

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

MAJOR AND CONNECTED TRANSACTION

MAJOR AND CONNECTED TRANSACTION

The Board is pleased to announce that on 10 August 2022, the Company and Guangdong Litong entered into the Equity Transfer Agreement in relation to the Equity Transfer, pursuant to which the Company has conditionally agreed to sell, and Guangdong Litong has conditionally agreed to acquire, 100% equity interest in Transportation Engineering, a wholly-owned subsidiary of the Company, at a total consideration of RMB216,637,157.08. Upon completion of the Equity Transfer, the Company will cease to hold any interest in Transportation Engineering, whose financial results will no longer be consolidated into the consolidated financial statements of the Company.

As at the date of this announcement, GCGC is the controlling shareholder of the Company, directly holding approximately 74.12% of the total issued share capital of the Company. As Guangdong Litong is a wholly owned subsidiary of GCGC, Guangdong Litong is therefore a connected person of the Company and the Equity Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Equity Transfer exceeds 25% but is less than 75%, the Equity Transfer constitutes a major transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Equity Transfer Agreement and the Equity Transfer contemplated thereunder. Vinco Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Equity Transfer Agreement and the Equity Transfer contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

General

An extraordinary general meeting will be convened by the Company to consider and, if thought fit, approve, among other things, the Equity Transfer Agreement and the Equity Transfer contemplated thereunder.

A circular containing, among other things, (i) further details of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder; (iv) certain financial information of the Group; and (v) a notice of the extraordinary general meeting, is expected to be despatched to the Shareholders on or around 21 September 2022, which is more than 15 business days after the publication of this announcement, as additional time is required for the preparation of certain information to be included in the circular.

The Board is pleased to announce that on 10 August 2022, the Company and Guangdong Litong entered into the Equity Transfer Agreement in relation to the Equity Transfer, pursuant to which the Company has conditionally agreed to sell, and Guangdong Litong has conditionally agreed to acquire, 100% equity interest in Transportation Engineering, a wholly-owned subsidiary of the Company, at a total consideration of RMB216,637,157.08.

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are as follows:

Date

10 August 2022

Parties

Seller: the Company

Buyer: Guangdong Litong

Subject of Transfer

100% equity interest in Transportation Engineering, a wholly-owned subsidiary of the Company

Consideration and Payment Terms

The total consideration of Equity Transfer is RMB216,637,157.08, which was determined after arm's length negotiations between the Company and Guangdong Litong with reference to the valuation of 100% equity interest in Transportation Engineering as at the Benchmark Date determined by an independent third party valuer, Guangdong Caixing Asset Evaluation and Land & Real Estate Appraisal Co., Ltd. (廣東財興資產評估土地房地產估價有限公司) using the asset-based approach as set out in the Asset Appraisal Report (Cai Xing Zi Ping Zi (2022) No. 158).

As at the Benchmark Date, the book value of all assets of Transportation Engineering was RMB39,858,566.36, with an appraised value of RMB347,519,913.64, representing an appreciation of RMB307,661,347.28 and an appreciation value of 771.88%; the book value of liabilities was RMB50,764,287.16, with appraised value of RMB130,882,756.56; the book value of net assets was RMB-10,905,720.80, with an appraised value of RMB216,637,157.08, representing an appreciation of RMB227,542,877.88. The appreciation was mainly due to the appreciation of investment properties and fixed assets. The main reason for the appreciation was that the land of 23,434.00m² in investment properties which was originally industrial land was subsequently included in the scope of the "Three-old Redevelopment", and the land use was adjusted from industrial land to commercial land, road and green land. The valuation was carried out according to the regulated land use after land adjustment, thus resulting in the appreciation.

Guangdong Litong shall pay the total consideration for the Equity Transfer in one lump sum to the Company within 20 working days from the effective date of the Equity Transfer Agreement.

As at the Benchmark Date, the total principal and interest of the loan owed to the Company by Transportation Engineering amounted to RMB46,866,700, of which the principal of interest-free loan amounted to RMB40,800,000, the principal of interest-bearing loan amounted to RMB6,000,000 (at an interest rate of 4.35% per annum), and the interest amounted to RMB66,700. Guangdong Litong agreed to provide shareholder's loan to Transportation Engineering for the repayment of the principal and interest of the loan owed to the Company by Transportation Engineering on the date of completion of the industrial and commercial registration of the Equity Transfer. The specific repayment amount shall be subject to the principal and interest of the loan as at the date of change of industrial and commercial registration as confirmed by Transportation Engineering and the Company.

Debt Interests and Liabilities and Profit or Loss

Before and after the transfer of 100% equity interest in Transportation Engineering, the debt interests and liabilities of Transportation Engineering shall continue to be enjoyed and borne by Transportation Engineering, respectively.

Commencing from 1 January 2022 (i.e. the day immediately after the Benchmark Date), all profits and losses incurred by Transportation Engineering shall be enjoyed and borne by Guangdong Litong.

The debt of the Transportation Engineering incurred prior to the Benchmark Date (including the Benchmark Date) and not disclosed in the net asset assessment audit report and assets appraisal report shall be borne by the Company, and therefore if there are any losses arising therefrom to Guangdong Litong or Transportation Engineering after the completion of the Equity Transfer, Guangdong Litong or Transportation Engineering shall have the right to recover from the Company.

Conditions Precedent

The validity of the Equity Transfer Agreement is subject to the satisfaction of all of the following conditions:

- the Equity Transfer Agreement having been duly entered into by the parties thereto;
- Guangdong Litong having obtained appropriate internal approval for the Equity Transfer;
- the Company having obtained the approvals of the Board and the Independent Shareholders at the extraordinary general meeting in respect of the Equity Transfer; and
- the asset appraisal report having been filed with GCGC.

Completion

Completion of the Equity Transfer shall take place within 20 working days from the effective date of the Equity Transfer Agreement (i.e. the date on which all the conditions precedent to the Equity Transfer Agreement are satisfied). The parties agreed to proceed with the registration of the change of Equity Transfer with the relevant government authorities in accordance with the relevant national, provincial and municipal regulations and the Equity Transfer Agreement.

The parties agreed that the Benchmark Date of the Equity Transfer shall be 31 December 2021. The completion date of the Equity Transfer shall be the date of completion of the change of industrial and commercial registration of the Equity Transfer.

Guangdong Litong agreed to assume the responsibility as a contributor to the capital of Transportation Engineering in accordance with the applicable laws upon the transfer of equity interest in Transportation Engineering.

USE OF PROCEEDS FROM THE EQUITY TRANSFER AND FINANCIAL EFFECTS OF THE EQUITY TRANSFER

The Company intends to use the net proceeds from the Equity Transfer to repay the Company's debt so as to relieve its funding pressure.

The Group expects to accrue a gain before tax of approximately RMB226,770,635.54 in relation to the disposal, which is calculated based on the consideration for the disposal less the relevant portion of the book value of net assets of Transportation Engineering attributed to the Group as at 30 June 2022. The actual gain or loss arising from the Equity Transfer will be recorded by the Company and is subject to the audit of the consolidated financial statements of the Group by the auditors of the Company.

Upon completion of the Equity Transfer, the Company will cease to hold any interest in Transportation Engineering, whose financial results will no longer be consolidated into the consolidated financial statements of the Company.

INFORMATION ON TRANSPORTATION ENGINEERING

Transportation Engineering is a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company. Transportation Engineering is principally engaged in property rental, car park operation and property management businesses.

Based on the audited consolidated financial statements of Transportation Engineering prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, the consolidated financial information of Transportation Engineering for the two years ended 31 December 2020 and 31 December 2021 are as follows:

	For the year	
	ended 31 December	
	2021	2020
	<i>(audited)</i>	<i>(audited)</i>
	<i>(RMB)</i>	<i>(RMB)</i>
Profit before tax	1,306,469.66	644,911.06
Profit after tax	1,163,070.69	430,594.17

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER

The Equity Transfer is beneficial to enable the Company to focus on its principle business and reasonably coordinate relevant business assets to achieve economies of scale. In addition, the proceeds from the Equity Transfer will be used to repay the Company's debt, which is conducive to alleviating the Company's funding pressure and safeguarding the common interests of all stakeholders.

DIRECTORS' OPINIONS

The Directors are of the view that the Equity Transfer Agreement and the Equity Transfer contemplated thereunder, though not entered into in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Guo Junfa, an executive Director of the Company, is the assistant to the general manager of GCGC. Mr. Chen Min, a non-executive Director, is the general counsel of GCGC. Mr. Chen Chuxuan, a non-executive Director, is the deputy chief accountant and the head of the strategic development department of GCGC. Therefore, they are deemed to be materially interested in the Equity Transfer Agreement. Mr. Guo Junfa, Mr. Chen Min and Mr. Chen Chuxuan have abstained from voting on the resolution approving the Equity Transfer Agreement and the Equity Transfer contemplated thereunder. Save as disclosed above, none of the other Directors has any material interest in the Equity Transfer Agreement and the Equity Transfer contemplated thereunder and is therefore required to abstain from voting on the relevant resolution.

INFORMATION ON OTHER PARTIES

The Group

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

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 Supervision and Administration 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.

Guangdong Litong

Guangdong Litong is principally engaged in integrated development and operation business by providing land and other supporting resources through coordinating the planning, development and management of land and property resources, with a focus on the development of land along expressways and urban integrated commercial complexes and the cultivation of platforms.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, GCGC is the controlling shareholder of the Company, directly holding approximately 74.12% of the total issued share capital of the Company. As Guangdong Litong is a wholly owned subsidiary of GCGC, Guangdong Litong is therefore a connected person of the Company and the Equity Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Equity Transfer exceeds 25% but is less than 75%, the Equity Transfer constitutes a major transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Equity Transfer Agreement and the Equity Transfer contemplated thereunder. Vinco Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Equity Transfer Agreement and the Equity Transfer contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GENERAL

An extraordinary general meeting will be convened by the Company to consider and, if thought fit, approve, among other things, the Equity Transfer Agreement and the Equity Transfer contemplated thereunder.

A circular containing, among other things, (i) further details of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder; (iv) certain financial information of the Group; and (v) a notice of the extraordinary general meeting, is expected to be despatched to the Shareholders on or around 21 September 2022, which is more than 15 business days after the publication of this announcement, as additional time is required for the preparation of certain information to be included in the circular.

DEFINITIONS

“Benchmark Date”	31 December 2021
“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), 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 (Stock Code: 03399)
“connected person(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
“Equity Transfer”	proposed transfer of 100% equity interest in Transportation Engineering by the Company to Guangdong Litong pursuant to the Equity Transfer Agreement entered into between the Company and Guangdong Litong on 10 August 2022
“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
“Group”	the Company and its subsidiaries from time to time
“Guangdong Litong”	Guangdong Litong Development and Investment Company Limited* (廣東利通發展投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of GCGC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors in accordance with the Listing Rules to advise the Independent Shareholders on the Equity Transfer Agreement and the Equity Transfer contemplated thereunder

“Independent Financial Advisor” or “Vinco Financial”	Vinco Financial 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 Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), which will be appointed by the Company as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the Equity Transfer Agreement and the major and connected transaction in relation to the Equity Transfer contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole
“Independent Shareholder(s)”	Shareholders of the Company in relation to the resolution approving the Equity Transfer Agreement and the Equity Transfer contemplated thereunder, excluding GCGC and its associates
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of share(s) of the Company
“Transportation Engineering”	Guangdong Province Transportation Engineering Company Limited (廣東省交通工程有限公司), a company established in the PRC with limited liability, which will become a subsidiary of Guangdong Litong after the completion of the transaction
“%”	percentage

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

Guangzhou, the People’s Republic of China
10 August 2022

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