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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)

CONTINUING CONNECTED TRANSACTIONS VEHICLE RENTAL AGREEMENT

VEHICLE RENTAL AGREEMENT

On 2 July 2020, GVT Passenger Transportation Branch (as owner) and Guangdong Transportation Testing (as renter) entered into the Vehicle Rental Agreement, pursuant to which GVT Passenger Transportation Branch shall rent certain types of vehicles to Guangdong Transportation Testing for ETC testing during the term of the Vehicle Rental Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, 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. Guangdong Transportation Testing is a wholly-owned subsidiary of GCGC. Therefore, Guangdong Transportation Testing is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Vehicle Rental Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps in relation to the Vehicle Rental Agreement exceeds 0.1% but is under 5%, the Vehicle Rental Agreement and the transactions contemplated thereunder are subject to the announcement, reporting and annual review requirements, but exempt from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules.

INTRODUCTION

On 2 July 2020, GVT Passenger Transportation Branch (as owner) and Guangdong Transportation Testing (as renter) entered into the Vehicle Rental Agreement, pursuant to which GVT Passenger Transportation Branch shall rent certain types of vehicles to Guangdong Transportation Testing for ETC testing during the term of the Vehicle Rental Agreement.

VEHICLE RENTAL AGREEMENT

The principal terms of the Vehicle Rental Agreement are as follows:

Date : 2 July 2020

Parties : (1) GVT Passenger Transportation Branch (as owner); and
(2) Guangdong Transportation Testing (as renter).

Subject matter : GVT Passenger Transportation Branch shall rent certain types of vehicles to Guangdong Transportation Testing for ETC testing, which include Type 1, Type 2, Type 3 and Type 4 passengers vehicles and Type 1, Type 2, Type 3, Type 4, Type 5 and Type 6 goods vehicles classified in accordance with Vehicle Classification for Toll Rates of Toll Road* (收費公路車輛通行費車型分類) issued by the Ministry of Transport of the PRC. The number of each type of vehicles to be rented shall be determined in accordance with the actual needs of Guangdong Transportation Testing.

Term : From the date of the Vehicle Rental Agreement to 31 December 2020.

Rental fees : The table below sets forth the rental fees for each type of vehicles:

Type of vehicle	Daily rental fee (RMB per day)	Excess mileage fee (RMB per km)	Overtime fee (RMB per hour)
Type 1 goods vehicle	1,600	5	0
Type 2 goods vehicle	2,100	7	0
Type 3 goods vehicle	2,400	9	0
Type 4 goods vehicle	2,600	11	0
Type 5 goods vehicle	2,900	13	0
Type 6 goods vehicle	3,100	15	0
Type 1 passengers vehicle	1,300	4	50
Type 2 passengers vehicle	1,600	6	80
Type 3 passengers vehicle	2,000	8	100
Type 4 passengers vehicle	2,200	10	100

The daily rental fee for each type of the vehicles covers a daily mileage of 200 km and eight hours per day for the use of the vehicle for testing.

The excess mileage fee shall be calculated in accordance with the following formula:

$$\text{Actual total mileage of the vehicle} - (\text{number of days of the relevant rental} \times 200 \text{ km}) \times \text{the applicable excess mileage fee per km}$$

The overtime fee shall be calculated in accordance with the following formula:

$$(\text{Actual number of hours of using the vehicle} - \text{eight hours}) \times \text{the applicable overtime fee per hour}$$

The rental fees were determined based on arm's length negotiation between GVT Passenger Transportation Branch and Guangdong Transportation Testing with reference to the prevailing market rates for the rental of similar types of vehicles offered by independent third parties in the same or nearby area.

Payment terms : After completion of the vehicle rental and testing project, both parties shall calculate the rental fees for the vehicles rented and confirm the relevant fees within 15 days thereafter.

GVT Passenger Transportation Branch shall issue a formal invoice to Guangdong Transportation Testing in respect of the rental fees confirmed by both parties, and Guangdong Transportation Testing shall pay all the rental fees to GVT Passenger Transportation Branch within seven business days after receipt of the formal invoice.

Proposed annual cap

The proposed annual cap for the transactions contemplated under the Vehicle Rental Agreement for the year ending 31 December 2020 is RMB38,620,000, which was determined with reference to the estimated number of vehicles to be rented, the estimated mileage and time required for the ETC testing project and the agreed rates of rental fees under the Vehicle Rental Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE VEHICLE RENTAL AGREEMENT

The rental of vehicles pursuant to the Vehicle Rental Agreement will generate additional income in the form of rental fees for the Group, which will be beneficial to the financial position of the Group.

As Mr. Chen Chuxuan and Mr. Chen Min, non-executive Directors, are the deputy chief accountant and the head of strategic development department, and the head of legal affairs department of GCGC, respectively, they are considered to have a material interest in, and they have abstained from voting on, the resolutions passed by the Board to approve the Vehicle Rental Agreement and the transactions contemplated thereunder. Save as disclosed, none of the Directors has material interest in, or is required to abstain from voting on, the Board resolution in relation to the Vehicle Rental Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors) are of the view that the Vehicle Rental Agreement is entered into and conducted in the usual and ordinary course of business of the Company on arm's length basis and on normal commercial terms. The terms of the Vehicle Rental Agreement and the transactions contemplated thereunder and the proposed annual caps were determined between the parties after the arm's length negotiation, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES INVOLVED

The Group

The Company was established under the laws of the PRC as a joint stock limited company with limited liability and its H shares are listed on the Stock Exchange. The Group is principally engaged in the provision of travel service business.

GVT Passenger Transportation Branch

GVT Passenger Transportation Branch is a branch of Guangzhou Yueyun Transportation, which is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. Guangzhou Yueyun Transportation is a large-scale road passenger transportation enterprise and is principally engaged in the operation of shuttle buses, tour coaches, bus terminals and urban buses.

GCGC Group

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

Guangdong Transportation Testing

Guangdong Transportation Testing is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the GCGC. Guangdong Transportation Testing is principally engaged in engineering and technical research and testing development.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, 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. Guangdong Transportation Testing is a wholly-owned subsidiary of GCGC. Therefore, Guangdong Transportation Testing is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Vehicle Rental Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps in relation to the Vehicle Rental Agreement exceeds 0.1% but is under 5%, the Vehicle Rental Agreement and the transactions contemplated thereunder are subject to the announcement, reporting and annual review requirements, but exempt from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules.

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 supervision and audit department and the securities and legal department of the Company in charge of internal control and risk management to perform internal review and control over the continuing connected transactions of the Company, including reviewing contracts signed between the Company and connected persons, supervising the performance of procedures prior to signing of contracts as well as the fulfilment of transactions thereunder, regularly inspecting specific terms of the Company's transactions with connected persons and comparing with the terms of the same type transactions of the Company entered into with non-connected persons, to ensure that the pricing and other contract terms for the Group's continuing connected transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders and that the continuing connected transactions are conducted as agreed in the contracts and in compliance with the laws and regulations.

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

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

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

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

DEFINITIONS

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

“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
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“ETC”	Electronic Toll Collection
“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
“Group”	the Company and its subsidiaries
“Guangzhou Yueyun Transportation”	Guangzhou Yueyun Transportation Co., Ltd.* (廣州粵運交通運輸有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Guangdong Transportation Testing”	Guangdong Transportation Science Testing Co., Ltd.* (廣東交科檢測有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of GCGC
“GVT Passenger Transportation Branch”	the Passenger Transportation Branch of Guangzhou Yueyun Transportation Co., Ltd.* (廣州粵運交通運輸有限公司客運分公司)
“km”	kilometre
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong, the Macau Special Administration of the People’s Republic of China and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vehicle Rental Agreement”	the vehicle rental agreement dated 2 July 2020 entered into between GVT Passenger Transportation Branch (as the owner) and Guangdong Transportation Testing (as the renter) in respect of rental of vehicles by GVT Passenger Transportation Branch to Guangdong Transportation Testing for ETC testing
“%”	per cent

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

Guangzhou, the PRC
2 July 2020

As at the date of this announcement, the Board comprises Mr. Xuan Zongmin, Mr. Tang Yinghai, Mr. Yao Hanxiong, Mr. Wen Wu and Mr. Zhang Xian as executive directors of the Company, Mr. Chen Min and Mr. Chen Chuxuan as non-executive directors of the Company, and Mr. Jin Wenzhou, Ms. Lu Zhenghua, Ms. Wen Huiying and Mr. Zhan Xiaotong as independent non-executive directors of the Company.

* *For identification purpose only*