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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)

DISCLOSEABLE TRANSACTION CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that on 19 August 2014, Vehicles Transportation Group, Yueyun Traffic Technical (both of which are wholly-owned subsidiaries of the Company) and the Management and Employees of the Target Company entered into the Capital Increase Agreement with QCCD pursuant to which the Vehicles Transportation Group, Yueyun Traffic Technical and the Management and Employees of the Target Company agreed to make capital contribution in cash to the Target Company. Vehicles Transportation Group will acquire a stake in the Target Company by making capital contribution of RMB219,300,000 in cash, of which RMB25,500,000 will be registered capital of the Target Company. Yueyun Traffic Technical will acquire a stake in the Target Company by making capital contribution of RMB46,240,000 in cash, of which RMB5,376,700 will be registered capital of the Target Company. The Management and Employees of the Target Company will acquire a stake in the Target Company by making capital contribution of RMB35,460,000 in cash, of which RMB4,123,300 will be registered capital of the Target Company.

Upon completion of the Capital Increase, (i) the registered capital of the Target Company shall be RMB50,000,000; and (ii) the equity interest in the Target Company shall be held as to 51%, 10.7535%, 8.2465% and 30% by Vehicles Transportation Group, Yueyun Traffic Technical, the Management and Employees of the Target Company and QCCD, respectively.

As one or more applicable percentage ratios for the transactions contemplated under the Capital Increase Agreement exceed 5% but below 25%, the entering into of the Capital Increase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

1. INTRODUCTION

On 19 August 2014, Vehicles Transportation Group, Yueyun Traffic Technical (both of which are wholly-owned subsidiaries of the Company) and the Management and Employees of the Target Company entered into the Capital Increase Agreement with QCCD pursuant to which Vehicles Transportation Group, Yueyun Traffic Technical and the Management and Employees of the Target Company agreed to make capital contribution in cash to the Target Company. Vehicles Transportation Group will acquire a stake in the Target Company by making capital contribution of RMB219,300,000 in cash, of which RMB25,500,000 will be registered capital of the Target Company. Yueyun Traffic Technical will acquire a stake in the Target Company by making capital contribution of RMB46,240,000 in cash, of which RMB5,376,700 will be registered capital of the Target Company. The Management and Employees of the Target Company will acquire a stake in the Target Company by making capital contribution of RMB35,460,000 in cash, of which RMB4,123,300 will be registered capital of the Target Company.

Before the Capital Increase, the appraised net assets value of the Target Company as at 30 June 2013 was RMB129,000,000, which will serve as QCCD's contribution to 30% registered capital of the Target Company after completion of the Capital Increase

Upon completion of the Capital Increase, (i) the registered capital of the Target Company shall be RMB50,000,000; and (ii) the equity interest in the Target Company shall be held as to 51%, 10.7535%, 8.2465% and 30% by Vehicles Transportation Group, Yueyun Traffic Technical, the Management and Employees of the Target Company and QCCD, respectively, and the Target Company will become a non-wholly owned subsidiary of the Company.

The principal terms of the Capital Increase Agreement are summarized as follows:

2. CAPITAL INCREASE AGREEMENT

Date 19 August 2014

Parties

- (1) Vehicles Transportation Group;
- (2) Yueyun Traffic Technical;
- (3) the Management and Employees of the Target Company; and
- (4) QCCD

Subject matter

Pursuant to the Capital Increase Agreement, Vehicles Transportation Group, Yueyun Traffic Technical and the Management and Employees of the Target Company agreed to make capital contribution in cash to the Target Company in the amount of RMB219,300,000, RMB46,240,000 and RMB35,460,000, respectively, of which RMB25,000,000, RMB5,376,700 and RMB4,123,300, respectively will be recognized as the registered capital of the Target Company.

Consideration and payment

Pursuant to the Capital Increase Agreement, 50% of the amount of the Capital Increase, being RMB109,650,000, RMB23,120,000 and RMB17,730,000, will be deposited in cash into the designated bank account of the Target Company by Vehicles Transportation Group, Yueyun Traffic Technical and the Management and Employees of the Target Company, respectively, within ten working days from the date of the Capital Increase Agreement. The remaining 50% of the amount of the Capital Increase will be deposited into a designated account of the Target Company within two years after the date of the Capital Increase Agreement.

The amount of Capital Increase under the Capital Increase Agreement was determined by the parties with reference to the appraised net assets value of the Target Company and open bidding on the property rights exchange.

Composition of the board of directors and supervisory committee of the Target Company

Upon completion of the Capital Increase, the board of directors of the Target Company shall comprise seven directors, of which two directors shall be nominated by QCCD, four directors shall be nominated by the Vehicles Transportation Group and one director shall be elected by the staff of the Target Company.

Upon completion of the Capital Increase, the supervisory committee of the Target Company shall comprise three supervisors, of which each of QCCD and Vehicles Transportation Group shall be entitled to nominate one supervisor and one supervisor shall be elected by the staff the Target Company.

3. SHAREHOLDING INFORMATION OF THE TARGET COMPANY

The shareholding information of the Target Company before and after completion of the Capital Increase is set out below:

Shareholder	Amount of contribution to registered capital before completion of the Capital Increase (RMB)	Equity interest in the Target Company before completion of the Capital Increase	Amount of contribution to registered capital after completion of the Capital Increase (RMB)	Equity interest in the Target Company after completion of the Capital Increase
Vehicles Transportation Group	0	0	25,500,000	51%
Yueyun Traffic Technical The Management and Employees of the Target Company	0	0	5,376,700	10.7535%
QCCD	41,990,000	100%	4,123,300	8.2465%
Total	41,990,000	100%	50,000,000	100%

4. FINANCIAL INFORMATION OF THE TARGET COMPANY

Under the PRC Accounting Standards, the latest audited net asset value of the Target Company as at 31 December 2013 amounted to approximately RMB206,538,000.

Under the PRC Accounting Standards, the audited profit before and after taxation of the Target Company for the two years ended 31 December 2012 and 2013 were as follows:

	For the year ended 31 December 2012 (RMB'000)	For the year ended 31 December 2013 (RMB'000)
Net profit before taxation	29,612	27,049
Net profit after taxation	22,204	20,154

5. INFORMATION ON THE PARTIES TO THE CAPITAL INCREASE AGREEMENT AND THE TARGET COMPANY

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 motor vehicle transportation and auxiliary services, integrated logistics services and expressway-related services.

Vehicles Transportation Group was established under the laws of the PRC and a wholly-owned subsidiary of the Company. Its principal business is motor transportation and auxiliary services.

Yueyun Traffic Technical was established under the laws of the PRC and a wholly-owned subsidiary of Yueyun Transportation (HK), which is a wholly-owned subsidiary of the Company. Its principal business is the sale of asphalt and asphalt products and the provision of transportation consultation services.

QCCD was established under the laws of the PRC as a limited liability company. Its principal business is road passenger transportation, road passenger and cargo transportation, passenger transportation of public vehicles and passenger terminal operation.

The Management and Employees of the Target Company who are parties to the Capital Increase Agreement comprise 11 individuals.

The Target Company was established under the laws of the PRC as a limited liability company. Its principal business is road passenger transportation, road passenger and cargo transportation, passenger transportation of public vehicles and passenger terminal operation.

To the best knowledge of the Directors and after making reasonable enquiries, each of QCCD, the Target Company and their ultimate beneficial owners and the Management and Employees of the Target Company comprising 11 individuals who are parties to the Capital Increase Agreement is a third party independent of the Company and its connected persons.

6. REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

Qingyuan City is adjacent to Guangzhou City and is situated within the “Half-hour Economic Circle” of the Pearl River Delta. It is an important interchange for transportation and logistics for industries in the Pearl River Delta, with excellent transportation infrastructure facilities and a large transportation market. The Target Company, as the only enterprise with the level 2 qualification for road passenger transportation in Qingyuan City, has abundant road transportation resources, 8 stations of grade three or above, and 1696 operating vehicles, with business coverage throughout Qingyuan City and a market share of more than 50%. Under the current road transportation management system, new licenses for routes are tightly restricted. The Capital Increase provides an optimal way for the Group to enter into the road transportation market in Qingyuan City and is in line with the development strategies of the Group. The Capital Increase is expected to further optimise the road transportation network of the Group and enhance the competitiveness and market share of the Group by connecting with its established road transportation network in western and northern Guangdong with that of the Target Company.

The Group intends to pay the capital contribution by the Group under the Capital Increase Agreement through bank loans and internally generated funds. The Board is of the view that the terms of the Capital Increase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

7. LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios for the transactions contemplated under the Capital Increase Agreement exceed 5% but below 25%, the entering into of the Capital Increase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

8. DEFINITIONS

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

“Board”	the board of Directors
“Capital Increase”	the proposed capital contribution to the Target Company to be made by Vehicles Transportation Group, Yueyun Traffic Technical and the Management and Employees of the Target Company in the amount of RMB219,300,000, RMB46,240,000 and RMB35,460,000, respectively, pursuant to the terms and conditions of the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 19 August 2014 entered into between Vehicles Transportation Group, Yueyun Traffic Technical, the Management and Employees of the Target Company and QCCD in respect of the Capital Increase
“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 established under the laws of the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management and Employees of the Target Company”	management and employees of the Target Company, represented by a total of 11 individuals
“PRC”	the People’s Republic of China
“QCCD”	Qingyuan City Communications Construction Development Co. Ltd.* (清遠市交通建設開發公司), a company established under the laws of the PRC and the sole shareholder of the Target Company as at the date of this announcement

“RMB”	Renminbi, the lawful currency of PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Qingyuan City Vehicles Transportation Group Company* (清遠市汽車運輸集團公司), a company established under the laws of the PRC and which is wholly-owned by QCCD as at the date of this announcement
“Vehicles Transportation Group”	Guangdong Vehicles Transportation Group Company Limited* (廣東省汽車運輸集團有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company
“Yueyun Traffic Technical”	Yueyun Traffic Technical Service (Guangzhou) Co., Limited* (粵運交通技術服務(廣州)有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Yueyun Transportation (HK)
“Yueyun Transportation (HK)”	Yueyun Transportation (HK) Company Limited* (粵運交通股份(香港)有限公司), a company established in Hong Kong and a wholly-owned subsidiary of the Company

By Order of the Board
Guangdong Yueyun Transportation Company Limited
Xuan Zongmin
Chairman of the Board

Guangzhou, the PRC, 19 August 2014

As at the date of this announcement, the Board comprises Mr. Xuan Zongmin, Mr. Tang Yinghai, Mr. Yao Hanxiong, Mr. Fei Dachuan and Mr. Guo Junfa as executive Directors; Mr. Liu Hong and Mr. Li Bin as non-executive Directors; and Mr. Gui Shouping, Mr. Liu Shaobo, Mr. Peng Xiaolei and Mr. Jin Wenzhou as independent non-executive Directors

** for identification purposes only*