佳客運有限公司(香港)) and he also served as a director of Gang Tong (HK) Motor Transport Company Limited (a subsidiary of the Company) from June 2005 to December 2018. He served as the vice secretary of the discipline inspection committee and the head of the supervision and audit department of GCGC from January 2018 to July 2020; the vice secretary of the discipline inspection committee of GCGC from July 2020 to September 2021; and the assistant to general manager of GCGC since September 2021. Other major work experience of Mr. Guo includes, among others, serving an officer, a chief officer of the education department of Department of Communications of Guangdong

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## LETTER FROM THE BOARD

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Province, the director of the Foreign Economic Division, the director of the Loan Office of World Bank of the Department of Communications of Guangdong Province (廣東省交通廳世界銀行貸款辦公室) and the director of the Technology Education Division, during which he participated in the high-end talents class of the Organization Department of the Provincial Committee to receive training in Canada for a year. Mr. Guo holds an on-job postgraduate from Guangdong Academy of Social Sciences, an executive master degree in business administration (EMBA), and he is a senior economist and a senior political worker.

Subject to the approval of the shareholders of the proposed election of Mr. Guo as an executive Director at the EGM, the Company will enter into a service contract with Mr. Guo for a term of service commencing on the date of his appointment until the end of the term of the current session of the Board. The remuneration payable to Mr. Guo will be determined by reference to his duties and responsibilities with the Company, the financial results of the Group and the prevailing market conditions.

Save as disclosed above, as at the Latest Practicable Date, Mr. Guo (i) does not hold any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in other members of the Group; (iii) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; and (iv) does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, there are no other matters that need to be brought to the attention of the shareholders of the Company in connection with the proposed election of Mr. Guo as an executive Director and there is no other information that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

The above proposal regarding the election of the executive Director shall be submitted to the EGM as an ordinary resolution for consideration and approval by the Shareholders.

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## LETTER FROM THE BOARD

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### IV. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 24 September 2021 in relation to the proposed amendments to the Articles of Association.

The Company plans to develop software in the areas of operation, management and safe production of transportation industry on its own, and promote the application of such software in the transportation industry. Therefore, the Board proposes to amend the business scopes of the Company in the Articles of Association correspondingly.

The amendments to the Articles of Association are subject to the consideration and approval at the EGM. No Shareholders are required to abstain from voting on any of the resolutions regarding the proposed amendments to Articles of Association. The Company has received a written confirmation from its Hong Kong legal adviser, confirming that the proposed amendments to the Articles of Association comply with the applicable provisions under the Listing Rules. The Company has also received a written confirmation from its PRC legal adviser, confirming that the proposed amendments to the Articles of Association comply with the applicable laws and regulations in the PRC.

The proposed amendments to the Articles of Association are set out below:

No.	Before amendment	After amendment
1	<p><b>Article 11:</b> The scope of business of the Company shall be based on the items approved by the company registration authorities and business administrative management authorities.</p> <p>The business scope of the Company covers: Inter-provincial passenger transportation coach service, inter-city passenger transportation coach service; inter-provincial passenger transportation chartered coach service, inter-city passenger transportation chartered coach service; development of new and high technologies in the field of transportation; investment in development of transportation network, transportation industry as well as expressway service industry; industrial production materials (do not contain gold, silver and hazardous chemicals), wholesale and retail business of building materials (shall submit for approval separately for new shop setup);</p>	<p><b>Article 11:</b> The scope of business of the Company shall be based on the items approved by the company registration authorities and business administrative management authorities.</p> <p>The business scope of the Company covers: Inter-provincial passenger transportation coach service, inter-city passenger transportation coach service; inter-provincial passenger transportation chartered coach service, inter-city passenger transportation chartered coach service; development of new and high technologies in the field of transportation; investment in development of transportation network, transportation industry as well as expressway service industry; industrial production materials (do not contain gold, silver and hazardous chemicals), wholesale and retail business of building materials (shall submit for approval separately for new shop setup);</p>

**LETTER FROM THE BOARD**

<b>No.</b>	<b>Before amendment</b>	<b>After amendment</b>
	<p>cargo transit, sourcing of goods, import and export of various commodities and technologies (including agency services) except those commodities and technologies prohibited from import and export by the state; advertising industry, internet advertising services, other advertising services; retail, wholesale, online sales: primary agricultural products, agricultural by-products, aquatic products, tea, food, health food products, pharmaceuticals, liquor, functional beverages, daily necessities, audio-visual products, publications; aquatic products processing; snacks, Chinese food production and sales; provision of tourism, transportation, accommodation, catering and other agency services (do not involve travel agency business) to tourists; ticket agents for tourists. (Businesses that require pre-approvals according to laws and regulations can only be carried out after obtaining approvals from relevant authorities.)</p>	<p>cargo transit, sourcing of goods, import and export of various commodities and technologies (including agency services) except those commodities and technologies prohibited from import and export by the state; advertising industry, internet advertising services, other advertising services; retail, wholesale, online sales: primary agricultural products, agricultural by-products, aquatic products, tea, food, health food products, pharmaceuticals, liquor, functional beverages, daily necessities, audio-visual products, publications; aquatic products processing; snacks, Chinese food production and sales; provision of tourism, transportation, accommodation, catering and other agency services (do not involve travel agency business) to tourists; ticket agents for tourists; <b>software development (data sharing and exchange platform software system; system interface software development; transportation industry software; corporate management software; database development; software information service outsourcing; e-commerce software development service; intelligent mobile terminal software systems; system integration implementation support tool software; system operation and maintenance support tool software; data processing support tool software); artificial intelligence application software development; information system integration service; information consulting service (not including licensing information consulting service); data processing and storage support service.</b> (Businesses that require pre-approvals according to laws and regulations can only be carried out after obtaining approvals from relevant authorities. <b>The business scope of the Company is subject to the approval of the Guangdong Administration for Market Regulation.</b>)</p>

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## LETTER FROM THE BOARD

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### V. EGM

The Company will convene the EGM for the purpose of considering, and if thought fit, among other matters, approving (i) the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap), (ii) the proposed election of executive Director; and (iii) the proposed amendments to the Articles of Association. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the EGM will be taken by poll. A notice of the EGM is set out on pages 55 to 57 of this circular.

A form of proxy for use at the EGM and a reply slip are enclosed with this circular and are also published on the website of the Stock Exchange. The form of proxy for use at the EGM (also despatched to Shareholders on 22 October 2021) is also published on the websites of the Stock Exchange and the Company. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy for use at the EGM in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

GCGC and its close associates will abstain from voting on the resolution approving Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap) at the EGM. As at the Latest Practicable Date, GCGC is entitled to exercise or control the exercise of the voting rights of a total of 592,847,800 Domestic Shares, representing approximately 100% of the total issued share capital of the Company in respect of the Domestic Shares and approximately 74.12% of the total issued share capital of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, none of the close associates of GCGC holds any Shares. Save as disclosed above, other than GCGC, no other Shareholders of the Company will be required to abstain from voting at the EGM.

### VI. RECOMMENDATION

Taking into account the reasons for and benefits of entering into the Financial Services Agreement as well as the potential risks associated with the Deposit Services as mentioned above, the Directors (including the independent non-executive Directors) consider that: the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap) are fair and reasonable, and the entering into such agreement is on normal commercial terms, in the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole.

On basis set out above, the Directors (including the independent non-executive Directors) accordingly recommend the Independent Shareholders to vote in favor of the ordinary resolution(s) approving the Deposit Services (including the Proposed Annual Cap) at the EGM.

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## LETTER FROM THE BOARD

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An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap). Your attention is drawn to the advice of the Independent Board Committee set out in its letter on pages 23 and 24 of this circular. Your attention is also drawn to the letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in respect of the same set out on pages 25 to 40 in this circular.

The Independent Board Committee, having taking into account the advice of Vinco Capital, considers that the entering into of the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap) is fair and reasonable and on normal commercial terms, and is in the interests of the Group and the Shareholders as a whole, and that the terms of the Deposit Services (including the Proposed Annual Cap) are fair and reasonable so far as the Independent Shareholders are concerned.

On basis set out above, the Independent Board Committee accordingly recommends the Independent Shareholders to vote in favor of the ordinary resolution(s) approving the Deposit Services (including the Proposed Annual Cap) at the EGM.

In addition, the Directors consider that the proposed election of executive Director (by way of ordinary resolution) and amendments to the Articles of Association (by way of special resolution) are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders vote in favour of the resolutions in respect thereof.

### VII. ADDITIONAL INFORMATION

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

Yours faithfully,  
By order of the Board  
**Guangdong Yueyun Transportation Company Limited**  
**Zhang Li**  
*Company Secretary*

\* *For identification purposes only*





廣東粵運交通股份有限公司

Guangdong Yueyun Transportation Company Limited\*

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

(Stock Code: 03399)

22 October 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION  
AND MAJOR TRANSACTION  
IN RELATION TO DEPOSIT TRANSACTION CONTEMPLATED  
UNDER THE FINANCIAL SERVICES AGREEMENT**

We refer to the circular issued by the Company to its Shareholders and dated 22 October 2021 (“**Circular**”) of which this letter forms a part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the Deposit Services contemplated under the Financial Services Agreement will constitute a major and continuing connected transaction for the Company and is subject to the approval of the Independent Shareholders at the EGM.

We have been appointed by the Board to consider and advise the Independent Shareholders as to whether the transaction of the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap) is fair and reasonable, and to make recommendation as to whether the Independent Shareholders should vote in favor of the resolution(s) proposed at the EGM to consider and, if thought fit, approve the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap). Vinco Capital has been appointed as the independent financial adviser to advise us in this respect. We wish to draw your attention to the letter from the Board and the letter from Vinco Capital as set out in the Circular.

Having considered the principal factors and reasons considered by, and the advice of, Vinco Capital as set out in its letter of advice, we consider that the entering into of the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap) is fair and reasonable and on normal commercial terms, and is in the ordinary and usual course of business of the Group and of interests of the Group and the Shareholders as a whole, and that the terms of the Deposit Services (including the Proposed Annual Cap) are fair and reasonable so far as the Independent Shareholders are concerned.

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution(s) approving the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap) at the EGM.

Yours faithfully,  
on behalf of the

Independent Board Committee

**Jin Wenzhou**

**Lu Zhenghua**

**Wen Huiying**

**Zhan Xiaotong**

*Independent Non-executive Directors*

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## LETTER FROM VINCO CAPITAL

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*The following is the text of a letter of advice from Vinco Capital setting out its advice to the Independent Board Committee and the Independent Shareholders prepared in respect of the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap) which have been prepared for the purpose of incorporation in this circular:*



### **Vinco Capital Limited**

Unit 2610, 26/F., The Center  
99 Queen's Road Central, Hong Kong

22 October 2021

*To the Independent Board Committee and the Independent Shareholders of  
**Guangdong Yueyun Transportation Company Limited***

Dear Sirs,

#### **CONTINUING CONNECTED TRANSACTION IN RELATION TO RENEWAL OF ANNUAL CAP AND MAJOR TRANSACTION IN RELATION TO FINANCIAL SERVICES AGREEMENT**

##### **A. INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap) for the three years ending 31 December 2024, details of which are set out in the letter from the board (the "**Letter from the Board**") contained in the circular of the Company dated 22 October 2021 issued to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular, unless the context otherwise requires.

Reference is made to the announcement of the Company dated 17 September 2021 in relation to, inter alia, the Financial Service Agreement (the "**Announcement**"). As set out in the Announcement, given that the terms of the 2019 Financial Services Agreement for the three years ending 31 December 2021 is due to expire on 31 December 2021, on 17 September 2021 (after trading hours), the Company (on behalf of itself and its subsidiaries) entered into the Financial Services Agreement with GCG Finance in relation to the provision of financial services, including the Deposit Services, Credit Services and Other Financial Services, to the Group for a term to commence on 1 January 2022 and to expire on 31 December 2024.

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## LETTER FROM VINCO CAPITAL

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GCG Finance is a wholly-owned subsidiary of GCGC, which as at the Latest Practicable Date holds 592,847,800 Domestic Shares, representing 100% of the issued share capital of the Company in respect of Domestic Shares and approximately 74.12% of the total issued share capital of the Company and is the controlling shareholder of the Company. Accordingly, GCG Finance is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the provision of the Deposit Services exceed 5%, the provision of the Deposit Services is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, as the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the provision of the Deposit Services exceed 25%, the provision of the Deposit Services also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Jin Wenzhou, Ms. Lu Zhenghua, Ms. Wen Huiying and Mr. Zhan Xiaotong, has been established to advise the Independent Shareholders on the terms of the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap) are fair and reasonable, and on normal commercial terms and the entering into of the Deposit Services contemplated under the Financial Services Agreement is in the interests of the Group and the Shareholders as a whole.

We have been appointed and approved by the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap). In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Caps) are fair and reasonable, and on normal commercial terms and the entering into of the Deposit Services contemplated under the Financial Services Agreement is in the interests of the Group and the Shareholders as a whole.

As the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We were not aware of any relationships or interests between us and the Company or any other parties that could be

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## LETTER FROM VINCO CAPITAL

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reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rule to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap). Apart from normal professional fees payable to us in connection with this appointment, no arrangement exist whereby we have received or will receive any fee or benefit from the Group and its associates.

During the past two years, we have been appointed as the Independent Financial Adviser to the Company regarding to a continuing connected transaction of which the circular dated 14 November 2019 and discloseable and connected transactions of which the circular dated 4 October 2019. The professional fees in connection with the appointment have been fully settled and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap).

### **B. BASIS OF OUR OPINION AND RECOMMENDATION**

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

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## LETTER FROM VINCO CAPITAL

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The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed all currently available information and documents, among others: (i) the annual report of the Company for the year ended 31 December 2020; (ii) the interim report of the Company for the six months ended 30 June 2021; (iii) the Financial Services Agreement; (iv) the historical transactions in relation to the Deposit Services between the Group and all connected persons under the 2019 Financial Services Agreement and their corresponding samples of transaction documents; (v) the basis and assumptions of the Proposed Annual Caps contemplated under the Financial Services Agreement; (vi) the minutes of the board meeting regarding the Financial Services Agreement; (vii) the internal control measures governing continuing connected transactions; (viii) the independent auditor's assurance report on continuing connected transactions dated 19 March 2021; and (ix) the Circular dated 22 October 2021. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Financial Services Agreement and the transactions contemplated thereunder, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration on the Deposit Services, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **C. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in relation to the Deposit Services, we have considered the following principal factors and reasons set out below.

#### **1. Background of the entering into of the Financial Services Agreement**

##### *(i) Information of the Group*

The Company was established under the laws of the PRC as a joint stock limited company with limited liability and its H shares are listed on the Stock Exchange. The Group is principally engaged in provision of travel services business.

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## LETTER FROM VINCO CAPITAL

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*(ii) Information of the GCGC*

GCGC is a controlling shareholder of the Company which holds approximately 74.12% of the entire issued share capital of the Company as at the Latest Practicable Date. GCGC is a wholly state-owned limited company 100% owned by People's Government of Guangdong Province. GCGC and its subsidiaries are principally responsible for the investment, construction and management of the expressways in the Guangdong Province and are also engaged in the logistics and transportation.

*(iii) Information of the GCG Finance*

GCG Finance, is a wholly-owned subsidiary of GCGC, is a company incorporated in the PRC and a non-banking financial institution with the financial institution license issued by the CBIRC, which is principally engaged in provision of financial services, including deposit taking, credit facilities granting, settlement services, and other types of financial services.

**2. Reasons and benefits for entering into the Deposit Services contemplated under the Financial Services Agreement**

As stated in the Letter from the Board, the Company is of the view that entering into the Deposit Services contemplated under the Financial Services Agreement will benefit the Group in the following aspects:

- i. GCG Finance is a financial institution licensed and regulated by CBIRC and can legally provide deposit taking service to member enterprises of GCGC Group. Firstly, GCG Finance is required to have internal control and risk management measures in place in respect of its deposit-taking business with reference to those in commercial banks, and the requirements for regulatory indicators such as capital adequacy ratio and liquidity ratio of GCG Finance are not lower than and are even slightly higher than those of commercial banks. Secondly, the service targets of GCG Finance are strictly restricted to the members of GCGC; when GCG Finance enters into loan business with the member of GCGC, the credit rating and credit approval criteria are regulated with reference to those for commercial banks. Thirdly, the restriction on the types of business operated by GCG Finance is stricter when compared with commercial banks, and the approval scope of operations is more prudent. Moreover, GCG Finance is required to comply with deposit reserve requirements of the PBOC by placing certain amounts of deposit reserve with the PBOC in proportion to the deposit balances, which provides another measure to safeguard the safety of deposits in GCG Finance. Fourthly, at the time of establishment of GCG Finance, the board of directors of GCGC undertook in writing that under emergency circumstances when GCG Finance has difficulties in making payments, capital will be replenished into GCG Finance according to actual requirements for resolving the payment difficulties (the “Undertakings”). Therefore, we are of the view that GCGC shall bear the ultimate payment risk and

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## LETTER FROM VINCO CAPITAL

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would have sufficient financial resources to fulfil its obligations under the Undertakings. For our due diligence purpose, we have reviewed the latest audited financial statements of GCGC for the year ended 31 December 2020, the interim financial statement for the six months ended 30 June 2021 and the latest management accounts of GCGC. As discussed with the management of the Company, we noted that GCGC is a large scale wholly state-owned entity established on 23 June 2000 with the approvals of the CPC Committee of Guangdong Province (廣東省委) and the People's Government of Guangdong Province (廣東省人民政府). The registered capital of GCGC amounts to RMB26.8 billion and as at 31 December 2020, GCGC has total assets of approximately RMB446.288 billion, cash funds balance of approximately RMB20.519 billion and net operating cash flow of approximately RMB14.947 billion. With refer to above financial figures, we are of the view that GCGC will have sufficient financial resources to fulfil its obligations under the undertakings given to GCG Finance.

- ii. GCG Finance is able to provide deposit services to member enterprises within GCGC Group which have unutilized funds with deposit interest rates not less favourable than those available at domestic commercial banks. We have randomly selected three samples of the historical interest received in relation to the deposit services contemplated under the 2019 Financial Services Agreement in each of two years ended 31 December 2020 and seven months ended 31 July 2021 respectively and noted that the deposit interest rates offered by GCGC Group are not less favourable than those available at domestic commercial banks.
- iii. Under the supervision and control of CBIRC, GCG Finance, a wholly-owned subsidiary of GCGC, strictly follows the credit rating, credit approval criteria and internal control procedures, and the service target is strictly restricted to the members of GCGC. The funds are mainly provided in the form of loans to support the development of member enterprises of GCGC Group. We have reviewed a corporate credit report issued by Credit Reference Center People's Bank of China dated 22 January 2021 and found there is no negative record on the credibility of GCG Finance. Also, we have reviewed the internal document regarding the actual bad debt ratio of GCG Finance and the standard ratio of comparable commercial banks in 2020 and noted that the bad debt ratio of GCG Finance was nil for the year ended 31 December 2020. Due to the fact that the liquidity of GCG Finance could probably be affected by the recoverability of debt which has been borrowed to other member enterprises of GCGC, the examination on the credit services and the bad debt ratio of GCG Finance is necessary.



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The following tables sets out the average capital adequacy ratio and bad debt ratio of commercial banks and GCG Finance for the second quarter of 2021, with reference to the 2020 and 2021 Major Supervisory Indicators of Commercial Banking Institutions (2020與2021年商業銀行主要監管指標情況表) published on the website of CBIRC on 9 February 2021 and 10 August 2021 respectively:

<b>Financial ratio</b>	<b>Commercial banks</b> (in average)	<b>GCG Finance</b>
Capital adequacy ratio	14.48%	18.57%
Bad debt ratio	1.76%	nil

According to our desktop research, the average capital adequacy ratio of commercial banks was measured by the CBIRC from 1 June 2020 to 30 June 2021, we noted that the capital adequacy ratio of GCG Finance was higher than that of the average of commercial banks in the PRC. The capital adequacy ratio is intended to be a measurement of non-banking financial institution's capital position in respect of its exposures to credit risk, market risk and operational risk. The banking ordinance stipulates that non-banking institutions must maintain a minimum capital adequacy ratio of 10%. As shown in the above table, we noted that the capital adequacy ratio of GCG Finance was 18.57%, which was higher than the minimum capital adequacy ratio required by the CBIRC under the Administrative Measures for Enterprise Group Finance Companies\* (企業集團財務公司管理辦法) (the “**Administrative Measures**”) as stipulated by “Decision of China Banking Regulatory Commission on Amending the Measures for the Administration of Finance Companies of Enterprise Groups” (中國銀行業監督管理委員會關於修改〈企業集團財務公司管理辦法〉的決定) on 28 December 2006, and the average of the commercial banks in the PRC.

GCG Finance was incorporated in PRC on 12 December 2014 as a non-banking financial institution with the financial institution license issued by the CBIRC, which is principally engaged in provision of financial services, including deposit taking, credit facilities granting, settlement services, and other types of financial services. As confirmed by the management of the Company, we noted that GCG Finance can only provide approved financial services to member enterprises of GCGC. In order to assess the bad debt risk of GCG Finance, we have reviewed a member enterprises list provided by GCG Finance, we noted that GCG Finance principally provides financial services to 167 member enterprises, which are able to place deposit to GCG Finance and require credit services from GCG Finance. As at 31 August 2021, there are more than 30 member enterprises requested for the credit services from GCG Finance, the range of loan amounts of each member enterprises was approximately from RMB10 million to RMB2,800 million and the duration was from six months to 15 years. Pursuant to the discussion with the management of Company, GCG Finance had no bad debt incurred by the member enterprises since

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the establishment of GCG Finance and the bad debt ratio of GCG Finance was nil for the six months ended 30 June 2021. Given that GCG Finance maintains a lower bad debt ratio and higher capital adequacy ratio than the average of other commercial banks in the PRC, we considered that the GCG Finance has a strong liquidity and the bad debt risk associate with GCG Finance is low. Therefore, we are of the view that the bad debt risk of GCG Finance is not greater than those of other commercial banks in the PRC.

- iv. GCG Finance has implemented measures on separating revenue and expense that GCG Finance is only responsible for receiving and communicating orders of transferring funds from the revenue account to the expense account and flow of funds only occurs internally, settlement of funds through banks' settlement systems can effectively avoid loss of funds. As confirmed by the management of the Company, there is no record that GCG Finance experienced any loss of funds due to human error as well as system intrusion, illegal misappropriation and theft.

As advised by the management of the Company, GCG Finance is a non-banking financial institution which principally provides financial services to the member enterprises and is therefore governed by the CBIRC under the Administrative Measures. GCG Finance started to provide deposit services in March 2015. As at 31 August 2021, we noted that GCG Finance provides deposit services to 167 member enterprises from time to time and the maximum deposit amount from the member enterprises is more than RMB3,000 million.

Moreover, GCG Finance is required to comply with deposit reserve requirements of the PBOC by placing certain amounts of deposit reserve with the PBOC in proportion to the deposit balances, which provides another measure to safeguard the safety of deposits in GCG Finance. We noted that the major difference between GCG Finance, as a licensed financial institution in the PRC, and a commercial bank is that GCG Finance can only provide approved financial services to member enterprises of GCGC Group while a commercial bank can provide approved financial services to the general public.

The table below sets out the key financial ratio requirement of the Administrative Measures and each of the financial ratios of GCG Finance as provided by the Company as at 31 August 2021:

<b>Financial ratio</b>	<b>Requirements</b>	<b>Financial ratios of GCG Finance</b>
Capital adequacy ratio	Not less than 10%	18.57%
Inter-financial institution borrowing balances to total capital ratio	Not more than 100%	nil

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## LETTER FROM VINCO CAPITAL

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<b>Financial ratio</b>	<b>Requirements</b>	<b>Financial ratios of GCG Finance</b>
Short-term securities investment to total capital ratio	Not more than 40%	nil
Long-term investment to total capital ratio	Not more than 30%	nil

As shown in the table above, we note that GCG Finance complied with the relevant financial ratio requirements as set out in the Administrative Measures as at 31 August 2021. In particular, (i) the capital adequacy ratio of GCG Finance was higher than the minimum required ratio of 10%; and (ii) GCG Finance recorded no inter-financial institution borrowing balances, short-term securities investment and long-term investment as at 31 August 2021 and therefore had little exposures on contingent liabilities or investment losses. As confirmed by the management of the Company, GCG Finance does not have any previous record of material default of repayment. Moreover, we have also been advised by the management of the Company that to the best of their knowledge, up to the Latest Practicable Date, there was no record of non-compliance with relevant laws and regulations in the PRC on GCG Finance. We noted that GCG Finance will provide financial services only to the member enterprises and, being a member of the GCGC Group, is in a better position to gain information of the member enterprises in a more timely and comprehensive manner as compared to other commercial banks in the PRC and is also exposed to a lower level of potential risk compared to other commercial banks in the PRC which conduct business with clients of various credit ratings and background.

Having considered (i) the provision of financial services by GCG Finance will be restricted to the members of the GCGC Group; (ii) the clean record of GCG Finance in meeting its payment obligation; (iii) capital adequacy ratio and bad debt ratio of GCG Finance were better than average of commercial banks and in compliance with relevant regulations as stated above; (iv) GCG Finance is a licensed financial institution and governed by the CBIRC under the Administrative Measures; (v) GCG Finance complied with relevant financial ratio requirements of the Administrative Measures and had demonstrated healthy financial positions; and (vi) GCGC has provided undertakings to GCG Finance when GCG Finance has difficulties in making payments, we concur with the view of the Directors that the risk profile of GCG Finance is not greater than those of independent commercial banks in the PRC.

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## LETTER FROM VINCO CAPITAL

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### 3. Principal terms of the Deposit Services contemplated under the Financial Services Agreement

The following table summarises the major terms of the Deposit Services contemplated under the Financial Services Agreement:

Date:	17 September 2021 (after trading hours)
Parties:	(i) The Company (for itself and its subsidiary); and (ii) GCG Finance
Duration:	From 1 January 2022 to 31 December 2024 (both days inclusive)
Scope of Deposit Services:	(i) GCG Finance agrees to provide Deposit Services to the Group and unconditionally meets the payment requests of the Group according to the principle of ‘freedom of usage’.  (ii) The interest rate payable by GCG Finance to the Group for any deposit services shall not be lower than the interest rate applicable to same type of deposits obtained by the Group from other domestic commercial banks in the PRC in the same period for the comparable category of deposits. The Company will, prior to the placement of deposit with GCG Finance, (i) check the benchmark interest rates for deposits published by the People’s Bank of China and (ii) check the interest rates offered by at least three major commercial banks which have established business relationship with the Group.  (iii) Proposed Annual Cap: The daily balance of the Group’s deposits (including any interest accrued therefrom) maintained with GCG Finance for each of the three financial years ending 31 December 2022, 31 December 2023 and 31 December 2024 shall not exceed RMB1 billion.

Pursuant to the Financial Services Agreement, the provision of the Deposit Services by GCG Finance to the Group shall be on normal commercial terms and the interest rate offered by GCG Finance to the Group are no less favourable than those offered by other independent commercial banks in PRC.

For our due diligence purpose, we have obtained and reviewed the Financial Services Agreement and note that the Deposit Services allow the Group to settle the intra Group transactions through the free-of-charge settlement services to be offered by GCG Finance, and this could save the bank charges incurred by using other commercial banks for the settlement services. We have discussed with the Directors and note that the Company has been searching

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for the quotation of which has similar principal terms of the Deposit Services in the relevant market. The Company has historical transaction of deposit services in other independent commercial banks in 2019 and 2020. We have randomly selected and reviewed three samples of transaction records with different independent commercial banks in the PRC in 2019 and 2020 respectively, which were prepared by the Company. We noted that the interest rates offered by other commercial banks and the principal terms thereunder were generally comparable to those offered by GCG Finance to the Group under the Deposit Services as mentioned below. The interest rates and terms quoted by other independent commercial banks are similar with those agreed between the Company and the GCG Finance. And we also noted that we were not aware of any material difference between the terms offered by the market comparable and those offered by GCG Finance to the Group.

We have also made reference to the latest benchmark (annual) interest rates prescribed by the PBOC on 24 October 2015. There is no updates of the benchmark interest rate prescribed by the PBOC since its announcement 中國人民銀行關於下調金融機構人民幣貸款和存款基準利率並進一步推進利率市場化改革的通知(銀發[2015]325號) (Notice of the People's Bank of China on Lowering the RMB Benchmark Loan and Deposit Interest Rates for Financial Institutions and Further Promoting the Interest Rate Liberation Reform (Yin Fa [2015] No. 325)\*) in 23 October 2015. Details of the rates as set out below:

Current deposit	Agreement deposit	Term Deposit		Fixed Deposit		
		1-Day	7-Day	Three-month	Six-month	One-year
0.35%	1.15%	0.80%	1.35%	1.10%	1.30%	1.50%

As confirmed by the Directors, the Company has not entered into any fixed deposit with GCG Finance nor received the quotation of one-year fixed deposit rate from GCG Finance. We also noted that the current interest rates on agreement deposit offered by the major four commercial banks are generally ranging from 1.00% to 1.73% and the interest rate prescribed by the PBOC is 1.15% while the interest rate offered by GCG Finance is 1.73%, which is similar to those stipulated in the Deposit Services. Based on our assessment we were not aware of any material difference between the terms offered by the market comparable and those offered by GCG Finance to the Group.

Having considered above reasons, we are of the view that (i) GCG Finance is governed by the CBIRC under the Administrative Measures; (ii) the risk profile of GCG Finance is not greater than those of independent commercial banks in the PRC; (iii) the Deposit Services contemplated under the Financial Services Agreement are on normal commercial terms; and (iv) GCGC has provided undertakings to GCG Finance to support repayment obligation of GCG Finance in the future. We concur with the view of the Directors that the entering into the Deposit Services contemplated under the Financial Services Agreement is in the interests of the Group and the Shareholders as a whole.

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## LETTER FROM VINCO CAPITAL

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### 4. Basis of the Proposed Annual Cap

The Proposed Annual Cap were determined by the Company after taking into consideration the principal factors as set out under the section headed “Proposed Annual Cap” in the Letter from the Board.

We have reviewed the basis of determining the Proposed Annual Cap for the Deposit Services from GCG Finance. We noted that the Proposed Annual Cap for the Deposit Services from GCG Finance was arrived by taken into consideration of the following factors:

Pursuant to the historical transaction amounts with GCG Finance provided by the Company, we understand that the maximum outstanding daily balance of the deposit placed by the Group with GCG Finance for the two years ended 31 December 2020, and the seven months ended 31 July 2021 were approximately RMB706 million, RMB620 million and RMB593 million, respectively. Such maximum outstanding daily balance accounted for approximately 57.5%, 54.3% and 45.4%, respectively, of the average balance of cash and cash equivalent of the Group in 2019, 2020 and the seven months ended 31 July 2021. As advised by the management of the Group, the reduction in amount of cash deposited with GCG Finance from 2019 to the seven months ended 31 July 2021 was due to (i) the improvement of alternative transportation methods, especially the High-Speed Rail in the PRC, which reduced the use of road transportation; and (ii) the prevention measures of COVID-19 pandemic and travel restriction, which affected the business of the Group.

Having said that, as discussed with the management of the Company, it is expected the cash deposited by the Group with GCG Finance would increase in the coming three years due to the following reasons:

1. the Company is required to repay the due corporate bonds of RMB391 million on 28 September 2022, and may be required to borrow from GCG Finance for the debts due, which will temporarily increase the deposit balance of GCG Finance;
2. the three major business segments of the Group’s service zones recorded revenue growth and the Company will transform and upgrade the Group’s short-trip passenger transportation services:
  - (a) The Company will further expand the network scale of “Yueyun Energy”, increase the coverage of gas stations by increasing the number of expressway gas stations and offline gas station projects. Currently, the Company has 54 self-operated gas stations, which will exceed 100 during the 14th Five-Year Plan Period. The expansion of gas stations and the increase in the number of self-operated gas stations will lead to the continuous growth of the Group’s energy revenue.

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## LETTER FROM VINCO CAPITAL

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- (b) The Group will continue to strengthen the operating efficiency of its retail business, enhance its market competitiveness, continue to expand the scale of its network, steadily expand the number of convenience stores, and achieve the expansion of its online and offline omni-channel network, thereby bringing revenue growth.
  - (c) The Group will give full play to the resource advantages of the provincial transportation group to further expand the service zone network, promote the quality improvement and upgrading of service zones, and achieve the improvement of commercial value. The Group will develop a new business model and establish self-owned brands for commercial development. With the expansion of the service zone network and the commencement of operation of the service zone after the renovation and development, it will bring more revenue to the Group.
  - (d) Having considered the severe impact on the long-haul passenger transportation business of the Group due to the emergence and improvement of alternative transportation methods, notably the High-Speed Rail in the PRC, the Company aims to step up efforts in transforming and upgrading short-trip passenger transportation services of the Group including public transportation, rural passenger transportation, customized routes and online car-hailing business which remain unaffected by the improved alternative transportation methods. Those efforts meet the increasing needs of convenient and comfortable travel, thereby increasing the revenue of passenger transportation business.
3. Save as the reasons disclosed above, the Company also considered the characteristics of the Group's operating business and the expected increase in cash and cash equivalents which would also drive our needs to maintain deposits in GCG Finance, details of which are set out as follows:
- (i) the characteristics of the Group's operating business: customers of the Group include member companies within GCGC and they all have maintained accounts with GCG Finance. It could reduce the Group's time costs and finance costs if the Group deposits and conducts note discounting services with, and/or obtain loan advancement from GCG Finance. With the support of an affluent capital base and renowned credibility among the member companies with GCGC, GCG Finance can provide the Group with stable replenishment of funds, if requested; and
  - (ii) the expected increase in cash and cash equivalents: it is expected that the Group's business would continue to grow, the level of its cash and cash equivalents would continue to increase and so would its overall needs to place deposits for short to medium term with financial institution. Subject to compliance with the Group's Internal Control and Risk Management Measures, the Company believes that the Proposed Annual Cap would provide the Group with more flexibility in negotiating overall better deposit rates (or terms) with GCG Finance since GCG Finance would need to offer deposit rates (or terms) that are more competitive than those offered by other financial institutions in order to obtain the deposits from the Group.

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As confirmed by the management of the Company, in order to diversify the credit risk from other commercial banks on deposit services, the Group will deposit only part but not all of its available funds with GCG Finance and deposit the remaining available funds with other commercial banks in the PRC. The Group will determine the timing and the actual amount to be deposited with GCG Finance based on the availability of funds and the Group's operation needs at its sole discretion. When the interest rate and terms provided by the GCG Finance are better than those provided by other commercial banks, the Group may intend to deposit more available funds with GCG Finance, but not more than RMB1 billion. We have reviewed the historical transactions of the Group with GCG Finance, we noted that, as at 31 December 2020, the Group had total cash at bank and on hand of approximately RMB1,257 million, mainly including deposits at GCG Finance of approximately RMB544 million, cash balance on hand of approximately RMB7 million and cash at bank of approximately RMB691 million. The Group's total cash at bank and on hand increased by 6.4% from approximately RMB1,181 million as at 31 December 2019 to approximately RMB1,257 million as at 31 December 2020. We noted that the Proposed Annual Cap is approximately 79.6% of the Group's bank deposits of approximately RMB1,257 million as at 31 December 2020. We are advised by the management of the Company that, during the seven months ended 31 July 2021, the highest month-end balance of cash at bank and on hand was approximately RMB1,368 million, including deposits at GCG Finance of approximately RMB431 million. We note that the Proposed Annual Cap is approximately 73.1% of the highest month-end cash at bank and on hand balances.

Based on the foregoing review and analysis and taking into account, in particular, (i) the Proposed Annual Cap is approximately 79.6% of the Group's bank deposits of approximately RMB1,257 million as at 31 December 2020; (ii) the Proposed Annual Cap is approximately 73.1% of the highest month-end cash and bank balances for the seven months ended 31 July 2021; (iii) the Group will deposit only part but not all of its available funds with GCG Finance; (iv) the terms fit the Group's capital management needs; (v) the deposit transaction is conducted on a non-exclusive business and the Group has a full discretion to draw the deposit or any part thereof at any time to cater for its business development; and (vi) the business growth trend and the business plan of the Group indicate the possible increase in demand of depository services of the Group, we consider that the Proposed Annual Cap in relation to the Deposit Services contemplated under the Financial Services Agreement were made by the Directors after due and careful consideration. As a result, we are of the view that the basis for determining the Proposed Annual Cap is in the ordinary and usual course of business of the Group and fair and reasonable so far as the Independent Shareholders are concerned.

### **INTERNAL CONTROL MEASURES GOVERNING THE FINANCIAL SERVICES AGREEMENT**

As confirm by the Director, the Company will adopt the following internal control procedures and corporate governance measures when receiving financial services from GCG Finance:



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## LETTER FROM VINCO CAPITAL

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1. the Company will check the interest rates for deposits published by the PBOC and quoted by other commercial bank quarterly;
2. before making a deposit in GCG Finance, the Group will check the interest rates offered by GCG Finance against those provided by at least three major commercial banks that have established business relationship with the Group, with the aim to ensure that the deposit interest rate is not lower than the then applicable interest rate for the same deposit services from other domestic commercial banks in the PRC. According to the samples of interest rates offered by the major commercial banks and the interest receipt issued by GCG Finance to the Company, we are of the view that there are sufficient procedures for the Group to ensure the interest rate offered to the Group under the Deposit Services by GCG Finance no less favourable than those offered to the Group by other independent major commercial banks in PRC. We noted that the Group has obtained not less than three quotations from other independent commercial banks (which shall be leading licensed banks in the PRC) in relation to Deposit Services of the same type and with the same duration before the Company or any of its subsidiaries entering into any individual agreement for the Deposit Services with GCG Finance;
3. the Company's financial management department will closely monitor the transactions contemplated under the Financial Services Agreement and will report on relevant transactions to the management of the Company. Pursuant to the report prepared by the Company's financial management department, we are of the view that such control measures would be sufficient for Company to understand the interest rates payable by GCG Finance to the Group for any deposits shall not be lower than the latest benchmark interest rates prescribed by the PBOC and the interest rates payable by other major commercial banks in the PRC, and to ensure the transaction amounts not to exceed the Proposed Annual Caps;
4. to manage the relevant risks, the Company will request GCG Finance to provide sufficient information on various financial indicators and annual financial statements so that the Company is able to monitor and review its financial conditions. Subject to compliance with laws and regulations, GCG Finance must notify the Company on any judicial, legal or regulatory procedures or investigations having material effect on its financial conditions. If the Company considers that any material adverse changes have occurred in the financial conditions of GCG Finance, the Company will adopt appropriate measures (including early withdrawal of deposits or suspend the placement of further deposits) to safeguard the financial conditions of the Company. As confirmed with the management of the Company, there was no record that the Company withdrew deposits earlier or suspended the placement of further deposits due to any material adverse changes occurred in the financial conditions of GCG Finance; and

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## LETTER FROM VINCO CAPITAL

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5. the Company will check the deposit account balance of the Group through online banking system of GCG Finance from time to time in order to monitor and ensure that the Proposed Annual Cap will not be exceeded.

Based on the aforesaid, we are of the view that the terms of Deposit Services contemplated under the Financial Services Agreement are in the interests of the Group and are fair and reasonable so far as the Independent Shareholders are concerned.

### RECOMMENDATION

Having taken the above principal factors and reasons, we considered that the terms of the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap) are in the ordinary and usual course of business of the Group, fair and reasonable, and on normal commercial terms and the entering into of the Deposit Services contemplated under the Financial Services Agreement is in the interests of the Group and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM approving the Deposit Services contemplated under the Financial Services Agreement (including the Proposed Annual Cap).

Yours faithfully,  
For and on behalf of  
**Vinco Capital Limited**  
**Alister Chung**  
Managing Director

*Note:* Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

**1. FINANCIAL AND TRADING PROSPECTS OF THE GROUP****I. Expressway Service Zones Operation****1. Energy Business**

- (1) We are determined to establish our self-developed and self-operated oil stations and strived to complete the construction of 10 oil stations by the end of 2021 to achieve 60 self-developed and self-operated oil stations under operation. We are endeavoured to integrate our internal and external resources of the Group to expedite the expansion and strengthen the business rapidly. We strive to build up our terminal sales network by high-speed encrypted oil stations and downstream oil station projects.
- (2) We will deepen our precise management, enhance our intelligent service level. Integrated with the timing of significant holidays, we launch interactive marketing activities for oil and non-oil products in terms of seasonality and subjectivity, attract customers and enhance our brand awareness; strengthen the synergic cooperation with ETC and improve our membership system. We increase the activation rate of membership customers and optimize our client mix of oil stations by point redemption, development of large customers and bulk purchase.
- (3) We will strive to expand our upstream and downstream industry chains, and enhance our corporate competitiveness and risk prevention by leveraging favourable state-owned advantages, focusing on the potential expansion of industry chain in middle-and-small sized oil tanks layout for promoting the development of energy business segment.
- (4) Under the objective of “Emission Peak and Carbon Neutrality” (碳中和、碳达峰) and to cope with the changing trend of energy structure, we will strive to upgrade the oil stations in expressways to hybrid stations with oil, gas, electricity and photovoltaic power. We search out the external charging potential of existing self-developed charging stations, explore and early set up the charging market in public utility sector in a timely manner.
- (5) We will strengthen the “Five-unification (五統一)” fuel procurement. We continue to widen the procurement channel, strengthen the procurement cost control, integrate with the energy supply service nature of service zones, consistently build up and optimize our own sales and service system and facilitate the maximization of corporate operating synergy.

- (6) We will further increase the depth and width of cooperation with large scale energy corporates, such as CNPC and Sinopec. We will carry out in-depth investment analysis in various operating models of energy business and conduct scientific reference for decision-making and continuously enhance our long-term rewards from operating rights.

## **2. Retail Business**

- (1) We will further conduct research on our right development approach and optimize to adapt the tender decision-making mechanism of retail business, continue to explore our network scale, gradually expand the number of our convenience stores and strive to achieve the target of 30 new stores by the end of 2021 and establish our O2O outlet network of “commodities + services + demand scenarios”.
- (2) We will continue to promote the expansion of the “big retail” and develop our “Yipinhui” brand, gradually realize the parallel development of convenience stores and comprehensive supermarkets, as well as physical stores and online platform stores, expanding the “big retail” business chain from simple retailers to wholesalers.
- (3) We will continue to optimize the product categories, develop more self-owned brand products and optimize the store layout and product display layout. According to the development requirement of “One District, One product”, we will fully integrate with regional cultures to establish native retail stores by fully exploring representative regional cultures in Guangdong Province, such as Hakka, Chaozhou and Shantou, to make our convenience stores to become a new place for featured native products, provide a better and prime shopping environment for tourists and satisfy the public demand for high-quality and diversified travel service.
- (4) We will regulate the relationship management among merchants and optimize the public tendering model for new products to enhance profitability. We will upgrade our retail sales system to achieve all-region and real-time system management. We will prepare our self-developed retail warehouse.

## **3. Merchant Solicitation Business**

- (1) We will insist the “Integration” mode and gradually acquire resources in service zones. We will fully establish the enhancement and upgrade projects in service zones to promote digitalization in terms of management, operation and services, and take the lead to achieve high-quality development. We will deepen our platform operation, enhance our coordination layout of commercial resources and merchant planning, and enrich the new business condition.

- (2) We will promote the comprehensive development in core service zones by category management according to geographical locations, local cultural characteristics, spending habits of every expressway, to ensure our forward-looking and flexibility of dynamic adjustment. We will adopt the differentiated development strategy of “One Category, One Strategy”, to focus resources on development of rewarding and demonstrative service zones with a focal theme of developing logistics, tourist and commercial service zones.
- (3) We will establish a new model of and self-owned brand for commercial development. We will focus on the modification, development and operation of 7 interchange points, including Liangjinshan, Xinyangjiang, Yangxi, Chengcun, Qianshui, Huacheng and Yuantan in Guangdong-Zhanjiang Line. We will continue to promote the integrated development of Taihe parking zone.

#### **4. Advertising Business**

- (1) We will continue to develop the advertising business, strengthen the ability construction and enhance the utilization efficiency of media resources. We will enhance the integration efforts in internal resources, integrate advertising with the development of internal resources in passengers and service zones to build up an interest-sharing mechanism.
- (2) We will enhance our service quality and improve our operational efficiency, strengthen our ability of customer development in terms of digitalized media resources, advertisement production, marketing promotion and performance assessment and improve our ability of full service in the area of media resources integration operation to better retain the existing customers and explore more new customers during the pandemic while enhancing mutual trust and procuring win-win situation.
- (3) We will strengthen our business cooperation with external media institutions. We will enrich the types of media by adopting resource exchange with external media institutions and provide more media resources selection to customers for exploring new path of direct sales. We will explore all-media advertising promotion solutions to help direct sales to acquire large brand customers.

## **II. Road Passenger Transportation and Auxiliary Services**

1. We will adapt to the industry development trend, proactively speed up the adjustment of business structure and increase our service standard. We will speed up the adjustment of traditional shuttle-line passenger transportation and develop public transportation, rural passenger business based on our strategic positioning and in an orderly manner to acquire stable income from government grant to hedge against risks in the industry. We will develop customized routes, online vehicle booking business to cope with the demands for convenient and comfortable travel. We will develop chartered products, such as commuters and shuttle buses, to realize our advantage of corporate safety management. We will develop passenger business along with tourism and share the bonus from tourism industry.

2. We will provide information supports for the transformation of passenger business with platform operation as the starting point. We will continue to implement the passenger business with “digitalized transformation and platform operation” and “one ticket, one network, one center, one platform” system to further expand the platform function of “Yuexing (悦行)”, accelerate the platform generation upgrade while enhancing the upgrade in terms of product, service and operation. By the Internet operation of “Yuexing (悦行)” platform, together with the offline operation support and management upgrade and leveraging the vehicle resources, we will facilitate the increase in revenue from passenger business. We will increase the intelligence level of service in passenger business and promote the business development of customized passenger and online vehicle booking. By developing intermodal transportation between regions, designated repair points by insurers, establishment of uniform membership system, we will facilitate the intermodal development amongst businesses.
3. We will treat the ability of safety production and risk prevention as our core competitiveness and life line of the passenger segment, combine with the development approach of “exploring the downstream market”, enhance rural passenger and safety management of urban and rural public transportation, enhance the implementation of defensive driving, especially the integration of rural counties and urban cities in “four slow-driving routes” with major protection for motorbikes, motorcycles and bicycles. We will strengthen the utilization and promotion of “four-in-one” intelligent supervision system, provide all-process management for driving safety while accelerating the optimization of supervision teams.
4. We will strengthen the comprehensive development of passenger transportation terminal, focus on promoting the improvement of passenger transportation terminal and speed up the property rental of passenger transportation terminal to increase rental revenue. For business volume and geographical locations of different terminals, under the background of ensuring normal operation of the terminal, various businesses, such as shopping malls, tourism distribution centers, hotels and catering will be transformed according to local conditions to revitalize resources of idle terminal.
5. We will promote logistics development to make its breakthrough. We will more proactively explore the logistics niche market, promote the implementation of various logistics projects, including front logistics warehouse in terminals, retail delivery for convenience stores, point-to-point logistics in service zones, diversion stations in entrances and exits of expressways, agricultural products trading logistics and cold chain logistics business. We will strive to transform the passenger transportation terminals of rural passenger and county passenger into commercial service spots for retail while promoting cooperation with large scale logistics corporates and online shopping platform to enhance resource values.

6. We will continue to develop cross-border transportation business. GD-HK Company of the Group will continue to place a close concern on the pandemic trend and the cross-border policy, coordinate well on the prevention and control of the pandemic and business operation, optimize the organizational structure and manpower resources, constantly promote the work of cost control, better manage the preparation of resumption of work and production. The Company will do a good job on the market development of Liantang Port at the same time, while deeply promoting the cross-border resource integration, continuously optimizing the deployment and leveraging the utilization efficiency of resources. We will continue to strengthen our business cooperation network and collaborate with Yueyun Development to strive for the development and construction of ticketing system as soon as practicable.

## 2. INDEBTEDNESS

At the close of business on 31 August 2021, being the latest practicable date for the purpose of the indebtedness statement prior to printing of this circular, the total indebtedness of the Group included the following:

	<b>The Group</b> <i>RMB</i>
<b>Borrowings</b>	
Secured	461,501,248.31
Guaranteed	64,855,526.11
Secured and guaranteed	50,874,310.36
Credit	<u>1,491,700,911.33</u>
Total	<u><u>2,068,931,996.11</u></u>
<b>Bank acceptance bills</b>	
Unsecured or unguaranteed	<u><u>8,851,200.00</u></u>
<b>Bonds payable</b>	
Guaranteed	<u><u>390,685,059.28</u></u>
<b>Lease liabilities</b>	<u><u>2,278,499,718.07</u></u>
Total	<u><u>4,746,967,973.46</u></u>

Save as disclosed above, at the close of business on 31 August 2021, the Group did not have any other outstanding borrowings or indebtedness including bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase commitments, mortgages, charges or any material contingent liabilities or guarantees.

The Directors confirmed that there is no material change in the indebtedness and contingent liabilities of the Group since 31 August 2021 and up to the Latest Practicable Date.

### **3. WORKING CAPITAL**

Taking into account the internally generated funds and the presently available credit facilities, the Group will have sufficient working capital for its present requirements, which is for at least 12 months from the date of this circular, in the absence of unforeseeable circumstances.

### **4. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP**

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published unaudited consolidated statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31 December 2020 have been set out on page 96 to page 352 of the annual report 2020 of the Company which was posted on 30 April 2021 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below the link to the annual report 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0430/2021043001571.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2019 have been set out on page 112 to page 376 of the annual report 2019 of the Company which was posted on 29 April 2020 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below the link to the annual report 2019:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0429/2020042900804.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2018 have been set out on page 108 to page 360 of the annual report 2018 of the Company which was posted on 27 April 2019 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below the link to the annual report 2018:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0430/ltn20190430007.pdf>



The Company has published its 2021 interim report. The unaudited consolidated financial statements of the Group for the six-month period ended 30 June 2021 have been set out on page 37 to page 192 of the 2021 interim report of the Company which was posted on 31 August 2021 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below the link to the 2021 interim report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0831/2021083100763.pdf>

**5. EFFECT OF THE DEPOSIT SERVICES ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP**

The Group expects that the Deposit Services under the Financial Services Agreement will not have any material effect on its earnings, assets or liabilities.

### 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### 2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

### 3. DIRECTORS AND SUPERVISORS' INTERESTS

Long positions in the Shares, underlying shares and debentures of the Company and associated corporations of the Company:

Name of associated corporation	Name of Director/ Supervisor	Capacity	Number of shares held	Approximate percentage in the relevant class of share capital
Guangdong Provincial Expressway Development Co. Ltd.	Chen Chuxuan	Beneficial owner	5,987	0.00046%
Guangdong Provincial Expressway Development Co. Ltd.	Zhen Jianhui	Beneficial owner	9,209	0.00071%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the Supervisors or the chief executives of the Company had any interests or short positions in any Shares or underlying shares or interests in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) of the Company which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

## 4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, and so far as was known to the Directors, the following persons (not being any of the Directors, the Supervisors and the chief executives of the Company) had an interest (or long position) or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Class of Shares	Number of Shares/ Underlying Shares held (Note 1)	Capacity	Approximate percentage in the relevant class of share capital	Approximate percentage in the total share capital
GCGC	Domestic Shares	592,847,800	Beneficial owner	100%	74.12%
China Petrochemical Corporation	H Shares	33,570,000 (Note 2)	Interests of controlled corporations	16.22%	4.20%
China Petroleum & Chemical Corporation	H Shares	33,570,000 (Note 2)	Interests of controlled corporations	16.22%	4.20%
Sinopec Sales Company Limited	H Shares	33,570,000 (Note 2)	Interests of controlled corporations	16.22%	4.20%
Sinopec (Hong Kong) Limited	H Shares	33,570,000 (Note 2)	Beneficial owner	16.22%	4.20%
Pope Asset Management, LLC	H Shares	23,318,747	Investment manager	11.27%	2.92%
Shah Capital Management	H Shares	18,025,000	Investment manager	8.71%	2.25%

*Note 1:* The number of H shares are based on records filed by the Shareholders and/or enquiries made by the Company with the Shareholders, taking into account the issue of bonus shares by the Company in 2015.

*Note 2:* Sinopec (Hong Kong) Limited is a wholly-owned subsidiary of Sinopec Sales Company Limited and China Petroleum & Chemical Corporation holds as to 70.42% of Sinopec Sales Company Limited while China Petrochemical Corporation holds as to 68.31% of China Petroleum & Chemical Corporation. Accordingly, China Petrochemical Corporation, China Petroleum & Chemical Corporation and Sinopec Sales Company Limited are deemed to be interested in 33,570,000 H shares held by Sinopec (Hong Kong) Limited, respectively.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any persons, other than Directors or Supervisors of the Company, who had interests or short positions in the Shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## 5. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Company or its subsidiaries during the period commencing two years preceding the date of this circular and are or may be material:

1. On 12 December 2019, Guangdong Yueyun Langri Co., Ltd. (a non-wholly owned subsidiary of the Group) and Guangzhou Yueyun Investment Management Company Limited (a wholly-owned subsidiary of GCGC) entered into the Equity Transfer Agreement, pursuant to which Guangdong Yueyun Langri Co., Ltd. has agreed to dispose of, and Guangzhou Yueyun Investment Management Company Limited has agreed to acquire, 100% of the equity interest in the Yangjiang Yueyun Langri Real Estate Development Company Limited, following completion of the public tender on Guangdong United Assets and Equity Exchange, at a disposal consideration of RMB28,904,310.
2. On 26 August 2019, the Company entered into the Chaozhou Yueyun Equity Transfer Agreement with Guangzhou Yueyun Investment Management Company Limited and Chaozhou City Yueyun Motor Transportation Co., Ltd., pursuant to which the Company has agreed to acquire and Guangzhou Yueyun Investment Management Company Limited has agreed to sell the equity interest of Chaozhou City Yueyun Motor Transportation Co., Ltd. at a consideration of RMB103,789,700.
3. On 26 August 2019, the Company entered into the Zhuhai Gongyun Equity Transfer Agreement with Guangdong Province Gongbei Vehicles Transportation Company Limited and Zhuhai Gongyun Group, pursuant to which the Company has agreed to acquire and Guangdong Province Gongbei Vehicles Transportation Company Limited has agreed to sell the equity interest of Zhuhai Gongyun Group at a consideration of RMB71,607,400.

## 6. MATERIAL LITIGATION

As at the Latest Practicable Date, the Board was aware of the following material litigation involving the Company:

The Company brought a legal proceeding before the Guangzhou Intermediate People's Court against Tangshanshi Shuihou Zhagang Yi Chang (唐山市稅後軋鋼一廠), Tangshan Xingye Gongmao Jituan Co., Ltd (唐山興業工貿集團有限公司) and Tangshanshi Kaipingqu Xingye Zhazhichang (唐山市開平區興業軋製廠) to recover the sum paid in advance by the Company for purchase of steel products in the amount of RMB472,397,000 and a compensation for breach of contracts by the defendants. The Company has applied to the Court for a charging order against the defendants' assets. The Guangzhou Intermediate People's Court had given its judgment on 7 June 2011, pursuant to which the defendants had to repay the prepayments of the Company and the compensation for breach of contract. On 12 July 2011, the Guangzhou Intermediate People's Court issued a "certificate of judgment" to confirm that the judgment came into effect on 30 June 2011. The Company has applied to the court for filing and executing the judgment. In the executing process of this case, the obligor Tangshan Xingye Gongmao Jituan Co., Ltd filed a bankruptcy petition to Tangshan Kaiping People's Court due to insolvency, and the court decided to accept the bankruptcy petition filed by it on 28 February 2014. In March 2015, the bankruptcy administrator of Tangshan Xingye Gongmao Jituan Co., Ltd notified the Company that Tangshan Kaiping People's Court had accepted the combined bankruptcy case in respect of seven related party companies, including Tangshanshi Shuihou Zhagang Yi Chang, Tangshan Xingye Gongmao Jituan Co., Ltd and Tangshanshi Kaipingqu Xingye Zhazhichang. Guangzhou Intermediate People's Court has ruled that the above execution case was terminated as the parties subject to enforcement were bankrupt enterprises under the combined bankruptcy case in the course of execution of the above case. In 2019, the Company was awarded a total amount of RMB5,301,120.45 in the bankruptcy case. Currently, the combined bankruptcy case is ongoing. The Company has made full provision for the impairment regarding the above-mentioned defaulted prepayment and will continue to strengthen its effort to recover the same. Currently, the possibility of recovering the related prepayment remains uncertain.

Qingyuan Yueyun Vehicles Transportation Co., Ltd. (清遠市粵運汽車運輸有限公司) ("**Qingyuan Yueyun**"), a subsidiary of the Company, initiated a law suit against Qingyuan Sun Hung Kai Property Development Co., Ltd.\* (清遠市新鴻基房地產開發有限公司) ("**SHK**") in the People's Court of Qingcheng District in Qingyuan City ("**District Court**") to recover an overdue amount of RMB35,681,100 plus interest owed by the aforesaid defendant to Qingyuan Yueyun which provided the sum as advances. The District Court made a ruling on 11 December 2019 and determined that the case was not within the civil jurisdiction of the court and rejected the case initiated by Qingyuan Yueyun. On 26 December 2019, Qingyuan Yueyun made an appeal to the People's Intermediate Court of Qingyuan City ("**Intermediate Court of Qingyuan**"). A ruling was made by the Intermediate Court of Qingyuan on 26 February 2020 that the District Court should conduct a trial on the case. The applicable law used by the District Court in the first instance ruling was inappropriate, and the first instance ruling of the District Court was over-ruled. On 9 June 2020, the District Court reheard the case and made

a ruling on 21 September 2020 and determined that the evidence was insufficient and rejected the case initiated by Qingyuan Yueyun. On 30 September 2020, Qingyuan Yueyun made an appeal to the Intermediate Court of Qingyuan. After the appeal of Qingyuan Yueyun to the Intermediate Court of Qingyuan, Qingyuan Yueyun and SHK had reached an intention of settlement and proposed a settlement proposal regarding the case after the communication and coordination. On 10 June 2021, Qingyuan Yueyun and SHK has entered into an agreement related to the settlement. On 10 June 2021, Qingyuan Yueyun and SHK had submitted the Application Letter of Lawsuit Withdrawal to the Intermediate Court of Qingyuan, respectively. On 11 June 2021, the Intermediate Court of Qingyuan has made the judgment to approve the withdrawal of lawsuit by Qingyuan Yueyun that the first instance judgment has been legally effective from the delivery date and the case was closed.

#### **7. DIRECTORS AND SUPERVISORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company had entered into, with any member of the Group, a service agreement which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

#### **8. DIRECTORS AND SUPERVISORS' INTEREST IN COMPETING INTERESTS**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or Supervisors of the Company or their respective close associates had any interest in a business which competes or may compete with the business of the Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

#### **9. DIRECTORS AND SUPERVISORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT**

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company had: (i) any direct or indirect interests in any asset which have been since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; or (ii) any subsisting material interest in any contract or arrangement at the date of this circular which is significant in relation to the business of the Group.

**10. EXPERT AND CONSENT**

- (a) The following is the qualification of the expert who has been named in this circular or has given opinion, letter or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Vinco Capital Limited	a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, Vinco Capital had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.
- (c) Vinco Capital has given and has not withdrawn their written consent to the issue of this circular with the inclusion of its report or letter of advice and references to its name in the form and context in which the respectively appear.
- (d) As at the Latest Practicable Date, Vinco Capital did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020 (being the date to which the latest published audited financial statements of the Company were made up).
- (e) The letter and recommendation from Vinco Capital are given as of the date of this circular for incorporation herein.

**11. GENERAL**

- (a) The registered office of the Company is located at 8th Floor, No. 1731-1735 Airport Road, Guangzhou, the PRC.
- (b) The principal place of business in Hong Kong is located at Rooms 3108-3112, 31/F, Hong Kong Plaza, 188 Connaught Road West, Hong Kong.
- (c) The H Share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary of the Company is Ms. Zhang Li. Ms. Zhang is the manager of the Securities and Legal Department of the Company.

- (e) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail.

**12. DOCUMENTS ON DISPLAY**

The Financial Services Agreement will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.gdyueyun.com>) from the date of this circular for no less than 14 days.



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## NOTICE OF EGM

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### 廣東粵運交通股份有限公司

**Guangdong Yueyun Transportation Company Limited\***

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

**(Stock Code: 03399)**

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (“EGM”) of Guangdong Yueyun Transportation Company Limited (the “**Company**”) will be held at 24/F, Yueyun Building, No. 3 Zhongshan Second Road, Guangzhou, Guangzhou Province on 11 November 2021 at 3:00 p.m. for the purpose to consider and, if thought fit, pass the following resolutions by its Shareholders. Unless otherwise specified, capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 22 October 2021.

#### ORDINARY RESOLUTION

To consider and approve the following by way of ordinary resolution:

1. “**THAT:**

- (a) the execution of and the performance of the obligations by the Company under a financial services agreement dated 17 September 2021 (“**Financial Services Agreement**”) entered into between the Company and 廣東省交通集團財務有限公司 (Guangdong Provincial Communication Group Finance Company Limited\*) (“**GCG Finance**”) in relation to the provision of a range of financial services by GCG Finance to the Company and its subsidiaries (collectively, the “**Group**”), including but not limited to provision of the deposit services as stipulated thereunder be and is hereby approved, ratified and confirmed;
- (b) the proposed maximum daily outstanding balance of deposits placed by the Group with GCG Finance (including any interest accrued therefrom) in the amount not exceeding RMB1 billion for each of the three years ending 31 December 2024 be and is hereby approved and confirmed;
- (c) any one of the directors of the Company (“**Director(s)**”) be authorized to take all steps necessary or expedient in their opinion, for and on behalf of the Company, to implement and/or give effect to the terms of the Financial Services Agreement;

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## NOTICE OF EGM

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(d) any one of the Directors be authorized to execute, for and on behalf of the Company, all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the Financial Services Agreement and to agree to any amendment to any of the terms of the Financial Services Agreement which in the opinion of the Directors is not of a material nature and is in the interests of the Company.”

2. “**THAT** Mr. Guo Junfa be elected as an executive Director of the Company.”

As a special business, to consider and, if thought fit, pass with or without modifications the following resolution as special resolution of the Company:

### SPECIAL RESOLUTION

3. “**THAT** the amendments to the articles of association of the Company in the form of the document marked “A” produced to this meeting and, for the purpose of identification, signed by the chairman of this meeting, be and are hereby approved.”

Yours faithfully,

By order of the Board

**Guangdong Yueyun Transportation Company Limited**

**Zhang Li**

*Company Secretary*

Guangzhou, the PRC

22 October 2021

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## NOTICE OF EGM

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*Notes:*

1. In accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, all resolutions to be proposed, and if thought fit, to be passed at the EGM, shall be passed by way of poll.
  2. For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 8 November 2021 to 11 November 2021, both days inclusive, during which period no transfers of shares of the Company will be registered. Holders of H shares and domestic shares of the Company whose names appear on the register of members of the Company on 11 November 2021 are entitled to attend the EGM. All transfer documents accompanied by relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 5 November 2021.
  3. A Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote in his stead. A proxy need not to be a Shareholder of the Company.
  4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorized in writing. If the Shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorized attorney(s). If that instrument is signed by an attorney of the Shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.
  5. In order to be valid, the form of proxy together with the power of attorney or other authorization document (if any) must be deposited at the registered office of the Company (for holders of domestic shares of the Company) or at the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares of the Company) not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the EGM if he so wishes.
  6. Shareholders or their proxies attending the EGM shall produce their identity documents.
  7. As at the date of this notice, the Board comprises of Mr. Tang Yinghai, Mr. Yao Hanxiong and Mr. Huang Wenban as executive directors of the Company, Mr. Chen Min and Mr. Chen Chuxuan as non-executive directors of the Company, and Mr. Jin Wenzhou, Ms. Lu Zhenghua, Ms. Wen Huiying and Mr. Zhan Xiaotong as independent non-executive directors of the Company.
- \* *For identification purposes only*