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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)**

### **REVISION OF EXISTING ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS**

#### **REVISION OF EXISTING ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 31 December 2020 in respect of, among other things, the Property Leasing Framework Agreement entered into between the Company (as lessee) and Guangdong Litong (as lessor). Pursuant to the Property Leasing Framework Agreement, the Company or its subsidiaries may lease properties from Guangdong Litong or its subsidiaries for a period from 1 January 2021 to 31 December 2023. Given that the expected transaction amount of the continuing connected transactions under the Property Leasing Framework Agreement for the year ending 31 December 2023 will exceed the existing annual cap, the Board has decided to revise the corresponding annual cap by increasing the existing annual cap of RMB3,400,000 for the year ending 31 December 2023 to RMB11,130,000. Save for the revision of the annual cap, all other terms of the Property Leasing Framework Agreement remain unchanged.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, GCGC holds approximately 74.12% of the total issued share capital of the Company and 100% of the equity interest in Guangdong Litong. Therefore, Guangdong Litong is a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions between the Company and Guangdong Litong pursuant to the Property Leasing Framework Agreement in respect of leasing of properties by the Group from Guangdong Litong or its subsidiaries constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio of the Revised Annual Cap exceeds 0.1% but is less than 5%, the continuing connected transactions for the year 2023 contemplated under the Property Leasing Framework Agreement are subject to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the independent shareholders' approval requirements.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 31 December 2020 in respect of, among other things, the Property Leasing Framework Agreement entered into between the Company (as lessee) and Guangdong Litong (as lessor). Pursuant to the Property Leasing Framework Agreement, the Company or its subsidiaries may lease properties from Guangdong Litong or its subsidiaries for a period from 1 January 2021 to 31 December 2023. Given that the expected transaction amount of the continuing connected transaction under the Property Leasing Framework Agreement for the year ending 31 December 2023 will exceed the existing annual cap, the Board has decided to revise the corresponding annual cap by increasing the existing annual cap of RMB3,400,000 for the year ending 31 December 2023 to RMB11,130,000.

## **PROPERTY LEASING FRAMEWORK AGREEMENT**

Save for the revision of the annual cap for the year ending 31 December 2023, all other terms of the Property Leasing Framework Agreement remain unchanged. The principal terms of the Property Leasing Framework Agreement are set forth below:

Date: 31 December 2020

Parties: (1) GD Litong (as lessor); and  
(2) the Company (as lessee).

Term: From 1 January 2021 to 31 December 2023. The parties may renew the Property Leasing Framework Agreement for three years through friendly negotiations, subject to compliance with the relevant requirements from the Listing Rules and all other applicable laws and regulations.

Leasing target: The parties have agreed that the Company or its subsidiaries may lease the properties from GD Litong or its subsidiaries.

The parties or their respective subsidiaries shall enter into an individual property leasing agreement in respect of each actual transaction based on the terms of the Property Leasing Framework Agreement. Each individual property leasing agreement shall contain the specific details of the leased property and must comply with the agreed terms of the Property Leasing Framework Agreement in all material aspects.

Rent and other fees: The Company or its subsidiaries shall negotiate the monthly rent with GD Litong or its subsidiaries based on the actual area of the leased property, and settle the rental payment on a monthly basis.

The deposit, rent, property management fees, cleaning fees, daily maintenance service fees, vehicle custody fees, air conditioning fees and other relevant charges and expenses in relation to the properties leased by the Company or its subsidiaries shall be determined between the parties after arm's length negotiations by reference to the market prices, being the relevant prices charged by independent third parties on normal commercial terms for comparable properties at the same or nearby locations.

The water and electricity charges in relation to the properties leased by the Company or its subsidiaries shall be determined based on the relevant prices fixed by the water supply companies and the electricity supply companies.

### Historical transaction amounts and existing annual caps

The table below sets out the historical transaction amounts and existing annual caps under the Property Leasing Framework Agreement:

<b>For the year ended 31 December 2021 (RMB' 000)</b>		<b>For the year ended 31 December 2022 (RMB' 000)</b>		<b>For the year ending 31 December 2023 (RMB' 000)</b>		<b>Actual amount for the three months ended on 31 March 2023</b>
<b>Annual cap</b>	<b>Actual amount</b>	<b>Annual cap</b>	<b>Actual amount</b>	<b>Annual cap</b>		
28,360	8,880	3,290	2,634	3,400		2,188

### Revised Annual Cap

The table below sets out the Revised Annual Cap for the year ending 31 December 2023 for continuing connected transactions under the Property Leasing Framework Agreement:

**For the year ending  
31 December 2023  
(RMB' 000)**

11,130

## **BASIS FOR DETERMINATION OF THE REVISED ANNUAL CAP**

In determining the aforesaid Revised Annual Cap for the year ending 31 December 2023, the Directors have mainly considered the following factors:

- (1) Property management fees and other related fees and expenses totaling RMB3,400,000 (i.e., the existing annual cap for the year 2023) are expected to be paid by the Group in 2023 for transactions for the purpose of leasing properties from Guangdong Litong and its subsidiaries other than Transportation Engineering under the Property Leasing Framework Agreement; and
- (2) Upon the completion of the Equity Transfer, Transportation Engineering became a subsidiary and an associate of Guangdong Litong. According to the property lease agreements between the Group and Transportation Engineering subsisting as at the date of this announcement, the total rent payable for 2023 for the properties leased from Transportation Engineering by the Group is approximately RMB5,430,000, and the total property management fees payable for 2023 is approximately RMB2,300,000.

All the property leasing agreements between the Group and Transportation Engineering which are still subsisting at the date of this announcement were entered into in 2020 and the right-of-use assets for properties leased by the Group under such property leasing agreements were recognized and reflected in the financial statements for the year in which such property leasing agreements were entered into, as such, the aggregate of total rent payable (i.e., RMB5,430,000) and total property management fees payable (i.e., RMB2,300,000) for the year 2023 was considered as one of the bases on which the Revised Annual Cap for the year 2023 was determined.

During the period from 1 January 2023 to the date of this announcement, the actual transaction amount under the Property Leasing Framework Agreement has not exceeded the existing annual cap for 2023.

## **REASONS FOR AND BENEFITS OF THE REVISION OF THE ANNUAL CAP**

Reference is made to the circular of the Company dated 28 September 2022 and the announcement of the Company dated 20 October 2022 in respect of the transfer of 100% equity interest in Transportation Engineering from the Company to Guangdong Litong. The Equity Transfer has been approved by the independent shareholders at 2022 second extraordinary general meeting of the Company held on 20 October 2022 by way of poll. Pursuant to Chapter 14A of the Listing Rules, upon the completion of the Equity Transfer, Transportation Engineering shall become a connected person of the Company, and the transactions between the Group and Transportation Engineering shall constitute connected transactions of the Company and transactions of similar nature between the Group and Guangdong Litong and/or its other subsidiaries should be aggregated. Having considered the basis for determining the Revised Annual Cap as stated in the section headed “Basis for Determination of the Revised Annual Cap”, the Board considers that revising the annual cap for the year 2023 for transactions under the Property Leasing Framework Agreement will provide more room for the continuing connected transactions involving leasing of properties by the Group from Guangdong Litong and its subsidiaries and will allow the Company to consolidate similar transactions between the Group and Transportation Engineering in compliance with the Listing Rules. Accordingly, the Board considers that the revision of the annual cap is in the interests of the Company and its shareholders as a whole.

## **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.

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

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

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

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

## **OPINION OF THE BOARD**

On 28 April 2023, the Company convened a board meeting to consider and approve the proposal to revise the existing annual cap for the year 2023 for the continuing connected transactions under the Property Leasing Framework Agreement. The Directors (including the independent non-executive Directors) consider that the revision of the existing annual cap for the continuing connected transactions is conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms of the transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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. They are considered to have a material interest in the board resolution approving the revision of existing annual cap for the year 2023 of continuing connected transactions with respect to leasing properties from Guangdong Litong and its subsidiaries, and therefore have abstained from voting on the resolution. Save as disclosed herein, none of the other Directors is materially interested in and is therefore required to abstain from voting on the relevant resolution.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, GCGC holds approximately 74.12% of the total issued share capital of the Company and 100% of the equity interest in Guangdong Litong. Therefore, Guangdong Litong is a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions between the Company and Guangdong Litong pursuant to the Property Leasing Framework Agreement in respect of leasing of properties by the Group from Guangdong Litong or its subsidiaries constitute continuing connected transactions for the Company.

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## INFORMATION ON THE PARTIES

### *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.

### *GCGC*

GCGC is the controlling shareholder of the Company and holds approximately 74.12% of the entire issued share capital of the Company as at the Latest Practicable Date. GCGC is a wholly state-owned enterprise under the supervision of the Guangdong State-owned Assets Commission. The GCGC and its subsidiaries are principally responsible for the investment, construction and management of the expressways in the Guangdong Province and are also engaged in the logistics and transportation.

### *Guangdong Litong*

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

### *Transportation Engineering*

Transportation Engineering is a company established under the laws of the PRC with limited liability and is principally engaged in property rental, car park operation and property management businesses. Transportation Engineering was originally a wholly-owned subsidiary of the Company. Upon completion of the Equity Transfer, the Company ceased to hold any interest in Transportation Engineering and Transportation Engineering became a wholly-owned subsidiary of Guangdong Litong.



## DEFINITIONS

Terms and expressions used in this announcement shall have the following meanings:

“Board”	the board of directors of the Company
“Company”	Guangdong Yueyun Transportation Company Limited* (廣東粵運交通股份有限公司), a joint stock limited company incorporated under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 03399)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer”	the transfer of 100% equity interest in Transportation Engineering by the Company to Guangdong Litong pursuant to the equity transfer agreement entered into between the Company and Guangdong Litong on 10 August 2022
“GCGC”	Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司), a state-owned enterprise established under the laws of the PRC and a controlling shareholder of the Company
“Transportation Engineering”	Guangdong Province Transportation Engineering Company Limited, a company established in the PRC with limited liability, upon completion of the transfer of equity interest, Transportation Engineering changed from a wholly-owned subsidiary of the Company to a wholly-owned subsidiary of Guangdong Litong
“Group”	the Company and its subsidiaries owned from time to time
“Guangdong Litong” or “GD Litong”	Guangdong Litong Development and Investment Company Limited (廣東利通發展投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of GCGC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules



“Revised Annual Cap”	the revised annual cap in respect of the transactions under the Property Leasing Framework Agreement for the year ending 31 December 2023
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Guangzhou, the PRC  
28 April 2023

*As at the date of this announcement, the Board comprises Mr. Guo Junfa, Mr. Zhu Fang, Mr. Huang Wenban 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*