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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)

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

On 28 December 2021, Zhuhai Gongyun entered into (i) the Lease Agreements for 2022, each for a term of one year commencing on 1 January 2022 and expiring on 31 December 2022; and (ii) the Lease Agreement for 2022 to 2024 for a term of three years commencing on 1 January 2022 and expiring on 31 December 2024.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, GCGC is the controlling shareholder of the Company, holding approximately 74.12% of the total issued shares of the Company. Each of Kee Kwan and Guangdong Gongbei is a wholly owned subsidiary of GCGC. As such, each of Kee Kwan and Guangdong Gongbei is an associate of GCGC and therefore a connected person of the Company. Accordingly, the Lease Agreements for 2022 and the Lease Agreement for 2022 to 2024 and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Additionally, as transactions under the Lease Agreement for 2022 to 2024 will be carried out on a continuing basis, the Lease Agreement for 2022 to 2024 and the transactions contemplated thereunder also constitute continuing connected transactions/ connected transaction of the Company under chapter 14A of the Listing Rules.

Pursuant to IFRS 16, the transactions contemplated under the Lease Agreement for 2022 to 2024 by the Group will require the Group to recognise the properties thereunder as the right-of-use assets, thus by entering into the Lease Agreement for 2022 to 2024, the transactions contemplated under the Lease Agreement for 2022 to 2024 will be regarded as an acquisition of assets by the Group under Chapter 14 of the Listing Rules. As each of the Lease Agreements for 2022 has a lease term of 12 months, the Group has elected not to recognise right-of-use assets and lease liabilities associated with the leases under the Lease Agreements for 2022.

As the highest applicable percentage ratios in respect of the total amount of rent under the Lease Agreements for 2022 and the right-of-use assets under the Lease Agreement for 2022 to 2024 on aggregation basis exceeds 0.1% but is less than 5%, the Lease Agreements for 2022 and the Lease Agreement for 2022 to 2024 and the transactions contemplated thereunder are subject to announcement and reporting requirements but are exempt from the independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. As the Lease Agreement for 2022 to 2024 also constitutes continuing connected transactions of the Company under chapter 14A of the Listing Rules, the transactions contemplated thereunder are also subject to annual review requirements under the listing Rules.

INTRODUCTION

On 28 December 2021, Zhuhai Gongyun entered into (i) the Lease Agreements for 2022, each for a term of one year commencing on 1 January 2022 and expiring on 31 December 2022; and (ii) the Lease Agreement for 2022 to 2024 for a term of three years commencing on 1 January 2022 and expiring on 31 December 2024.

LEASE AGREEMENTS FOR 2022

The principal terms of each of the Lease Agreements for 2022 are set forth below:

1. Lease Agreement for 2022 in respect of Premises 1

Date:	28 December 2021
Parties:	(1) Kee Kwan (as lessor); and (2) Zhuhai Gongyun (as lessee).
Premises:	Office premises situated at Haotong Dock, Nanwan South Road, Xiangzhou, Zhuhai with a gross floor area of 400 sq.m. (“ Premises 1 ”)
Term:	From 1 January 2022 to 31 December 2022. Upon expiration of the term and subject to compliance with the Listing Rules, Zhuhai Gongyun has the first right to renew the lease provided that it shall give not less than 30 days prior notice in writing to Kee Kwan before expiration of the term. The rent and fees for the renewal will be determined separately.
Rent and other fees:	The monthly rent and fees payable by Zhuhai Gongyun are RMB6,000 (tax inclusive), which shall be settled on a monthly basis. During the term of the lease, the rent and fees for the respective month shall be payable by Zhuhai Gongyun to Kee Kwan before the fifth day of each calendar month. Water, electricity, telephone, network and internet charges and other expenses incurred by Zhuhai Gongyun shall be borne by Zhuhai Gongyun. The monthly rent and fees payable were determined after arm’s length negotiation taking into account the actual requirements of the lessee, the market prices of the regions and/or the rental fees charged by an independent third party for the leasing the premises of similar size at the same or nearby locations.
Deposit:	The deposit is RMB12,000, which is non-interest bearing and shall be returned to the lessee (subject to deduction, if applicable) upon the expiration of the agreement without interest.

2. Lease Agreement for 2022 in respect of Premises 2

Date:	28 December 2021
Parties:	(1) Kee Kwan (as lessor); and (2) Zhuhai Gongyun (as lessee).
Premises:	Various parking spaces under the dam of Zhuxiangdong Reservoir, Nanwan Avenue, Wanzai, Zhuhai (“ Premises 2 ”)
Term:	From 1 January 2022 to 31 December 2022. Upon expiration of the term and subject to compliance with the Listing Rules, Zhuhai Gongyun has the first right to renew the lease provided that it shall give not less than 30 days prior notice in writing to Kee Kwan before expiration of the term. The rent and fees for the renewal will be determined separately.
Rent and other fees:	<p>The monthly rent and fees payable by Zhuhai Gongyun are RMB1,500 (tax inclusive) per parking space, which shall be settled on a monthly basis.</p> <p>During the term of the lease, the rent and fees for the respective month shall be payable by Zhuhai Gongyun to Kee Kwan before the fifth day of each calendar month.</p> <p>Water, electricity, telephone, network and internet charges and other expenses incurred by Zhuhai Gongyun shall be borne by Zhuhai Gongyun.</p> <p>The Company estimated that a maximum of 70 parking spaces will be leased from Kee Kwan per month under the Lease Agreement for 2022 in respect of Premises 2 for the year ending 31 December 2022 based on the business needs of Zhuhai Gongyun. As such, the maximum monthly rent and fees payable by Zhuhai Gongyun under the Lease Agreement for 2022 in respect of Premises 2 would be RMB105,000 (tax inclusive). The monthly rent and fees payable were determined after arm’s length negotiation with reference to market prices and the rent and fees payable for a particular month will depend on the business needs of the Group and the ultimate number of parking spaces to be leased from Kee Kwan for that month.</p>
Deposit:	The total deposit is RMB100,000, which is non-interest bearing and shall be returned to the lessee (subject to deduction, if applicable) upon the expiration of the agreement without interest.

3. Lease Agreement for 2022 in respect of Premises 3

- Date: 28 December 2021
- Parties: (1) Guangdong Gongbei (as lessor); and
(2) Zhuhai Gongyun (as lessee).
- Premises:
1. Commercial premises situated at first floor of the waiting room of Gongbei Coach Station, No. 1 Lianhua Road, Gongbei, Zhuhai with a gross floor area of 200 sq.m.
 2. Parking space situated at parking lot of Gongbei Coach Station, No. 1 Lianhua Road, Gongbei, Zhuhai with a gross floor area of 3,500 sq.m.
 3. Commercial premises situated at second floor of the waiting room of Gongbei Coach Station, No. 1 Lianhua Road, Gongbei, Zhuhai with a gross floor area of 420 sq.m.
 4. Office premises situated at first floor of the side wing of Gongbei Coach Station, No. 1 Lianhua Road, Gongbei, Zhuhai with a gross floor area of 30 sq.m.
- (collectively, “**Premises 3**”)
- Term: From 1 January 2022 to 31 December 2022. Upon expiration of the term and subject to compliance with the Listing Rules, Zhuhai Gongyun has the first right to renew the lease provided that it shall give not less than 30 days prior notice in writing to Guangdong Gongbei before expiration of the term. The rent and fees for the renewal will be determined separately.
- Rent and other fees: The monthly rent and fees payable by Zhuhai Gongyun are RMB197,000 (tax inclusive), which shall be settled on a monthly basis.
- During the term of the lease, the rent and fees for the respective month shall be payable by Zhuhai Gongyun to Guangdong Gongbei before the fifth day of each calendar month.
- Water, electricity, telephone, network and internet charges, security fee, maintenance fee and other expenses incurred by Zhuhai Gongyun shall be borne by Zhuhai Gongyun.
- The monthly rent and fees payable were determined after arm’s length negotiation taking into account the actual requirements of the lessee, the market prices of the regions and/or the rental fees charged by an independent third party for the leasing the premises of similar size at the same or nearby locations.
- Deposit: The total deposit is RMB619,200, which is non-interest bearing and shall be returned to the lessee (subject to deduction, if applicable) upon the expiration of the agreement without interest.

LEASE AGREEMENT FOR 2022 TO 2024

The principal terms of the Lease Agreement for 2022 to 2024 are set forth below:

- Date: 28 December 2021
- Parties: (1) Kee Kwan (as lessor); and
(2) Zhuhai Gongyun (as lessee).
- Premises: Commercial premises situated at area E2-2 of Basement Level 2, Port Plaza, Yingbin Avenue, Gongbei, Zhuhai with a gross floor area of 800 sq.m. (“**Premises 4**”)
- Term: From 1 January 2022 to 31 December 2024. Upon expiration of the term and subject to compliance with the Listing Rules, Zhuhai Gongyun has the first right to renew the lease provided that it shall give not less than 30 days prior notice in writing to Kee Kwan before expiration of the term. The rent and fees for the renewal will be determined separately.
- Rent and other fees: The monthly rent and fees payable by Zhuhai Gongyun are RMB30,370.68 (tax inclusive), which shall be settled on a monthly basis.
- During the term of the lease, the rent and fees for the respective month shall be payable by Zhuhai Gongyun to Kee Kwan before the fifth day of each calendar month.
- Water, electricity, telephone, network and internet charges, security fee, maintenance fee and other expenses incurred by Zhuhai Gongyun shall be borne by Zhuhai Gongyun.
- The monthly rent and fees payable were determined after arm’s length negotiation taking into account the actual requirements of the lessee, the market prices of the regions and/or the rental fees charged by an independent third party for the leasing the premises of similar size at the same or similar locations.
- Having considered the above factors, the Directors expect that the total rental amounts payable by Zhuhai Gongyun under the Lease Agreement for 2022 to 2024 for the three years ending 31 December 2024 will not exceed RMB364,500, RMB364,500 and RMB364,500, respectively.
- Deposit: The total deposit is RMB147,400, which is non-interest bearing and shall be returned to the lessee (subject to deduction, if applicable) upon the expiration of the agreement without interest.

Basis of determining the proposed Annual Cap under the Lease Agreement for 2022 to 2024

The proposed Annual Cap for each of three years ending 31 December 2022, 2023 and 2024 was determined after arm's length negotiation, taking into account the actual requirements of the lessee, the market prices of the regions and/or the rental fees charged by an independent third party for leasing the premises of similar size at the same or similar locations.

Pursuant to the PRC Accounting Standards for Business Enterprises No. 21 - Leases, the lease of Premises 4 by Zhuhai Gongyun as lessee under the Lease Agreement for 2022 to 2024 will be recognised as right-of-use assets. The aggregate value of the right-of-use assets recognised under the Lease Agreement for 2022 to 2024 is estimated to be RMB936,853.40, which is calculated by discounting the estimated total rental of the future years by a discount rate of 4.75% which is equivalent to the Company's incremental borrowing rate.

INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

In addition to compliance with the requirements on annual review by external auditors and independent non-executive Directors under the Listing Rules in respect of the Group's continuing connected transactions, the Company has set up the discipline inspection and audit department and the securities and legal department of the Company in charge of internal control and risk management to perform internal review and control over the continuing connected transactions of the Company, including reviewing contracts signed between the Company and connected persons, supervising the performance of procedures prior to signing of the relevant contracts as well as the fulfilment of transactions thereunder, regularly inspecting specific terms of the Company's transactions with connected persons and comparing with the terms of the same type transactions of the Company entered into with non-connected persons, to ensure that the pricing and other contract terms for the Group's continuing connected transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders and that the continuing connected transactions are conducted as agreed in the contracts and in compliance with the laws and regulations.

The supervisory committee of the Company operates independently of the Board and performs supervisory duties over the Board, senior management and the Company. It conducts annual review over the Group's connected transactions and expresses its opinions in the annual supervisors' report regarding whether such connected transactions would damage the interests of the Shareholders and the Company.

The audit and corporate governance committee of the Company holds interim and annual meetings with its external auditors to, among other things, review and discuss the Group's connected transactions and make recommendations and provide advices to the Company in respect of matters discovered.

To ensure the continuing connected transactions do not exceed the annual caps, the relevant business departments of the Company and its subsidiary shall fill in and submit a monthly statistical chart for continuing connected transactions to the securities and legal department and the finance department of the Company for summary, analysis and follow-up. In the event that the amount of the continuing connected transactions incurred and to be incurred for a financial year is expected to possibly reach the annual caps, the securities and legal department of the Company will follow up forthwith by reporting and proposing a response to the management of the Company, and in case that an amendment to the annual caps is required, report particulars to the Board and hold a Board meeting for considering the matters thereabout to ensure compliance of the requirements under the Listing Rules.

The Company arranges compliance trainings for the Directors, supervisors, senior management and staff from the relevant departments of the Company and its subsidiary from time to time, primarily focusing on the rules relating to connected transactions under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENTS FOR 2022 AND THE LEASE AGREEMENT FOR 2022 TO 2024

Zhuhai Gongyun is a wholly owned subsidiary of the Company. It is principally engaged in passenger transportation service, charter coach, operation of bus terminals and tourist transportation service. In order to maintain a smooth daily operation in relevant areas, Zhuhai Gongyun needs to lease offices, commercial premises and parking spaces from third parties. As the terms offered by Kee Kwan and Guangdong Gongbei are more favourable than those available from independent third parties and having considered the flexibility in the leasing arrangement and the optimal geographic locations of those leased premises, the Group entered into the Lease Agreements for 2022 and the Lease Agreement for 2022 to 2024. The rent and fees payable by the Group under each of the Lease Agreements for 2022 and the Lease Agreement for 2022 to 2024 were determined between the parties after arm's length negotiations by reference to the prevailing market prices, being the relevant prices charged by independent third parties on normal commercial terms for leasing similar properties at the same or nearby locations.

The Directors (including the independent non-executive Directors) are of the view that the Lease Agreements for 2022 and the Lease Agreement for 2022 to 2024 were entered into in the ordinary and usual course of business of the Group, the transactions contemplated under the Lease Agreements for 2022 and the Lease Agreement for 2022 to 2024 were on normal commercial terms, and the transaction amounts mentioned above and the terms of the Lease Agreements for 2022 and the Lease Agreement for 2022 to 2024 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Guo Junfa, an executive Director of the Company, serves as the assistant to the general manager of GCGC. Mr. Chen Min, a non-executive Director of the Company, is the general counsel of GCGC. Mr. Chen Chuxuan, a non-executive Director of the Company, serves as the deputy chief accountant and head of the strategic development department of GCGC. Therefore, they are deemed to have established business relationship with GCGC and its associates. Each of Mr. Guo Junfa, Mr. Chen Min and Mr. Chen Chuxuan has abstained from voting on the resolution approving the Lease Agreements for 2022 and the Lease Agreement for 2022 to 2024 and the transactions thereunder. Save as disclosed above, none of the other Directors has any material interest in the Lease Agreements for 2022 and the Lease Agreement for 2022 to 2024 and none of them was required to abstain from voting on the relevant resolution.

INFORMATION OF THE PARTIES INVOLVED

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 the provision of travel service business.

Zhuhai Gongyun

Zhuhai Gongyun is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in passenger transportation service, charter coach, operation of bus terminals and tourist transportation service.

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 date of this announcement. GCGC is a state-owned enterprise in the PRC and is wholly-owned by Guangdong State-owned Asset Commission. 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.

Kee Kwan

Kee Kwan is a company established in the PRC with limited liability and a wholly-owned subsidiary of GCGC. It is principally engaged in passenger and freight transportation in expressways.

Guangdong Gongbei

Guangdong Gongbei is a company established in the PRC with limited liability and a wholly-owned subsidiary of Kee Kwan, which in turn is a wholly-owned subsidiary of GCGC. It is principally engaged in the transportation, leasing and management of ancillary properties as well as hotel management services, etc.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, GCGC is the controlling shareholder of the Company, holding approximately 74.12% of the total issued shares of the Company. Each of Kee Kwan and Guangdong Gongbei is a wholly owned subsidiary of GCGC. As such, each of Kee Kwan and Guangdong Gongbei is an associate of GCGC and therefore a connected person of the Company. Accordingly, the Lease Agreements for 2022 and the Lease Agreement for 2022 to 2024 and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Additionally, as transactions under the Lease Agreement for 2022 to 2024 will be carried out on a continuing basis, the Lease Agreement for 2022 to 2024 and the transactions contemplated thereunder also constitute continuing connected transactions/connected transaction of the Company under chapter 14A of the Listing Rules.

Pursuant to IFRS 16, the transactions contemplated under the Lease Agreement for 2022 to 2024 by the Group will require the Group to recognise the properties thereunder as the right-of-use assets, thus by entering into the Lease Agreement for 2022 to 2024, the transactions contemplated under the Lease Agreement for 2022 to 2024 will be regarded as an acquisition of assets by the Group under Chapter 14 of the Listing Rules. As each of the Lease Agreements for 2022 has a lease term of 12 months, the Group has elected not to recognise right-of-use assets and lease liabilities associated with the leases under the Lease Agreements for 2022.

As the highest applicable percentage ratios in respect of the total amount of rent under the Lease Agreements for 2022 and the right-of-use assets under the Lease Agreement for 2022 to 2024 on aggregation basis exceeds 0.1% but is less than 5%, the Lease Agreements for 2022 and the Lease Agreement for 2022 to 2024 and the transactions contemplated thereunder are subject to announcement and reporting requirements but are exempt from the independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. As the Lease Agreement for 2022 to 2024 also constitutes continuing connected transactions of the Company under chapter 14A of the Listing Rules, the transactions contemplated thereunder are also subject to annual review requirements under the listing Rules.

DEFINITIONS

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

“Annual Cap”	the maximum aggregate annual amount payable by Zhuhai Gongyun under the Lease Agreement for 2022 to 2024
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Guangdong Yueyun Transportation Company Limited* (廣東粵運交通股份有限公司) (Stock Code: 3399), 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
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“GCCG”	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

“Group”	the Company and its subsidiaries
“Guangdong Gongbei”	Guangdong Gongbei Vehicles Transportation Company Limited* (廣東省拱北汽車運輸有限責任公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of GCGC
“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 they are listed on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Kee Kwan”	Kee Kwan Motor Road Company Limited* (岐關車路有限公司), a company established in the PRC and a wholly-owned subsidiary of GCGC
“Lease Agreement for 2022 in respect of Premises 1”	the lease agreement entered into between Kee Kwan (as lessor) and Zhuhai Gongyun (as lessee) in relation to the lease of Premises 1 (as defined in the paragraph headed “ Lease Agreement for 2022 in respect of Premises 1 ” in this announcement) on 28 December 2021
“Lease Agreement for 2022 in respect of Premises 2”	the lease agreement entered into between Kee Kwan (as lessor) and Zhuhai Gongyun (as lessee) in relation to the lease of Premises 2 (as defined in the paragraph headed “ Lease Agreement for 2022 in respect of Premises 2 ” in this announcement) on 28 December 2021
“Lease Agreement for 2022 in respect of Premises 3”	the lease agreement entered into between Guangdong Gongbei (as lessor) and Zhuhai Gongyun (as lessee) in relation to the lease of Premises 3 (as defined in the paragraph headed “ Lease Agreement for 2022 in respect of Premises 3 ” in this announcement) on 28 December 2021
“Lease Agreement for 2022 to 2024”	the lease agreement entered into between Kee Kwan (as lessor) and Zhuhai Gongyun (as lessee) in relation to the lease of Premises 4 (as defined in the paragraph headed “ Lease Agreement for 2022 to 2024 ” in the announcement) on 28 December 2021
“Lease Agreements for 2022”	collectively, the Lease Agreement for 2022 in respect of Premises 1, the Lease Agreement for 2022 in respect of Premises 2 and the Lease Agreement for 2022 in respect of Premises 3
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong, the Macau Special Administration of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhuhai Gongyun”	Zhuhai Gongyun Coach Terminal Company Limited* (珠海市拱運汽車客運站有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent.

By order of the Board
Guangdong Yueyun Transportation Company Limited
Guo Junfa
Chairman of the Board

Guangzhou, the PRC
28 December 2021

As at the date of this announcement, the Board comprises Mr. Guo Junfa, 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 purpose only*