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If you have sold or transferred all your shares in Guangdong Yueyun Transportation Company Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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)

- (1) RENEWAL OF ANNUAL CAPS FOR EXISTING CONTINUING
CONNECTED TRANSACTIONS**
- (2) REVISION OF ANNUAL CAP FOR YEAR 2022 FOR THE RESCUE
SERVICES AND**
- (3) NOTICE OF 2022 THIRD EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders

VINCO 榮高

Vinco Financial Limited

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 5 to 25 of this circular. A letter from the Independent Board Committee is set out on page 26 to 27 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 48 of this circular.

A notice convening the EGM to be held at 24/F, Yueyun Building, No. 3 Zhongshan Second Road, Guangzhou, Guangdong Province on Wednesday, 30 November 2022 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM (which has also been sent to the Shareholders on 10 November 2022) 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 purpose only*

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DEFINITIONS

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

“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: 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
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions Agreements”	collectively, the First Right of Operation Agreement, and the Rescue Services Entrustment Master Agreement
“Continuing Connected Transactions for 2023 to 2025”	the Continuing Connected Transactions for 2023 to 2025 contemplated under the Continuing Connected Transactions Agreements by the Group
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened on 30 November 2022 to consider and, if thought fit, approve, among other things, the proposals in respect of (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services
“Expressway Advertisement Subcontracting Arrangements”	the individual expressway advertisement subcontracting arrangements and relevant implementation agreements entered into and/or proposed to be entered into by the Group pursuant to the First Right of Operation Agreement

DEFINITIONS

“Expressway Service Subcontracting Arrangements”	the individual expressway service subcontracting arrangements and relevant implementation agreements entered into and/or proposed to be entered into by the Group pursuant to the First Right of Operation Agreement
“First Right of Operation Agreement”	an agreement dated 15 September 2005 between the Company and GCGC under which GCGC has granted to the Company a first right to operate the expressway service zones on the expressways controlled by the GCGC Group, as amended and supplemented by the Supplemental First Right of Operation Agreement
“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 associates
“General Pricing Principles”	<p>general principles for determination of prices as follows:</p> <ol style="list-style-type: none">(1) State-prescribed prices, being the prices set by any relevant laws, regulations, decisions or orders issued by the relevant authorities of the Chinese government or set by such authorities in respect of the relevant kind of service or product;(2) where there is no State-prescribed price, then according to the State-reference prices, being the prices determined by the parties within the price ranges set by any relevant laws, regulations, decisions or orders issued by the relevant authorities of the Chinese government or set by such authorities in respect of the relevant kind of service or product;(3) where there is no State-reference price, then according to the relevant market prices, being the prices at which comparable services or products are provided by independent third parties in same or surrounding areas in the ordinary course of business; and(4) where there is no relevant market price, then according to the reasonable cost incurred for provision of the relevant services or products plus a reasonable profit margin.

DEFINITIONS

“Group”	the Company and its subsidiaries
“Guangdong Province”	the Guangdong Province of the PRC
“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 PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors pursuant to Listing Rules to advise the Independent Shareholders on proposals in relation to (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services
“Independent Financial Adviser” 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) and being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on proposals in respect of (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services
“Independent Shareholder(s)”	Shareholder(s) other than GCGC and its associates
“Latest Practicable Date”	7 November 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Proposed Annual Cap(s)”	the proposed annual cap(s) for the year(s) ending 31 December 2023, 2024 and/or 2025 (as the case may be)
“PRC”	the People’s Republic of China, which for the purpose of this circular, excluding Hong Kong, the Macau Special Administration of the People’s Republic of China and Taiwan
“Rescue Services Entrustment Master Agreement”	a master agreement dated 30 September 2013 between the Company and GCGC in relation to provision of rescue services by the Group to the GCGC Group
“Revised Annual Cap”	the revised annual cap for the continuing connected transactions for the years ending 31 December 2022 under the Rescue Services Entrustment Master Agreement
“Revision of Annual Cap for Year 2022 for the Rescue Services”	the proposed revision of the annual cap(s) for the continuing connected transactions for the year ending 31 December 2022 under the Rescue Services Entrustment Master Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Securities and Legal Department”	the securities and legal department of the Company
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subcontracting Arrangements”	Expressway Advertisement Subcontracting Arrangements and Expressway Service Subcontracting Arrangements
“Supplemental First Right of Operation Agreement”	the supplemental agreement to the First Right of Operation Agreement dated 14 September 2018 entered into between the Company and GCGC
“%”	per cent

* *For identification purpose only*

LETTER FROM THE BOARD



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. Guo Junfa
Mr. Zhu Fang
Mr. Huang Wenban
Mr. Su Huacai
Mr. Hu Xianhua

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. Su Wujun
Ms. Huang Yuan
Mr. Shen Jialong
Mr. Zhang Xiangfa

10 November 2022

To the Shareholders

Dear Sir or Madam,

- (1) RENEWAL OF ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS**
- (2) REVISION OF ANNUAL CAP FOR YEAR 2022 FOR THE RESCUE SERVICES AND**
- (3) NOTICE OF 2022 THIRD EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 17 October 2022 in relation to, among other things, (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details on proposals relating to the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and Revision of Annual Cap for Year 2022 for the Rescue Services; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders on proposals in respect of the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and Revision of Annual Cap for Year 2022 for the Rescue Services; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of proposals on the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and Revision of Annual Cap for Year 2022 for the Rescue Services; (iv) other information as required under the Listing Rules; and (v) a notice convening the EGM.

II. RENEWAL OF ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS

A. Introduction

Reference is made to (1) the announcement of the Company dated 27 September 2019; and (2) the circular of the Company dated 14 November 2019, in relation to, among other things, the continuing connected transactions between the Group and the GCGC Group under the First Right of Operation Agreement and the Rescue Services Entrustment Master Agreement.

The Company has complied with the disclosure and Independent Shareholders' approval requirements under the Listing Rules in respect of the annual caps for the three years ending 31 December 2022 relating to the transactions conducted under the Subcontracting Arrangements entered into by the Group pursuant to the First Right of Operation Agreement. As the terms of such Subcontracting Arrangements run beyond 31 December 2022, the Company proposes to renew the annual caps for a further three years commencing on 1 January 2023 and ending 31 December 2025.

In addition, as the Rescue Services Entrustment Master Agreement will expire on 31 December 2022, the Company and GCGC agreed to renew the Rescue Services Entrustment Master Agreement for a further term of three years commencing on 1 January 2023 and ending on 31 December 2025, while the original terms of the Rescue Services Entrustment Master Agreement remain unchanged.

LETTER FROM THE BOARD

B. The First Right of Operation Agreement and the Transactions Contemplated Thereunder

Details of the transactions

Agreement:	The First Right of Operation Agreement
Parties:	(1) The Company (2) GCGC
Nature of transactions:	Pursuant to the First Right of Operation Agreement, GCGC has granted to the Company a first right to operate the expressway service zones on the expressways controlled by the GCGC Group.
Expressway Service Subcontracting Arrangements:	<p>Upon exercise of the above first right, members of the Group may enter into, and have previously entered into, Expressway Service Subcontracting Arrangements with the owner of the relevant expressways (i.e. the GCGC Group), for the right to operate the expressway service zone by the Group in consideration of subcontracting fees payable by the Group to the GCGC Group.</p> <p>The terms of the Expressway Service Subcontracting Arrangements are normally in line with the operating terms of the respective expressways.</p> <p>The contract sum of an implementation agreement charged by the GCGC Group are determined with reference to the following principles:</p> <ol style="list-style-type: none">(1) the value of the right of operation of the relevant expressway service zones as appraised by an independent valuer;(2) the discounted value of the total contracting fee calculated in proportion to the investment amount for different facilities at the relevant expressway service zones (using a discount rate based on the bank loan interest rate for the same period); or(3) the contract sum of a specific implementation agreement calculated at a certain percentage (usually at approximately 50%) of the net profits of the service zones as a whole.

LETTER FROM THE BOARD

In general, the Group shall take into account various factors and conduct arm's length commercial negotiations with GCGC Group to determine the contract sum for a specific implementation agreement through one of the above pricing principles. The contract sum of the implementation agreement divided by the number of contract year is the subcontracting fee allocated to each year within the effective period of the implementation agreement.

In particular, when determining the contract sum through pricing principle (1), the Company will consider the value of the operation right of the relevant expressway service zones as appraised by a qualified independent valuer as one of the factors in determining the subcontracting fees for a new expressway service subcontracting agreement to be entered into between our Group and GCGC Group. Prior to the entering into of the new expressway service subcontracting agreement, a qualified independent valuer, which will be a firm of PRC valuer acceptable by the relevant governmental authorities to conduct asset valuation including state-owned assets, will be engaged to conduct valuation of the operation right of the relevant expressway service zones. The relevant valuation report will be prepared in accordance with the requirements under the Asset Valuation Basic Standards issued by the Ministry of Finance of the PRC and the Practice Standards and Professional Ethics Standards on Assets Valuation issued by the China Appraisal Society. The valuation of the right to operate an expressway service area can only be practicable when the relevant reference information such as traffic flow, commercial development level and financial analysis is available. Therefore, the pricing principle (1) is generally applicable to certain road sections with relatively stable traffic flow and relatively mature operation in the surrounding service areas. The independent valuer may value the operating right with reference to other road sections with comparable traffic volumes and comparable commercial development levels.

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In determining the contract sum through pricing principle (2), the Company will make reference to the relevant investment amount of the expressway service area which should be determined based on the audit report issued by the independent auditor appointed by Transport Department of Guangdong Province. The amount of investment for each of the various facilities in the expressway service area stated in the audit report is a fixed amount. The Company will restate the investment amount of facilities according to different principles. In determining the contract sum of an expressway service subcontracting agreement relating to a certain expressway service zone, the contract sum equals to the discounted value of the sum of 100% of the investment amount of the operating facilities and 50% of the investment amount of the basic facilities in the relevant expressway service zones using the bank loan interest rate for the same period as the discount rate.

Different facilities at the relevant expressway service zones is generally restated and discounted according to the following principles:

- (1) for operating facilities (which include facilities directly used for operating services, including restaurants, malls, tuck shops, inns, gas stations and vehicle repair stations) in the service zones constructed with the investment of the expressway owner (i.e. the GCGC Group), 100% of the relevant investment amount is accounted for;
- (2) for basic facilities (which include facilities for satisfying service and management needs, including office and accommodation buildings, staff canteens, permanent water and electricity facilities and wastewater treatment facilities and relevant buildings) in the service zones constructed with the investment of the expressway owner (i.e. the GCGC Group), 50% of the relevant investment amount is accounted for;

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- (3) for public facilities (which include facilities for public services in the service zones, including deceleration lanes, ramps, car parks, public toilets, internal roads (including cross-section roads), plazas, greenery areas, monitoring systems, traffic signs and lines, lighting, slopes, side drains, retaining walls, etc.) in the service zones constructed with the investment of the expressway owner (i.e. the GCGC Group), the relevant investment amount is not accounted for.

Pricing principle (3) in determining the contract sum is usually applicable to remote areas, newly opened road sections with unsteady traffic flow. As there is no road section with comparable traffic volume and commercial development level as references, the profitability of the service areas of such road sections is unknown. Due to the possibility of loss in such remote areas, the valuation of the operation right will result in significant deviation. As such, the Company believes that it is fairer and more reasonable to share the net profit or loss equally and the risk equally in such case. Accordingly, the Board is of the view that the determination of the total amount of subcontracting fees of relevant contract based on the pricing principle (3) is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Subcontracting fees for each year are usually settled in July (or such other month as determined after negotiations between the parties) during the year.

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The Group shall carry out business negotiations and enter into the Expressway Service Subcontracting Arrangements with the GCGC Group with above basis for determination of the subcontracting fees.

In the process of business negotiations, depending on different expressways, the subcontracting fees are also determined on normal commercial terms after arms' length negotiation with reference to various factors such as location, traffic flow predication, business development level and financial analysis of relevant expressway service zones. The Group will consider whether the location of the road section where the service zone is located is in a region with a relatively high level of economic development. The higher the economic development of the location, the higher will be the pricing of the subcontracting fees; otherwise, the pricing will be lower. Meanwhile, the higher the forecast value of the traffic flow in the road section where the service zone is located, the more favorable is the operation of the service zone, and accordingly the subcontracting fees are higher; otherwise, the pricing will be lower. The higher the commercial maturity of the road section where the service zone is located, the easier it is to attract consumer groups, which is conducive to increasing the operating income of the service zone. Accordingly, subcontracting fees will be relatively higher; otherwise, the pricing will be lower. Therefore, by comprehensively considering the abovementioned circumstances, the Group determines the specific subcontracting fee with the owner through business negotiation. Therefore, the Board considers the subcontracting fees under the Expressway Service Subcontracting Arrangements are fair and reasonable.

LETTER FROM THE BOARD

Expressway Advertisement
Subcontracting Arrangements:

Upon exercise of the above first right, members of the Group may enter into, and have previously entered into Expressway Advertisement Subcontracting Arrangements with the owner of the relevant expressways (i.e. the GCGC Group) for the right to operate the expressway advertisement resources.

The basis for determination of the advertisement subcontracting fees charged by the GCGC Group is with reference to approximately 30% of the operating revenue from the advertisements (the specific percentage is subject to the location of the expressways and determined after negotiations between the parties, usually at approximately 30%) shall be payable to the owner of the relevant expressways (i.e. the GCGC Group) as subcontracting fees.

The Group and the owner of the relevant expressways shall review and approve the operating revenue from the advertisements for the previous year, and 30% of the operating revenue from the advertisements shall be payable to the owner of the relevant expressways by the Group as subcontracting fees within 15 working days (or other payment date as determined after negotiations between the parties) after confirmation.

The Group shall carry out business negotiations and enter into the Expressway Advertisement Subcontracting Arrangements with the GCGC Group with above basis for determination of the advertisement subcontracting fees.

In the process of business negotiations, depending on different expressways, the advertisement subcontracting fees are also determined on normal commercial terms after arms' length negotiation with reference to various factors such as location, traffic flow predication, business development level and financial analysis of relevant expressway service zones.

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According to the analysis of the previous transactions between the Group and GCGC Group in relation to the expressway advertising business, the operating costs of the advertising business include maintenance cost, depreciation, insurance expenses, electricity charges, expenses on screen production and others, accounting for approximately 20% of the revenue. Even with 30% of the revenue being deducted from the revenue and shared with the owner of the relevant expressways, the Company still enjoys a profit representing 50% of the revenue.

Additionally, the Group is entitled to the first right of operation but is not obligated to enter into Expressway Service Subcontracting Arrangements under the First Right of Operation Agreement. In the event the proposed subcontracting rate exceeds 50% of the Group's operating revenue and the Group is therefore not expected to generate any profit for the operation of the relevant expressway advertising resources, the Group will not exercise such first right to enter into the relevant Expressway Advertisement Subcontracting Arrangements in relation to operation of the relevant expressway advertising resources. Accordingly, the Board considers that the subcontracting fee for the Expressway Advertising Subcontracting Arrangements are fair and reasonable and is determined on normal commercial terms.

LETTER FROM THE BOARD

Historical transaction amounts, existing annual caps and Proposed Annual Caps

The table below sets out the historical transaction amounts, the existing annual caps and the Proposed Annual Caps relating to the Subcontracting Arrangements entered into and/or to be entered into by the Group pursuant to the First Right of Operation Agreement on an accumulated basis:

Year ended 31 December 2020		Year ended 31 December 2021		Year ending 31 December 2022			Year ending 31 December 2023	Year ending 31 December 2024	Year ending 31 December 2025
Annual cap (RMB'000)	Actual amount	Annual cap (RMB'000)	Actual amount	Annual cap (RMB'000)	Actual amount up to 31 August 2022 (RMB'000)	Estimated amount up to 31 December 2022 (RMB'000)	Proposed Annual cap (RMB'000)	Proposed Annual cap (RMB'000)	Proposed Annual cap (RMB'000)
265,930	173,326	280,937	198,066	288,739	170,632	235,340	277,270	288,430	298,480

The above Proposed Annual Caps were determined with references to: (i) the estimated value of transactions under new Subcontracting Arrangements that are expected to be entered into from 2023 to 2025; and (ii) the contractual sum and estimated value of transactions that are required to fulfill the obligations under the existing Subcontracting Arrangements.

As at the Latest Practicable Date, the Group had entered into 80 implementation agreements in respect of the Expressway Service Subcontracting Arrangements with the GCGC Group, pursuant to which the expected total amount payable by the Group to the GCGC Group is approximately RMB185,308,000, RMB189,229,000 and RMB192,112,000 for the years ending 31 December 2023, 2024 and 2025, respectively.

As at the Latest Practicable Date, the Group had entered into 67 implementation agreements in respect of the Expressway Advertisement Subcontracting Arrangements with the GCGC Group, pursuant to which the expected total amount payable by the Group to the GCGC Group is approximately RMB40,600,000, RMB47,840,000 and RMB55,010,000 for the years ending 31 December 2023, 2024 and 2025, respectively.

It is expected that during the period from 2023 to 2025, 8 expressways controlled by the GCGC Group will be expanded and an additional 15 pairs of expressway service zones built on the aforementioned expressways will commence operation. The Group will look to carry out business negotiations with the GCGC Group in respect of the first right of operation of such new expressway service zones and the expressway advertisement resources and enter into new Subcontracting Agreements accordingly. The estimated transaction amounts under such new Subcontracting Arrangements that are expected to be entered into from 2023 to 2025, are approximately RMB51,362,000, RMB51,361,000 and RMB51,358,000 for the years ending 31 December 2023, 2024 and 2025, respectively.

Having considered the basis of determination, the Board is of the view that the Proposed Annual Caps align with the Company's business objectives and needs.

LETTER FROM THE BOARD

Reasons for the transactions

The expressway service has been one of the Group's key businesses. In order to expand the network for the Group's expressway service operation, the Group will endeavour to subcontract new service zones and advertisement resources from expressway owners who may include the GCGC Group. Given the leading position of GCGC in the transportation network in the Guangdong Province, the Directors believe that it is in the interest of the Company to have a first right to operate new expressway service zones and advertisement resource network controlled by the GCGC Group so as to maintain the Group's leading position over other competitors in the Guangdong Province.

C. Rescue Services Entrustment Master Agreement And Transactions Contemplated Thereunder

Details of the transactions

Agreement:	The Rescue Services Entrustment Master
Agreement Parties:	(1) The Company (2) GCGC
Nature of transactions:	Pursuant to the Rescue Services Entrustment Master Agreement, the Group has agreed to provide the GCGC Group with the rescue services as described below: (1) vehicles towing services in the event of traffic accidents and malfunction of vehicles within the service area as stipulated under the relevant individual implementation agreements; (2) cleaning-up services on accident sites within the service area, namely, clearing of debris and oil spills and transportation of goods and passengers; (3) assistance in the management of cordoning of roads and maintaining traffic flow at the request of the traffic police department and the service provider; and (4) assistance in the maintenance of safety on accident sites.

LETTER FROM THE BOARD

Term:	The current term of the Rescue Services Entrustment Master Agreement will expire on 31 December 2022, which, subject to compliance with the relevant requirements under the Listing Rules, will be automatically renewed unless a notice of non-renewal is given by either party to the other party at least three months prior to the expiry of such term. The parties have agreed to renew the term of the Rescue Services Entrustment Master Agreement for a further term of three years commencing on 1 January 2023 and ending on 31 December 2025.
Condition:	The Rescue Services Entrustment Master Agreement and its performance are subject to compliance by the Company with any applicable disclosure and Shareholders' approval requirements in relation to connected transactions under the Listing Rules.
Individual implementation agreements:	The GCGC Group and the Group may enter into individual implementation agreements from time to time in respect of the provision of the rescue services upon specific terms in compliance with those of the Rescue Services Entrustment Master Agreement as agreed between the relevant parties.
Consideration:	Service fees for the rescue services are determined based on the General Pricing Principles. According to the General Pricing Principles, such consideration shall be based on State-prescribed prices, State-referenced prices, market price, or if market-price is not available, based on the reasonable cost incurred for provision of the relevant services or products plus a reasonable profit margin. Based on the Group's experience in past transactions with the GCGC Group, reasonable cost for the relevant services or products is determined in accordance with industry norms and the historical cost incurred for similar types of services or products, and a reasonable profit margin is based on the nature of services or products provided and the scale of the business operations. Based on analysis of the past transactions, the Group estimated the cost primarily comprising (i) wage cost; (ii) fuel cost and (iii) depreciation expenses, maintenance expenses, safety production expenses and office expenses. After arriving at an estimated cost, the Group added a mark-up in the range of 10% to 13%. Service fees for the rescue services are payable in such manner and in accordance with such timetable as agreed by the parties in the relevant individual implementation agreements.

LETTER FROM THE BOARD

Historical transaction amounts, existing annual caps and Proposed Annual Caps

The table below sets out the historical transaction amounts, the existing annual caps and the Proposed Annual Caps relating to the Rescue Services Entrustment Master Agreement:

Year ended 31 December 2020		Year ended 31 December 2021		Year ending 31 December 2022		Year ending 31 December 2023	Year ending 31 December 2024	Year ending 31 December 2025	
Annual cap (RMB'000)	Actual amount	Annual cap (RMB'000)	Actual amount	Annual cap (RMB'000)	Actual amount up to 31 August 2022 (RMB'000)	Estimated amount up to 31 December 2022 (RMB'000)	Proposed Annual cap (RMB'000)	Proposed Annual cap (RMB'000)	Proposed Annual cap (RMB'000)
86,958	61,863	86,202	74,945	69,261	62,148	136,000	168,780	128,050	129,330

The Proposed Annual Caps in relation to the provision of the rescue services was determined with references to (i) the length of the expressway which the rescue services are engaged to be provided; and (ii) the fee schedule for the provision of the rescue services.

In determining the proposed annual cap for the year ending 31 December 2023, the Company has mainly considered the following factors:

- (i) an estimated amount of approximately RMB112 million for transactions to be conducted during year 2023 in fulfilling the Group's obligations under existing individual implementation agreements subsisting at or beyond 31 December 2023 (the "**Existing Transactions**"), which was calculated based on the expressway milage and fee schedule set out in those individual implementation agreements;
- (ii) an estimated transaction amount of approximately RMB14.8 million calculated based on the expressway milage and fee schedule in new individual implementation agreements to be entered in 2023 ("**Expected Growth**"). Certain individual implementation agreements entered into between the Group and the GCGC Group will expire in 2023, and the Group expects to renew these individual implementation agreements with the GCGC Group and continue to provide rescue services to the GCGC Group to increase revenue; and

LETTER FROM THE BOARD

- (iii) a one-off subsidy of approximately RMB41 million to be granted by the GCGC Group as the controlling shareholder of the Company based on the mileage of expressways served by the Company in 2020 and 2021 (the “**one-off subsidy**”). The Company is currently negotiating with the GCGC Group on the one-off subsidy and is expected to reach an agreement within 2022. However, the actual disbursement of the subsidy may be completed in 2022 or deferred to 2023. If it is deferred to 2023, the actual transaction amount for rescue services to be provided by the Company in 2023 may be increased. The Board is of the view that it would be impractical or burdensome for the Company to revise the annual cap for 2022 and/or 2023 or to delay the disbursement of the subsidy after the disbursement schedule was finalised by the GCGC Group solely to comply with the Listing Rules. Therefore, the Board believes it is fair and reasonable to include the one-off subsidy in the Proposed Annual Cap for 2023.

In determining the Proposed Annual Caps for the year ending 31 December 2024 and 2025, the Group has mainly considered the following factors:

In determining the Proposed Annual Cap for 2024, the Group considers the estimated value of transactions to be conducted during year 2024 in fulfilling the Group’s obligations under the Rescue Services Entrustment Master Agreement will be approximate to the sum of the Existing Transactions and the Expected Growth in 2023, and the Company added less than 1% on this basis as a buffer. Similarly, in determining the Proposed Annual Cap for 2025, the Group added less than 1% of the Proposed Annual Cap for 2024 as a buffer against potential business growth.

The decrease in the Proposed Annual Caps for 2024 and 2025, as compared to the Proposed Annual cap for 2023, is due to the expectation that the one-off subsidies will be paid before the end of 2023, which is not expected to affect the actual transaction amount in 2024 and 2025. Therefore, the Proposed Annual Caps for 2024 and 2025 do not include the one-off subsidy.

Reasons for the transactions

Pursuant to the requirements of notices and rules promulgated by the relevant PRC governmental authorities, in order to maintain traffic flow and ensure timely rescue services in the event of accidents and vehicle malfunctions and to comply with the policies of the relevant government authorities, the Rescue Services Entrustment Master Agreement was entered into by the parties for the provision by the Group of rescue services in respect of expressways managed by the GCGC Group. The Group benefits from the Rescue Services Entrustment Master Agreement as the Group is entitled to receive service fees from the GCGC Group.

LETTER FROM THE BOARD

III. REVISION OF ANNUAL CAP FOR YEAR 2022 FOR THE RESCUE SERVICES

A. Introduction

As disclosed in the announcement of the Company dated 27 September 2019, the Company convened a Board meeting on 27 September 2019 and approved, among other things, the annual cap of RMB69,261,000 for the Rescue Services Entrustment Master Agreement for the year ending 31 December 2022.

According to the recent evaluation of the Company, it is expected that the annual cap of RMB69,261,000 for the continuing connected transactions for the year ending 31 December 2022 under the Rescue Services Entrustment Master Agreement will not be sufficient to satisfy the business need of the Company. Accordingly, the Board has decided to revise the existing annual cap for the year ending 31 December 2022 to RMB136,000,000. All terms and conditions of the Rescue Services Entrustment Master Agreement, including the pricing mechanism, remain unchanged except for the revision of the annual cap for the year ending 31 December 2022.

B. Historical Transaction Amounts, Existing Annual Cap and the Revised Annual Cap

Set out below are the historical transaction amounts, the existing annual caps and the Revised Annual Cap for year 2022 for the transactions contemplated under the Rescue Services Entrustment Master Agreement:

	Year ended 31 December 2020 (RMB'000)	Year ended 31 December 2021 (RMB'000)	For the period ended 31 August 2022 (RMB'000)
Historical transaction amounts	61,863	74,945	62,148

During the period from January 2022 to the Latest Practicable Date, the aggregate amount of the continuing connected transactions under the Rescue Services Entrustment Master Agreement has not exceeded the existing annual cap of RMB69,261,000 for the year ending 31 December 2022.

The Revised Annual Cap for the year ending 31 December 2022 for the continuing connected transactions under the Rescue Services Entrustment Master Agreement is RMB136,000,000.

The basis of the determination of the Revised Annual Cap is as follows:

- (i) the historical transaction amount for the period ended 31 August 2022;

LETTER FROM THE BOARD

- (ii) the expected additional expressway mileage in 2022 for the provision of rescue services under the individual implementation agreements relating to the provision of rescue services entered into in accordance with the Rescue Services Entrustment Master Agreement, increasing expressway mileage to be serviced by the Group to 7,001.57 kilometres from 6,965.74 kilometres;
- (iii) the increased fee schedule for the provision of rescue services for certain road sections; and
- (iv) the one-off subsidy granted to the Company by GCGC as the controlling shareholder of the Company based on the expressway mileage serviced by the Company in 2020 and 2021.

C. Reasons for and Benefits of the Revision of the Annual Cap for Year 2022

Pursuant to the requirements of notices and rules promulgated by the relevant PRC governmental authorities, in order to maintain traffic flow and ensure timely rescue services in the event of accidents and vehicle malfunctions and to comply with the policies of the relevant government authorities, the Rescue Services Entrustment Master Agreement was entered into by the parties for the provision by the Group of rescue services in respect of expressways managed by the GCGC Group. The Group benefits from the Rescue Services Entrustment Master Agreement as the Group is entitled to receive service fees from the GCGC Group. Having taken into account the basis of determination of the Revised Annual Cap as set out in the section headed “Historical Transaction Amounts, Existing Annual Cap and the Revised Annual Cap”, the Board considers that revision of annual cap for year 2022 for the rescue services provided reasonable room for the conduct of continuing connected transactions relating to provision of rescue services by the Group to the GCGC Group and is in the interests of the Company and its Shareholders as a whole.

IV. 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 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 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.

LETTER FROM THE BOARD

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 advice 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 subsidiaries shall fill in and submit a monthly statistical chart for continuing connected transactions to the Securities and Legal Department 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 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.

V. DIRECTORS' VIEW

On 17 October 2022, the Company convened a board meeting and reviewed proposals on the Continuing Connected Transactions for 2023 to 2025 and Revision of Annual Cap for Year 2022 for the Rescue Services. The Board is of the opinion that continuing connected transactions contemplated under the Continuing Connected Transactions Agreements have been and will continue to be beneficial to the Group and, to a certain extent, are inevitable due to the extensive business coverage of the GCGC Group in the development of transportation infrastructures in the Guangdong Province. Due to the long-term relationship between the Group and the GCGC Group, the Board considers it to be beneficial to the Company to enter into the continuing connected transactions under each of the Continuing Connected Transactions Agreements as these transactions have facilitated and will facilitate the operation and growth of the Company's business.

The Directors (including the independent non-executive Directors) are of the view that the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and the Revision of Annual Cap for Year 2022 for the Rescue Services are conducted in the ordinary and usual course of business of the Group and are on normal commercial terms, and that the relevant terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Mr. Guo Junfa, executive Director of the Company, is the assistant to the general manager of GCGC, Mr. Chen Min, non-executive Director, is the general legal counsel of GCGC, and Mr. Chen Chuxuan, non-executive Director, is the deputy chief accountant and head of strategic development department of GCGC. Mr. Guo Junfa, Mr. Chen Min and Mr. Chen Chuxuan are considered to have a material interest in, and therefore they have abstained from voting on the resolutions of the Board in relation to (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services. Save as disclosed above, none of the Directors has material interest in, or is required to abstain from voting on, the relevant Board resolutions.

VI. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, GCGC is the controlling shareholder of the Company as it, directly or indirectly, holds approximately 74.12% of the total issued share capital of the Company. Therefore, GCGC is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Continuing Connected Transactions Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

With respect to the Continuing Connected Transactions for 2023 to 2025, as the highest applicable percentage ratio in respect of the Proposed Annual Caps for the relevant transactions as calculated under Rule 14.07 of the Listing Rules exceeds 5%, the Continuing Connected Transactions for 2023 to 2025 are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

With respect to Revision of Annual Cap for Year 2022 for the Rescue Services, as the highest applicable percentage ratio in respect of the Revised Annual Cap as calculated under Rule 14.07 of the Listing Rules exceeds 5%, continuing connected transactions for the year ending 31 December 2022 under the Rescue Services Entrustment Master Agreement (including the Revised Annual Cap) are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements.

VII. INFORMATION ON THE GROUP AND THE GCGC GROUP

Information on 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.

LETTER FROM THE BOARD

Information on the GCGC Group

GCGC is a wholly state-owned enterprise under the supervision of the Guangdong State-owned Assets Commission. The GCGC Group is principally responsible for the investment, construction and management of the expressways in the Guangdong Province and is also engaged in the logistics and transportation.

VIII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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 proposals in respect of (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services.

In addition, the Company has appointed Vinco Financial as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on proposals in respect of (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services.

IX. EGM

The EGM will be convened at 24/F, Yueyun Building, No. 3 Zhongshan Second Road, Guangzhou, Guangdong Province on 30 November 2022 at 3:00 p.m. for the Independent Shareholders to consider and, if thought fit, approve the proposals in respect of (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) the Revision of Annual Cap for Year 2022 for the Rescue Services. 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 EGM-1 to EGM-3 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 10 November 2022) 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.

LETTER FROM THE BOARD

As at the Latest Practicable Date, GCGC holds and controls the voting rights of 592,847,800 Domestic Shares, representing approximately 74.12% of the total issued share capital of the Company. In accordance with the Listing Rules, GCGC, being the connected person of the Company and having material interest in (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions 2023 to 2025 contemplated thereunder and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services will be required to abstain from voting on the related resolutions at the EGM. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

In order to determine the shareholders of H Shares who will be entitled to attend the EGM, the Company will suspend registration of transfer of shares from 25 November 2022 to 30 November 2022, both days inclusive. Holders of H Shares whose names are recorded in the register of members of the Company on 30 November 2022 are entitled to attend and vote at the EGM.

X. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 26 to 27 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 28 to 48 of this circular, in relation to (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services, as well as the Independent Financial Adviser's principal factors and reasons considered in arriving at such advice.

The Independent Board Committee, having taken into account and based on the recommendation of the Independent Financial Adviser, considers that (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services are conducted in the ordinary and usual course of the business of the Group and the terms of the Continuing Connected Transactions Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps and the Revised Annual Cap, as the case may be) are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the resolutions of the Board to be proposed at the EGM in relation to (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) consider that (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services by way of ordinary resolutions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders vote in favor of the ordinary resolutions thereby approving each of (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services to be proposed at the EGM as set out in the notice of the EGM.

XI. ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
**Guangdong Yueyun Transportation
Company Limited**
Guo Junfa
Chairman of the Board

* *For identification purpose 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)

10 November 2022

To the Independent Shareholders

Dear Sir or Madam,

**RENEWAL OF ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED
TRANSACTIONS AND
REVISION OF ANNUAL CAP FOR YEAR 2022 FOR THE RESCUE SERVICES**

We, the Independent Board Committee of Guangdong Yueyun Transportation Company Limited, are advising the Independent Shareholders on the proposals in respect of (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services, details of which are set out in the letter from the Board contained in the circular (“**Circular**”) of the Company to the Shareholders dated 10 November 2022, of which this letter forms a part. Terms defined in this circular shall have the same meanings when used herein unless the context otherwise requires.

Under the Listing Rules, the conduct of the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and Revision of Annual Cap for Year 2022 for the Rescue Services require the approval of the Independent Shareholders at the EGM.

We wish to draw your attention to the letter of advice from Vinco Financial set out on pages 28 to 48 of this Circular. We have discussed the letter and the opinion contained therein with Vinco Financial.

Having considered, among others, the factors and reasons considered by, and the opinion of, Vinco Financial, as stated in its aforementioned letter, we consider (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services to be fair and reasonable so far as the Independent Shareholders are concerned. We are of the view that (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services are of normal commercial terms

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

and in the ordinary and usual course of business of the Company and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the relevant ordinary resolutions in the notice of the EGM to be proposed at the EGM and thereby approve (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services.

Yours faithfully,

on behalf of the

Independent Board Committee

Su Wujun

Shen Jialong

Huang Yuan

Zhang Xiangfa

Independent Non-executive Directors

* *For identification purpose only*

LETTER FROM VINCO FINANCIAL

The following is the text of a letter of advice from Vinco Financial to the Independent Board Committee and the Independent Shareholders in connection with (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services, the transactions contemplated thereunder and the Proposed Annual Caps, which has been prepared for the purpose of incorporation in this circular:

VINCO  榮高
Vinco Financial Limited

10 November 2022

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

Dear Sirs,

**RENEWAL OF ANNUAL CAPS FOR EXISTING CONTINUING
CONNECTED TRANSACTIONS AND
REVISION OF ANNUAL CAP FOR YEAR 2022 FOR THE RESCUE
SERVICES**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on proposals in respect of (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services, details of which are set out in the “Letter from the Board” of the circular (the “Circular”) issued by the Company to the Shareholders dated 10 November 2022 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 October 2022 in relation to, among other things, (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services. The Company has complied with the disclosure and Independent Shareholders’ approval requirements under the Listing Rules in respect of the annual caps for the three years ending 31 December 2022 relating to the transactions conducted under the Subcontracting Arrangements entered into by the Group pursuant to the First Right of Operation Agreement. As the terms of such Subcontracting Arrangements run beyond 31 December 2022, the Company proposes to renew the annual caps for a further three years commencing on 1 January 2023 and ending 31 December 2025. Accordingly, the Company is required to re-comply with Chapter 14A of the Listing Rules in respect of the renewal of the continuing connected transactions thereunder. In addition, as the Rescue Services Entrustment Master Agreement will expire on 31 December 2022, the Company and GCGC agreed to renew the Rescue Services Entrustment Master Agreement for a further term of three years commencing on 1 January 2023 and ending on 31 December 2025, while the original terms of the Rescue Services Entrustment Master Agreement remain unchanged.

LETTER FROM VINCO FINANCIAL

According to the recent evaluation of the Company, it is expected that the annual cap of RMB69,261,000 for the continuing connected transactions for the year ending 31 December 2022 under the Rescue Services Entrustment Master Agreement will not be sufficient to satisfy the business need of the Company. Accordingly, the Board has decided to revise the existing annual cap for the year ending 31 December 2022 to RMB136,000,000. All terms and conditions of the Rescue Services Entrustment Master Agreement, including the pricing mechanism, remain unchanged except for the revision of the annual cap for the year ending 31 December 2022.

As at the Latest Practicable Date, GCGC is the controlling shareholder of the Company as it, directly or indirectly, holds approximately 74.12% of the total issued share capital of the Company. Therefore, GCGC is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Continuing Connected Transactions Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

With respect to the Continuing Connected Transactions for 2023 to 2025, as the highest applicable percentage ratio in respect of the Proposed Annual Caps for the relevant transactions as calculated under Rule 14.07 of the Listing Rules exceeds 5%, the Continuing Connected Transactions for 2023 to 2025 are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

With respect to Revision of Annual Cap for Year 2022 for the Rescue Services, as the highest applicable percentage ratio in respect of the revised annual cap as calculated under Rule 14.07 of the Listing Rules exceeds 5%, continuing connected transactions for the year ending 31 December 2022 under the Rescue Services Entrustment Master Agreement (including the Revised Annual Cap) are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements.

The Independent Board Committee comprising Mr. Su Wujun, Ms. Huang Yuan, Mr. Shen Jialong and Mr. Zhang Xiangfa, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the proposals in respect of (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services. 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 on proposals in respect of the terms and conditions of the Continuing Connected Transactions for 2023 to 2025 contemplated under the Continuing Connected Transactions Agreements (including the Proposed Annual Caps) and Revision of Annual Cap for Year 2022 for the Rescue Services. 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 (i) the Continuing Connected Transactions Agreements (including the Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services are in the ordinary and usual course of

LETTER FROM VINCO FINANCIAL

business of the Group on normal commercial terms, and in the interests of the Company and Independent Shareholders as a whole and whether (i) the terms of the Continuing Connected Transactions for 2023 to 2025 contemplated under the Continuing Connected Transactions Agreements (including the Proposed Annual Caps) and (ii) the Revision of Annual Cap for Year 2022 for the Rescue Services are fair and reasonable so far as the Independent Shareholders are concerned.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were 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 at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable 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 reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independence Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) the Continuing Connected Transactions for 2023 to 2025 contemplated under the Continuing Connected Transactions Agreements (including the Proposed Annual Caps) and (ii) the Revision of Annual Cap for Year 2022 for the Rescue Services. We are eligible to give independent advice and recommendations on (i) the Continuing Connected Transactions for 2023 to 2025 contemplated under the Continuing Connected Transactions Agreements (including the Proposed Annual Caps) and (ii) the Revision of Annual Cap for Year 2022 for the Rescue Services. Apart from the normal professional fees payable to us in connection with the present appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

During the past two years, we have been appointed as the independent financial adviser to the Company regarding the major and connected transactions as disclosed in the Company's circular dated 28 September 2022. The professional fee in connection with the appointment has 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 proposals in respect of (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services.

LETTER FROM VINCO FINANCIAL

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 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.

The Directors 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 particularly, (i) the annual report of the Company for the year ended 31 December 2021; (ii) the interim report of the Company for the six months ended 30 June 2022; (iii) the management accounts of the Company for the eight months ended 31 August 2022; (iv) the First Right of Operation Agreement; (v) the Supplemental First Right of Operation Agreement; (vi) the Subcontracting Arrangements; and (vii) Rescue Services Entrustment Master Agreement. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

LETTER FROM VINCO FINANCIAL

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of (i) the Continuing Connected Transactions for 2023 to 2025 contemplated under the Continuing Connected Transactions Agreements (including the Proposed Annual Caps) and (ii) the Revision of Annual Cap for Year 2022 for the Rescue Services and, 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the (i) the Continuing Connected Transactions for 2023 to 2025 contemplated under the Continuing Connected Transactions Agreements (including the Proposed Annual Caps) and (ii) the Revision of Annual Cap for Year 2022 for the Rescue Services, we have considered the principal factors and reasons set out below:

A. Background of the renewal of annual caps for existing continuing connected transactions

(i) Introduction

Reference is made to (1) the announcement of the Company dated 27 September 2019; and (2) the circular of the Company dated 14 November 2019, in relation to, among other things, the continuing connected transactions between the Group and the GCGC Group under the First Right of Operation Agreement and the Rescue Services Entrustment Master Agreement.

The Company has complied with the disclosure and Independent Shareholders' approval requirements under the Listing Rules in respect of the annual caps for the three years ending 31 December 2022 relating to the transactions conducted under the Subcontracting Arrangements entered into by the Group pursuant to the First Right of Operation Agreement. As the terms of such Subcontracting Arrangements run beyond 31 December 2022, the Company proposes to renew the annual caps for a further three years commencing on 1 January 2023 and ending 31 December 2025.

In addition, as the Rescue Services Entrustment Master Agreement will expire on 31 December 2022, the Company and GCGC agreed to renew the Rescue Services Entrustment Master Agreement for a further term of three years commencing on 1 January 2023 and ending on 31 December 2025, while the original terms of the Rescue Services Entrustment Master Agreement remain unchanged.

(ii) 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 the provision of travel service business.

(iii) Information of the GCGC Group

GCGC is a wholly state-owned enterprise under the supervision of the Guangdong State-owned Assets Commission. The GCGC Group is principally responsible for the investment, construction and management of the expressways in the Guangdong Province and is also engaged in the logistics and transportation.

B. Renewal of annual caps for existing continuing connected transactions

1. Reasons for the renewal of the continuing connected transactions

Subcontracting Arrangements

The expressway service has been one of the Group's key businesses. In order to expand the network for the Group's expressway service operation, the Group will endeavour to subcontract new service zones and advertisement resources from expressway owners who may include the GCGC Group. Given the leading position of GCGC in the transportation network in the Guangdong Province, the Directors believe that it is in the interest of the Company to have a first right to operate new expressway service zones and advertisement resource network controlled by the GCGC Group so as to maintain the Group's leading position over other competitors in the Guangdong Province. Since we noted that GCGC Group dominated the expressways industry in Guangdong Province, it is expected that the First Right of Operation Agreement and the Supplemental First Right of Operation Agreement will benefit the Group.

Rescue services under The Rescue Services Entrustment Master Agreements

Pursuant to the requirements of notices and rules promulgated by the relevant PRC governmental authorities, in order to maintain traffic flow and ensure timely rescue services in the event of accidents and vehicle malfunctions and to comply with the policies of the relevant government authorities, the Rescue Services Entrustment Master Agreement was entered into by the parties for the provision by the Group of rescue services in respect of expressways managed by the GCGC Group. The Group benefits from the Rescue Services Entrustment Master Agreement as the Group is entitled to receive service fees from the GCGC Group.

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The continuing connected transactions contemplated under the Continuing Connected Transactions Agreements have been and will continue to be beneficial to the Group and, to a certain extent, are inevitable due to the extensive business coverage of the GCGC Group in the development of transportation infrastructures in the Guangdong Province. Due to the long-term relationship between the Group and the GCGC Group, the Board considers it to be beneficial to the Company to enter into the continuing connected transactions under each of the Continuing Connected Transactions Agreements as these transactions have facilitated and will facilitate the operation and growth of the Company's business. We understand from the Directors that the GCGC Group is a major operator in investment and construction of expressways in Guangdong Province. Therefore, we are of the view that the cooperation with GCGC should strengthen the income base and expand the business operation of the Company through the continuing connected transactions. Hence, we consider that the renewal of the continuing connected transactions is in the ordinary and usual course of business.

2. The existing continuing connected transactions

Subcontracting Arrangements

The Company entered into the First Right of Operation Agreement. We noted that the Subcontracting Arrangements provide the binding principles and terms and conditions under which services to be provided (as the case may be) for or to the Group.

Terms of the Agreements of the continuing connected transactions

Independent Shareholders should note that in respect of the First Right of Operation Agreement, save for the Proposed Annual Caps, all other terms of the First Right of Operation Agreement entered into by the Group and connected persons at the time for which either the waiver or the Shareholders' approval was sought remain in full force and effect.

We also noted that it is envisaged that from time-to-time individual implementation agreements will be required and entered into between the Group and the GCGC Group. Each implementation agreement will set out the details and particulars of goods and services requested by the relevant party and detailed technical and other specifications which may be relevant to the goods or services to be provided. The implementation agreements may only contain provisions which are in all material respects consistent with the general guidelines, terms and conditions as contained in the First Right of Operation Agreement. As the implementation agreements simply provide specific details on the provision of goods and services as contemplated by the First Right of Operation Agreement, they do not constitute new connected transactions.

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Based on the foregoing, we are of the view that the continuing connected transactions under the First Right of Operation Agreement are on normal commercial terms and are fair and reasonable to the Company and the Independent Shareholders as a whole.

As stated in the Letter from the Board, the pricing terms of the Expressway Service Subcontracting Arrangements are to be determined based on (i) the value of the right of operation of the relevant expressway service zones as appraised by and independent valuer; (ii) the discounted value of the total contracting fee calculated in proportion to the investment amount for different facilities at of the relevant expressway service zones (using a discount rate based on the bank loan interest rate for the same period); or (iii) the contract sum of a specific implementation agreement calculated at a certain percentage (usually at approximately 50%) of the net profits of the service zones as a whole.

In assessing whether the pricing mechanism for the Expressway Service Subcontracting Arrangements is fair and reasonable, we have discussed with the management of the Company, and understand that (i) the Group has adopted an internal policy requiring valuation by independent qualified valuer of the right of operation of the relevant expressway service zones as one of the factors in determining the subcontracting fees for new individual implementation agreements under the Expressway Service Subcontracting Arrangements to be entered into between the Group and the GCGC Group. We obtained and reviewed the internal policy and noted that the abovementioned has been included in the internal policy. As such, prior to the entering into of a new individual implementation agreement under Expressway Service Subcontracting Arrangements, a qualified independent valuer, which will be a firm of PRC valuer designated by the relevant governmental authorities to conduct asset valuation including state-owned assets, will be engaged to conduct valuation of the right of operation of the relevant expressway service zones. The relevant valuation report will be prepared in accordance with the requirements under the Asset Valuation Standards – Basic Standards issued by the Ministry of Finance of the PRC and the Practice Standards and Professional Ethics Standards on Assets Valuation issued by the China Appraisal Society. In 2020 to 2022, the Company had entered into nine new individual implementation agreements under Expressway Service Subcontracting Arrangements. We have randomly selected and reviewed five new contracts under Expressway Service Subcontracting Arrangements and the relevant valuation reports, representing approximately 55.6% of the nine new individual implementation agreements and we consider them to be sufficient, fair and representative; (ii) the investment amount of the relevant expressway service zones are confirmed by the owner of the relevant expressways with reference to an audit report issued by an independent auditor engaged by the Department of Transportation of the Guangdong Province, which will usually be prepared and issued after completion of construction of the expressway and the expressway service zones and prior to the expressway being open to traffic. We randomly selected and reviewed three audit reports issued by an

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independent auditor engaged by the Department of Transport of Guangdong Province and the contracting fee of each of the expressway are calculated at approximately 50% of the net profits of the service zones; and (iii) the contract sum of a specific implementation agreement is discounted using a discount rate based on the bank loan interest rate for the same period. We have obtained the list of individual implementation agreements and selected the five highest amount of contract sum among the signed individual implementation agreements under the Expressway Service Subcontracting Arrangements, of which the contract sum of the five selected samples of approximately RMB887.8 million represented 28.2% of the total contract sum of approximately RMB3,148.0 million. We have reviewed the selected individual implementation agreements and compared the discount rate with bank loan interest rate in the PRC. Given that the discount rate for five expressway service zones is similar to the bank loan interest rate in the PRC, we consider the discount rate is justifiable. In view of the above, we are of the view that the subcontracting fees charged by the GCGC Group under the Expressway Service Subcontracting Arrangements which are determined with reference to (a) the value of the right of operation of the relevant expressway service zones as appraised by a qualified independent valuer; (b) discounted value of the total contracting fee calculated in proportion to the investment amount for different facilities at the relevant expressway service zones (using a discount rate based on the bank loan interest rate for the same period); and (c) the contracting fee calculated at a certain percentage (usually at approximately 50%) of the net profits of the service zones as a whole, is fair and reasonable. As confirmed by the Directors, the Group had recorded net profit individually in each of the five selected samples. As such, we are of the view that the Group will entering into Expressway Service Subcontracting Arrangements for the operation of the relevant expressway service zones is fair and reasonable.

The pricing terms of the Expressway Advertisement Subcontracting Arrangements are to be determined after negotiations, usually at approximately 30% of the operating revenue from the advertisements which shall be payable to the owner of the relevant expressways (i.e. the GCGC Group) as subcontracting fees.

In assessing whether the pricing mechanism for the Expressway Advertisement Subcontracting Arrangements is fair and reasonable, we understand from the management of the Group that the assumed 30% indicated from the said negotiations would be conducted under the internal policies of the Group themselves. As at the Latest Practicable Date, the Group had not entered into any agreement with an independent third party in relation to the operation of expressway advertisement resources. According to the analysis of the previous transactions between the Group and GCGC Group in relation to the expressway advertising business, the operating costs of the advertising business include maintenance cost, depreciation, insurance expenses, electricity charges, expenses on screen production and others, accounting for approximately 20% of the revenue. Even with 30% of the revenue being deducted from the revenue and shared with the owner of the relevant expressways,

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the Company still enjoys a profit representing 50% of the revenue. We have obtained the analysis of the previous transactions between the Group and GCGC Group in relation to the expressway advertising business. As confirmed by the Directors, the Group normally only offers this service to members of the GCGC Group and seldom offers such service to independent third parties. Given that the Group has internal control policy in place to monitor the pricing of each transaction, and all transactions are determined after arm's length negotiations and approvals, we consider the distribution of the operating revenue is justifiable. Furthermore, the Group is entitled to the first right of operation but is not obligated to enter into individual implementation agreements under Expressway Advertisement Subcontracting Arrangements. As advised by the Directors, in the event that the proposed rate of subcontracting fee exceeds 50% of the operating revenue of the Group and the Group is not expected to generate any profit from the operation of the relevant expressway advertisement resources as a result, the Group will not exercise such first right to enter into Expressway Advertisement Subcontracting Arrangements for the operation of the relevant expressway advertisement resources. Therefore, the Board considers the subcontracting fees under the Expressway Advertisement Subcontracting Arrangements are fair and reasonable and on normal commercial terms. As confirmed by the Directors, the maximum rate of subcontracting fee was 50% among the existing Expressway Advertisement Subcontracting Arrangements. We have obtained and reviewed three individual implementation agreements in respect of with rate of subcontracting fee of 50%. In addition, we have obtained the list of contracts under Expressway Advertisement Subcontracting Arrangements and randomly selected five existing individual implementation agreements under Expressway Advertisement Subcontracting Arrangements and noted that none of the samples included the proposed rate of subcontracting fee exceeding 50% of the operating revenue of the Group. As such, we are of the view that the Group will not exercise the first right to enter into Expressway Advertisement Subcontracting Arrangements for the operation of the relevant expressway service zones when the proposed subcontracting fee exceeds 50% of the operating revenue of the Group and the Group is not expected to generate any profit from the operation of the relevant expressway advertisement resources, is fair and reasonable.

In view of the above, we consider that the pricing mechanism in respect of the first right to operate expressway service zones and subcontracting obligations is sufficient to ensure that the first right to operate expressway service zones and subcontracting obligations are on normal commercial terms and the terms thereof are fair and reasonable.

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The Proposed Annual Caps

a. Historical annual caps

The table below sets out the historical annual caps of the continuing connected transactions approved and the actual transaction amounts of the continuing connected transactions between the GCGC Group and the Group for the three years ending 31 December 2022:

	Year ended		Year ended		Year ending		
	31 December 2020		31 December 2021		31 December 2022		
	Approved		Approved		Approved	Actual	Estimated
	annual	Actual	annual	Actual	annual	amount	amount
amount	amount	amount	amount	amount	(Up to	(Up to	
					31 August	31 December	
					2022)	2022)	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)			
First right to operate							
expressway service zones							
and subcontracting							
obligations	265,930	173,326	280,937	198,066	288,739	170,632	235,340

As illustrated in the table above, the Company did not exceed the approved existing annual caps granted in respect of the aforementioned continuing connected transactions. We note that the utilisation rate of the existing annual caps for the first right to operate expressway service zones on the expressways controlled by the GCGC Group was approximately 65.2% and 70.5% for the two years ended 31 December 2021 respectively and 59.1% for the eight months ended 31 August 2022. The Company expects that the amount of transactions in relation to the individual implementation agreements under Subcontracting Arrangements would be approximately RMB235.3 million, 81.5% of the historical annual caps for the year ending 31 December 2022. Such expectation of the amount of transactions of approximately RMB64.7 million for the four months ending 31 December 2022 is based on the expected transactions in accordance with the contracts on hand. We are advised by the Directors that the reason for the historical transaction amounts being lower than the existing annual caps was mainly attributable to delay of the opening of several new expressway service zones.

Based on the above, we are of the view that the reason for the Company not fully utilising the existing annual caps is justifiable mainly due to delay of the opening of several new expressway service zones. In addition, we are of the view that it is necessary for the Company to renew its annual caps for the three years ending 31 December 2025.

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b. Basis of determining the Proposed Annual Caps

The following sets out the Proposed Annual Caps for the services in relation to Subcontracting Arrangements:

	Year ending 31 December 2023 (RMB'000)	Year ending 31 December 2024 (RMB'000)	Year ending 31 December 2025 (RMB'000)
First right to operate expressway service zones and subcontracting obligations	277,270	288,430	298,480

Pursuant to the First Right of Operation Agreement, GCGC has granted to the Company a first right to operate the expressway service zones on the expressways controlled by the GCGC Group, as amended and supplemented by the Supplemental First Right of Operation Agreement. Terms of the Subcontracting Agreements are normally in line with the operating term of the respective expressways. We note that the amount of Proposed Annual Caps is similar to the existing annual caps.

The Directors are of the view the construction of new expressways will facilitate the demand of expressways related services including service zones and expressways advertising business. As stated in the Letter from the Board, the Proposed Annual Caps for the three years ending 31 December 2025 were determined based on (i) the estimated value of transactions under new Subcontracting Arrangements that are expected to be entered into from 2023 to 2025; and (ii) the contractual sum and estimated value of transactions that are required to fulfill the obligations under the existing Subcontracting Arrangements.

As at the Latest Practicable Date, the Group had entered into 80 individual implementation agreements under the Expressway Service Subcontracting Arrangements with the GCGC Group, pursuant to which the expected total amount payable by the Group to the GCGC Group is approximately RMB185,308,000, RMB189,229,000 and RMB192,112,000 for the years ending 31 December 2023, 2024 and 2025, respectively. As compared with the approved annual cap of approximately RMB240.8 million for the year ending 31 December 2022, the Proposed Annual Caps in respect of the Expressway Service Subcontracting Arrangements decrease by approximately RMB4.1 million or 1.7% for the year ending 31 December 2023, but remain similar for the years ending 31 December 2024 and 2025 respectively. We noted that the number of signed individual implementation agreements under Expressway Service Subcontracting Arrangements with the GCGC Group was 80 in 2022 and 80 as at the Latest Practicable Date.

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As at the Latest Practicable Date, the Group had entered into 67 individual implementation agreements under Expressway Advertisement Subcontracting Arrangements with the GCGC Group, pursuant to which the expected total amount payable by the Group to the GCGC Group is approximately RMB40,600,000, RMB47,840,000 and RMB55,010,000 for the years ending 31 December 2023, 2024 and 2025, respectively. As compared with the approved annual cap of approximately RMB47.9 million for the year ending 31 December 2022, the Proposed Annual Caps in respect of Expressway Advertisement Subcontracting Arrangements decrease by approximately RMB7.3 million or 15.2% for the year ending 31 December 2023, but increase by approximately RMB7.1 million or 14.8% for the year ending 31 December 2025. As advised by the Company, the Proposed Annual Caps for the year ending 31 December 2023 was determined with reference to the historical transactions of approximately RMB32.5 million for the eight months ended 31 August 2022. We also noted that the number of signed individual implementation agreements under Expressway Advertisement Subcontracting Arrangements with the GCGC Group was 58 in 2022 while it increases to 67 as at the Latest Practicable Date, 22 of which are expected to generate revenue in 2024.

As stated in the Letter form the Board, it is expected that during the period from 2023 to 2025, eight new expressways controlled by the GCGC Group will be expanded to traffic and an additional 15 pairs expressway service zones built on the aforementioned expressways will commence operation. The Group will look to carry out business negotiations with the GCGC Group in respect of the first right of operation of such new expressway service zones and the expressway advertisement resources and enter into new Subcontracting Agreements accordingly. We have received the authorisation letters in respect of the grant of operation of the new expressways to the Group. The terms of individual implementation agreements of respective new expressway service zones are under negotiation between the Group and GCGC Group. The estimated transaction amounts under such new Subcontracting Arrangements that are expected to be entered into from 2023 to 2025, are approximately RMB51,362,000, RMB51,361,000 and RMB51,358,000 for the years ending 31 December 2023, 2024 and 2025, respectively. As advised by the management of the Group, the estimated contract sums are based on previous signed contracts. The final fee will be confirmed upon the completion of valuation reports issued by independent valuers.

We had sampled and reviewed a series of signed contracts provided by the Company. We have checked the contract sum of the sampled contracts and the tables attached in appendix of the contracts showing the amounts of transactions in each year of which are mainly calculated from dividing the contract sum by the effective period of the contracts. The sum of the transaction amounts in each year together with the estimated amounts for those contracts proposed to be signed would then amount to the Proposed Annual Caps. As discussed with the management, we noted that the estimated contract amounts for those contracts proposed to be entered are determined by the latest negotiation with the owners of the relevant expressways with reference to the location, the progress and the years of completion of the projects. Based on the aforesaid, we are of view that the Proposed Annual Caps for the first right to operate expressway service zones and subcontracting obligations are fair and reasonable to the Company and the Shareholders as a whole.

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Rescue services under the Rescue Services Entrustment Master Agreements

The Company entered into the Rescue Services Entrustment Master Agreements. We noted that the Rescue Services Entrustment Master Agreements provide the binding principles and terms and conditions under which services to be provided (as the case may be) for or to the Group.

Terms of the agreements of the continuing connected transactions

The current term of the Rescue Services Entrustment Master Agreement will expire on 31 December 2022, which, subject to compliance with the relevant requirements under the Listing Rules, will be automatically renewed unless a notice of non-renewal is given by either party to the other party at least three months prior to the expiry of such term. The parties have agreed to renew the term of the Rescue Services Entrustment Master Agreement for a further term of three years commencing on 1 January 2023 and ending on 31 December 2025.

We also noted that it is envisaged that the GCGC Group and the Group may enter into individual implementation agreements from time to time in respect of the provision of the rescue services upon specific terms in compliance with those of the Rescue Services Entrustment Master Agreement as agreed between the relevant parties. As required by the Operation Management Measures of Expressway of Guangdong Province (廣東省高速公路運營管理辦法) issued by the People's Government of Guangdong Province on 9 September 2022 (the "Expressway Rules"), each expressway should have rescue services which include (i) vehicles towing services in the event of traffic accidents and malfunction of vehicles within the service area as stipulated under the relevant individual implementation agreements; (ii) cleaning-up services on accident sites within the service area, namely, clearing of debris and oil spills and transportation of goods and passengers; (iii) assistance in the management of cordoning of roads and maintaining traffic flow at the request of the traffic police department and the service provider; and (iv) assistance in the maintenance of safety on accident sites. We have reviewed the Expressway Rules and are of the view that the entering into the Rescue Services Entrustment Master Agreement is fair and reasonable.

Based on the foregoing, we are of the view that the continuing connected transactions under the Rescue Services Entrustment Master Agreement are on normal commercial terms and are fair and reasonable to the Company and the Independent Shareholders as a whole.

As stated in the Letter from the Board, the pricing terms of the Rescue Services Entrustment Master Agreement are to be determined based on the General Pricing Principles. According to the General Pricing Principles, such consideration shall be based on State-prescribed prices, State-referenced prices, market price, or if market-price is not available, based on the reasonable cost incurred for provision of the relevant services or products plus a reasonable profit margin. Based on the Group's experience in past transactions with the GCGC Group, reasonable cost for the relevant services or products is determined in accordance with industry norms and the historical cost incurred for similar types of services or products, and a

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reasonable profit margin is based on the nature of services or products provided and the scale of the business operations. Service fees for the rescue services are payable in such manner and in accordance with such timetable as agreed by the parties in the relevant individual implementation agreements.

In assessing whether the pricing mechanism for the Rescue Services Entrustment Master Agreement is fair and reasonable, we have discussed with the management of the Group and noted that the service fees for the rescue services charged by the Group to the GCGC Group under the Rescue Services Entrustment Master Agreement are determined based on (i) State-prescribed prices, being the prices set by any relevant laws, regulations, decisions or orders issued by the relevant authorities of the Chinese government or set by such authorities in respect of the relevant kind of service or product; (ii) where there is no State-prescribed price, then according to the State-reference prices, being the prices determined by the parties within the price ranges set by any relevant laws, regulations, decisions or orders issued by the relevant authorities of the Chinese government or set by such authorities in respect of the relevant kind of service or product; (iii) where there is no State-reference price, then according to the relevant market prices, being the prices at which comparable services or products are provided by independent third parties in same or surrounding areas in the ordinary course of business; and (iv) if market-price is not available, based on the reasonable cost incurred for provision of the relevant services or products plus a reasonable profit margin. Based on our discussion with the management of the Group, the Group had considered and estimated the cost primarily comprising (i) wage cost; (ii) fuel cost and (iii) depreciation expenses, maintenance expenses, safety production expenses and office expenses. After arriving at an estimated cost, the Group added a mark-up in the range of 10% to 13%. We have obtained the past transaction records for the three years ended 31 December 2021 of the respective subsidiary and noted that its profit margin was approximately 13%. We have also obtained a list of individual implementation agreements with fee schedule and randomly selected five signed individual implementation agreements under Rescue Services Entrustment Master Agreement, representing approximately 14.7% of the Proposed Annual Caps for each year and we consider them to be sufficient, fair and representative. We reviewed the selected samples and understand from the five individual implementation agreements that the expressway mileage is stated in each of the individual implementation agreements and the service fee which is in accordance with the Notice on Adjusting the Service Fee Schedule for Vehicle Rescue Entrustment (關於調整車輛救援委託服務費標準的通知) (the “Service Fee Notice”) which is issued by GCGC. As mentioned in the Service Fee Notice, the price determination was based on the negotiation between GCGC and the Group with reference to the actual services provided and government reference price which is governed by the Expressway Rules after taking account into the abovementioned cost and profit. Based on (i) the list of individual implementation agreements; (ii) the sufficient sample size of individual implementation agreements; (iii) the terms of each of the samples of individual implementation agreements; (iv) the Service Fee Notice, we consider that the pricing mechanism in respect of the rescue service under the Rescue Services Entrustment Master Agreement is sufficient to ensure that the rescue services under the Rescue Services Entrustment Master Agreement are on normal commercial terms and the terms thereof are fair and reasonable.

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The Proposed Annual Caps

a. Historical annual caps

The table below sets out the historical annual caps of the continuing connected transactions approved and the actual transaction amounts of the continuing connected transactions between the GCGC Group and the Group for the three years ending 31 December 2022:

	Year ended 31 December 2020		Year ended 31 December 2021		Year ending 31 December 2022		
	Approved annual amount <i>(RMB'000)</i>	Actual amount	Approved annual amount <i>(RMB'000)</i>	Actual amount	Approved annual amount	Actual amount (Up to 31 August 2022) <i>(RMB'000)</i>	Estimated amount (Up to 31 December 2022)
Provision of rescue services	86,958	61,863	86,202	74,945	69,261	62,148	136,000

As illustrated in the table above, the Company did not exceed the approved existing annual caps granted in respect of the aforementioned continuing connected transactions. We note that the utilisation rate of the existing annual caps for the rescue services was approximately 71.1% and 86.9% for the two years ended 31 December 2021 respectively and 89.7% for the eight months ended 31 August 2022. The existing annual caps was not fully-utilised due to the delay of the opening of several new expressway service zones. The Company expects that the value of transactions in relation to the individual implementation agreements under Rescue Services Entrustment Master Agreement would be approximately RMB135.4 million, which will exceed the existing annual caps for the year ending 31 December 2022. The Board has decided to revise the existing annual cap for the year ending 31 December 2022 to RMB136,000,000. The details will be explained below under the section “C. Revision of Annual Cap for Year 2022 for the Rescue Services”.

Based on the above, we are of the view that the reason for the Company not fully utilising the existing annual caps is justifiable mainly due to the delay of the opening of several new expressway service zones. Based on the reasons provided in the section “C. Revision of Annual Cap for Year 2022 for the Rescue Services”, we are of the view that it is necessary for the Company to renew its annual caps for the three years ending 31 December 2025.

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b. Basis of determining the Proposed Annual Caps

The following sets out the Proposed Annual Caps for the services in relation to Rescue Services Entrustment Master Agreement:

	Year ending 31 December 2023 (RMB'000)	Year ending 31 December 2024 (RMB'000)	Year ending 31 December 2025 (RMB'000)
Provision of the rescue services	168,780	128,050	129,330

Pursuant to the Rescue Services Entrustment Master Agreement, the Group has agreed to provide the GCGC Group with the rescue services. Terms of the individual implementation agreements are normally in line with the operating term of the respective expressways. The Proposed Annual Caps in relation to the provision of the rescue services was determined with references to (i) the length of the expressway which the rescue services are engaged to be provided; and (ii) the fee schedule for the provision of the rescue services.

We have obtained the list of individual implementation agreements with fee schedule. As at the Latest Practicable Date, the Group had entered into 87 individual implementation agreements under the Rescue Services Entrustment Master Agreement with the GCGC Group, pursuant to which the expected total amount payable by the Group to the GCGC Group is approximately RMB112.0 million, RMB112.0 million and RMB112.0 million for the years ending 31 December 2023, 2024 and 2025, respectively. As compared with the expected approved annual cap of approximately RMB69.3 million for the year ending 31 December 2022, the Proposed Annual Caps increase by RMB99.5 million or 143.7% for the year ending 31 December 2023 as we noted that the number of individual implementation agreements under Rescue Services Entrustment Master Agreement with the GCGC Group was 88 in 2022 and it is expected to have additional 14 individual implementation agreements from 87 implementation agreements which will contribute approximately RMB14.8 million for each of the three years ending 31 December 2025. Therefore, the expressway mileage increases from approximately 7,001.57 kilometres from 6,965.74 kilometres. As advised by the management of the Group, the Group will receive a subsidy of approximately RMB41.4 million in 2023 due to the negotiation with the GCGC Group and the past services quality. As confirmed by the Company, such one-off subsidy to be granted by the GCGC Group as the controlling shareholder of the Company is based on the mileage of expressways served by the Company in 2020 and 2021. The Company is currently negotiating with the GCGC Group on the one-off subsidy and is expected to reach an agreement within 2022. However, the actual disbursement of the subsidy may be completed in 2022 or deferred to 2023. The Directors are of the view that if it is deferred to 2023, the actual transaction amount for rescue services to be provided by the Company in 2023 may be increased. We concur with the Directors' view that it would be impractical or burdensome for the Company to revise the annual cap for 2022 and/or 2023 or to delay the disbursement of the subsidy after the disbursement schedule was finalised by the GCGC Group solely to comply with the Listing Rules.

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As stated in the Letter from Board, the Company added less than 1% to the Proposed Annual Caps for 2024 and 2025 as a buffer against potential business growth. We are of the view that the 1% buffer is fair and reasonable.

We had sampled and reviewed a series of signed contracts provided by the Company. We have checked the contract sum of the sampled contracts and the tables attached in appendix of the contracts showing the amounts of transactions in each year of which are mainly calculated from dividing the contract sum by the effective period of the contracts. The sum of the transaction amounts in each year together with the estimated amounts for those contracts proposed to be signed would then amount to the Proposed Annual Caps. As discussed with the management, we noted that the estimated service for are determined by the latest negotiation with the owners of the relevant expressways with reference to the location, the expressway milage and past services quality. We also obtained the list of individual implementation agreements with expected fee for the three years ending 31 December 2022 and understand that the estimate of fee for which is based on the expressway milage and the service fee with reference to the Service Fee Notice and government reference price which is governed by the Expressway Rules, which is same as the calculation for the Proposed Annual Caps. Based on (i) list of individual implementation agreements with fee schedule; (ii) the sufficient samples we have obtained and we reviewed as mentioned above in the “Terms of the agreements of the continuing connected transactions”; (iii) the utilisation rate of approximately 71.1% and 86.9% for the years ended 31 December 2020 and 2021, and 89.7% for the eights months ended 31 August 2022, we are of view that the Proposed Annual Caps for the provision of rescue services are fair and reasonable to the Company and the Shareholders as a whole.

C. Revision of Annual Cap for Year 2022 for the Rescue Services

1. Reasons for the Revision of Annual Cap for Year 2022 for the Rescue Services

Pursuant to the requirements of notices and rules promulgated by the relevant PRC governmental authorities, in order to maintain traffic flow and ensure timely rescue services in the event of accidents and vehicle malfunctions and to comply with the policies of the relevant government authorities, the Rescue Services Entrustment Master Agreement was entered into by the parties for the provision by the Group of rescue services in respect of expressways managed by the GCGC Group. The Group benefits from the Rescue Services Entrustment Master Agreement as the Group is entitled to receive service fees from the GCGC Group.

2. Revised Annual Cap and basis of determination

Set out below are the historical transaction amounts, the existing annual caps and the Revised Annual Cap for the transactions contemplated under the Rescue Services Entrustment Master Agreement:

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	Year ended 31 December 2020 (RMB'000)	Year ended 31 December 2021 (RMB'000)	For the period ended 31 August 2022 (RMB'000)
Approved annual caps	86,958	86,202	69,261
Historical transaction amounts	61,863	74,945	62,148
Utilisation rate	71.1%	86.9%	89.7%
Revised Annual Cap	/	/	136,000

As advised by the management of the Group, during the period from January 2022 to the Latest Practicable Date, the aggregate amount of the continuing connected transactions under the Rescue Services Entrustment Master Agreement has not exceeded the existing annual cap of RMB69,261,000 for the year ending 31 December 2022. The Revised Annual Cap is RMB136,000,000, representing an increase of approximately RMB66.7 million or 96.4% as compared with the existing annual cap for the year ending 31 December 2022. As set out in the Letter from the Board, the basis of the determination of the Revised Annual Cap is as follows: (i) the historical transaction amount for the period ended 31 August 2022; (ii) the expected additional expressway mileage in 2022 for the provision of rescue services under the individual implementation agreements relating to the provision of rescue services entered into in accordance with the Rescue Services Entrustment Master Agreement, increasing expressway mileage to be serviced by the Group to approximately 7,001.57 kilometres from approximately 6,965.74 kilometres; (iii) the increased fee schedule for the provision of rescue services for certain road sections; and (iv) the one-off subsidy granted to the Company by GCGC as the controlling shareholder of the Company based on the expressway mileage serviced by the Company in 2020 and 2021 of approximately RMB53.1 million.

We have reviewed the historical transaction amounts under the Rescue Services Entrustment Master Agreement and noted that the utilisation rate of the historical annual caps was approximately 71.1%, 86.9% and 89.7% for the two years ended 31 December 2020 and 2021 and eight months ended 31 August 2022 respectively. As part of our due diligence, we have reviewed the list of individual implementation agreements and noted that the total expressway mileage has increased from approximately 6,965.74 kilometres to approximately 7,001.57 kilometres. We have randomly selected and reviewed the five individual implementation agreements, representing approximately 14.7% of the Proposed Annual Caps for each year and noted that the expressway mileage is accurate as stated in the list of individual implementation agreements. Also, as mentioned above, the price has been increased based on the Service Fee Notice by approximately 13.3%.

Based on the above, we are of the view that the basis of the Revised Annual Cap is fair and reasonable and in the interests of the Shareholders and the Company as a whole, and we consider that the provision of rescue services under Rescue Services Entrustment Master Agreement are to be carried out on normal commercial terms and in the ordinary and usual course of business.

LETTER FROM VINCO FINANCIAL

INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

As set out in the Letter from the Board, the following internal control and risk management measures have been implemented by the Group in order to ensure that continuing connected transactions will not be prejudicial to the interests of the Company and the Shareholders as a whole:

- (i) 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 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 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.
- (ii) 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 the 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 to the Company in respect of matters discovered.
- (iii) 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 advice to the Company in respect of matters discovered.
- (iv) To ensure the continuing connected transactions do not exceed the annual caps, the relevant business departments of the Company and its subsidiaries shall fill in and submit a monthly statistical chart for continuing connected transactions to the Securities and Legal Department 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

LETTER FROM VINCO FINANCIAL

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

In light of the above, we consider that appropriate measures have been put in place to govern the conduct of continuing connected transactions and safeguard the interests of the Independent Shareholders.

OPINION

Having considered the above reasons, we are of the view that (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services are entered in the ordinary and usual course of business of the Group and on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise (i) the Independent Shareholders; and (ii) the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM approving (i) the Continuing Connected Transactions Agreements and the Continuing Connected Transactions for 2023 to 2025 contemplated thereunder (including the respective Proposed Annual Caps) and (ii) Revision of Annual Cap for Year 2022 for the Rescue Services.

Yours faithfully,
For and on behalf of
Vinco Financial 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 Financial 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. 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 2021 (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%

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	22,896,247	Investment manager	11.06%	2.86%
Shah Capital Management	H Shares	18,035,000	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 approximately 70.42% of equity interests of Sinopec Sales Company Limited while China Petrochemical Corporation holds approximately 68.96% of equity interests 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

On 10 August 2022, the Company and Guangdong Litong Development and Investment Company Limited (“**Guangdong Litong**”) entered into an Equity Transfer Agreement pursuant to which the Company conditionally agreed to sell, and Guangdong Litong 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. For further details, please refer to the announcement of the Company dated 10 August 2022 and the circular dated 28 September 2022.

Saved as disclosed above, the Company or its subsidiaries did not enter into contracts that are not in the ordinary course of business of the Group and are or may be material during the period commencing two years preceding the date of this circular.

6. MATERIAL LITIGATION

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

The Company has brought legal proceedings before the Guangzhou Intermediate People’s Court against Tangshan Shuihou Steel Rolling Mill No. 1 (唐山市稅後軋鋼一廠), Tangshan Xingye Industrial & Trading Group Co., Ltd. (唐山興業工貿集團有限公司) and Tangshan Kaiping District Xingye Steel Rolling Mill (唐山市開平區興業軋製廠) to recover the sum paid in advance by the Company to purchase steel products in the amount of RMB472,397,000 together with compensation for breach of contract. The Company has applied to the court for a charging order against the defendants’ assets. The Guangzhou Intermediate People’s Court gave its judgment on 7 June 2011, pursuant to which the defendants had to repay the prepayments of the Company with a penalty. On 12 July 2011, the Guangzhou Intermediate People’s Court issued a certificate of judgment (《裁判文書生效證明》) to confirm that the relevant ruling became effective on 30 June 2011. The Company has applied to the court for filing and executing the certificate which is currently being executed by the court. The obligor, Tangshan Xingye Industrial & Trading Group Co., Ltd. has filed for bankruptcy petition to Tangshan Kaiping District People’s Court due to insolvency, and the court has decided to accept the bankruptcy petition filed by it on 28 February 2014. In March 2015, receiver of Tangshan Xingye Industry & Trade Group Co., Ltd informed the Company that Tangshan Kaiping District People’s Court has accepted the merger and bankruptcy case of seven related enterprises including Tangshan Shuihou Steel Rolling Mill No. 1, Tangshan Xingye Industrial & Trading Group Co., Ltd. and Tangshan Kaiping District Xingye Steel Rolling Mill.

Guangzhou Intermediate People's Court has ruled that the above case filed by it was closed as the parties subject to enforcement were bankrupt enterprises under merger and 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 merger and 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 defaulted prepayment. Currently, the possibility of collecting the related prepayment remains uncertain.

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 2021 (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:

Name	Qualification
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 SFO

- (b) As at the Latest Practicable Date, Vinco Financial 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 Financial has given and has not withdrawn its 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 Financial 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 2021 (being the date to which the latest published audited financial statements of the Company were made up).
- (e) The letter and recommendation from Vinco Financial was 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 chief legal adviser and 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 First Right of Operation Agreement, and the Rescue Services Entrustment Master 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.

NOTICE OF 2022 THIRD EXTRAORDINARY GENERAL MEETING



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 2022 THIRD EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Guangdong Yueyun Transportation Company Limited (the “**Company**”) will be held at 24/F, Yueyun Building, No. 3 Zhongshan Second Road, Guangzhou, Guangdong Province on Wednesday, 30 November 2022 at 3:00 p.m. (the “**EGM**”) (or at any adjournment thereof) for the purposes of considering and, if thought fit, passing the following resolutions by its Shareholders. Unless otherwise defined, capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 10 November 2022.

ORDINARY RESOLUTIONS

1. “**THAT** the Proposed Annual Caps relating to the transactions contemplated under the Subcontracting Arrangements entered into by the Group pursuant to the First Right of Operation Agreement in the amounts of RMB277,270,000, RMB288,430,000 and RMB298,480,000 for each of the three years ending 31 December 2023, 2024 and 2025, respectively, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and **THAT** any one Director be and is hereby authorised for and on behalf of the Company to execute and deliver all such documents, instruments and agreements and to take all steps as he or she considers necessary, desirable or expedient to implement and/or give effect to the Subcontracting Arrangements and the transactions contemplated thereunder.”
2. “**THAT** the renewal of the Rescue Services Entrustment Master Agreement dated 30 September 2013 between the Company and Guangdong Provincial Communication Group Company Limited and the transactions contemplated under it be and are hereby approved, ratified and confirmed; and **THAT** the proposed annual caps of the transactions contemplated under the Rescue Services Entrustment Master Agreement in the amount of RMB168,780,000, RMB128,050,000 and RMB129,330,000 for the three years ending 31 December 2023, 31 December 2024 and 31 December 2025, respectively, be and are hereby approved; and **THAT** any one Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to take all steps necessary and expedient to implement and/or give effect to the Rescue Services Entrustment Master Agreement.”

NOTICE OF 2022 THIRD EXTRAORDINARY GENERAL MEETING

3. “**THAT** the adoption of the revised annual cap under the Rescue Services Entrustment Master Agreement dated 30 September 2013 and renewed on 27 September 2019 between the Company and Guangdong Provincial Communication Group Company Limited in the amount of RMB136,000,000 for the year ending 31 December 2022 (the “**Revised Annual Cap**”) be and is hereby approved and confirmed; and **THAT** any one director of the Company be and is hereby authorised to sign or execute such other documents on behalf of the Company and to do all such things and take all such actions as he/she may consider necessary or desirable for the purpose of giving effect to and implementing the Revised Annual Cap with such changes as he/she may consider necessary, desirable or expedient.”

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

Guangzhou, the PRC

10 November 2022

NOTICE OF 2022 THIRD EXTRAORDINARY GENERAL MEETING

Notes:

1. The 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 25 November 2022 to 30 November 2022, both days inclusive, during which period no transfer of shares will be registered. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company on 30 November 2022 are entitled to attend and vote at the EGM. In order to attend and vote at 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 24 November 2022.
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.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised 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 authorised attorney(s). If that instrument is signed by an attorney of the Shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.
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 Mr. Guo Junfa, Mr. Zhu Fang, Mr. Huang Wenban, Mr. Su Huacai and Mr. Hu Xianhua as executive directors of the Company, Mr. Chen Min and Mr. Chen Chuxuan as non-executive directors of the Company, and Mr. Su Wujun, Ms. Huang Yuan, Mr. Shen Jialong and Mr. Zhang Xiangfa as independent non-executive directors of the Company.

* *For identification purpose only*